

EXPLORING HISTORY: A TWO-MINUTE DRILL  
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WEALTH IS PRODUCED WHEN LABOR (human effort) IS EXERTED ON LAND (nature). LAND and LABOR are, therefore, the TWO ORIGINAL FACTORS OF PRODUCTION. CAPITAL, which is produced when wealth is converted into production-assisting property, is the third.

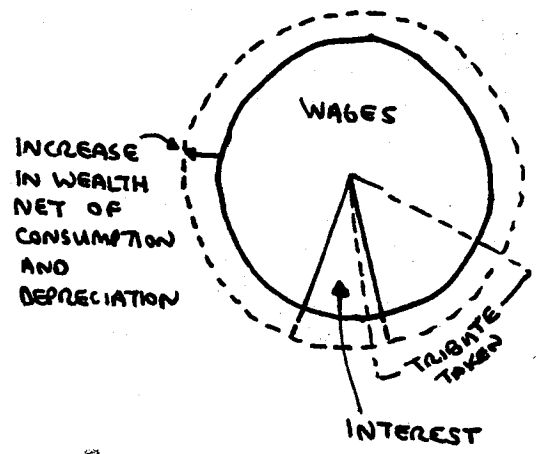
WEALTH can be either CONSUMED, SAVED, EXCHANGED or (as mentioned) CONVERTED, but as long as wealth continues to exist it is our PROPERTY, naturally, so long as it has come to us because we produced it or exchanged something for it that we did produce. Taking wealth from others by force, fraud or theft establishes no legitimate property rights. Thus, another good descriptive term for legitimately acquired wealth is NATURAL PROPERTY.

With the introduction of MONEY (gold and silver coins are examples of money; certificates of deposit fully secured by quantities of these metals or commodities represent money; unbacked paper currency issued by government is legal tender we are required to pretend is money) as a medium of exchange and storehouse of value, we were provided with a measurement standard for calculating the value of one type of wealth against another. Political economy was now possible as a scientific endeavor.

One of the things we have wanted to know about wealth is the total EXCHANGE VALUE of all wealth in existence at any point in history. An easy to understand way of conveying relative increases and decreases in the money/exchange value of total wealth is by use of a circle graph, as shown below.

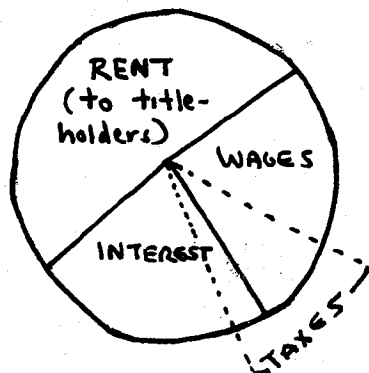
WEALTH AT THE DAWN OF CIVILIZATION

When the human population of the earth was still rather small and societies lived as hunter-gatherers, nature was by and large freely accessed. Thus, prior to the adoption of positive law sanctioning private titles to land, no one would pay for access to land and claims to landownership yielded no claim on the wealth of producers. Most wealth came directly from human effort (LABOR) and a small portion was added by use of tools (CAPITAL).



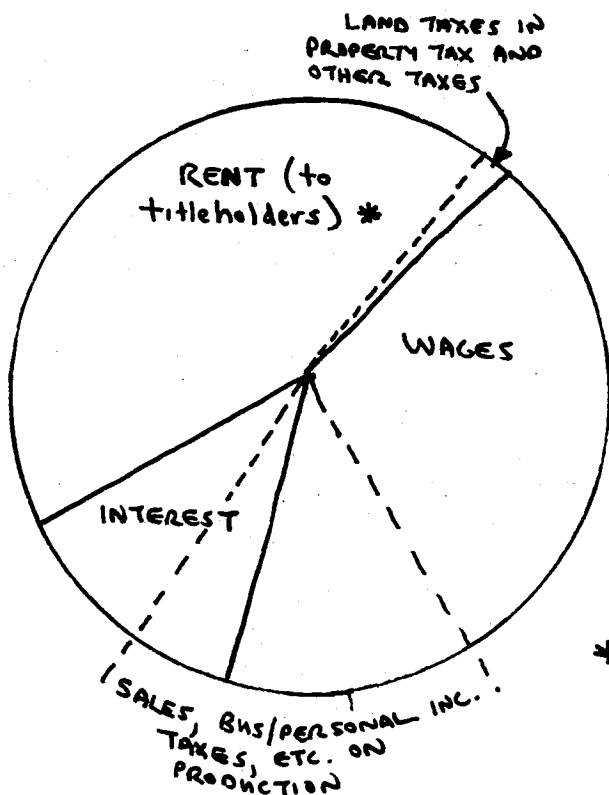
For convenience, classical political economists gave the term WAGES to the value of wealth directly attributable to human labor; and, the term INTEREST to the value of wealth directly attributable to the use of capital. As land came under control of specific groups and individuals and the availability of virgin land decreased, control over land enabled titleholders to claim a portion of production as a charge for access to land. This, the political economists termed RENT.

At the time of the earliest fixed human settlements and the practice of agriculture, control over land was still primarily communal. There was little capital to assist in production and tribal leaders received tribute from the producers in return for their administrative and protection services. This is reflected in the size and division of wealth shown in the above graph.



By the beginning of the industrial revolution land had become largely enclosed and privately held. More of total wealth produced was now attributable to the use of capital, but tribute had been replaced by more formal systems of taxation levied against producers (most often the landed, who controlled the political system, exempted themselves from such taxation while claiming as rent more and more of production).

Population growth combined with an increasing concentration of control over land meant increased competition for money-wage jobs and lower wages for the majority of producers. The propertyless workers also were forced into small residential areas of growing industrial cities, where urban landowners were able to extract much of their remaining wages as rent and interest for access to tenement housing.



PROGRESSIVISM, LIBERALISM and FABIAN SOCIALISM introduced to the political agenda a program of income redistribution (although the measures rarely affected those who had accumulated the largest amounts of personal wealth). At the same time technology dramatically increased the quantity and quality of wealth that could be produced by a given input of labor and capital to land. Thus, although the concentration of wealth continued, the poor became less poor and the standard of wellbeing for many producers increased absolutely (if not relatively to that of those at the very top).

\* By 1987 the cost of land now represented between 30-45% of the total acquisition price in many communities