

By **HENRY L. T. TIDEMAN**

Question: In *Progress and Poverty*, page 199, Henry George refers to the possibility of turning labor into capital rather than employing it directly at the production of wealth. It seems to me that my expenditure of labor in production must result in tangible articles of wealth which, before they reach the consumer, are capital. Actually, does not capital result from all labor engaged in production?

Answer: There is an elision in the thought process in the above. Change the verb "are" to *become*, in the phrase "before they reach the consumer, and the ideas will straighten out. The results of labor in production are wages, interest and rent. In some occupations the products have no other possible economic use than as capital. Examples of these are the manufacture of agricultural machinery, factory machinery, trucks, locomotives and other railroad equipment and the erection of buildings for manufacturers and traders.

Though it is proper to refer to the products of these occupations as capital, for that is the intention in their manufacture, still, they remain wages, interest and rent until they enter the market, becoming wealth in the course of exchange, that is, capital.

If we consider the primary occupations, those which extract wealth directly from nature; in such an occupation as agriculture; a crop having been planted, a continuous increase in value occurs, from planting to harvest time. This daily increase, the total of which becomes available at the end of the season includes the return to each of the factors in production, again, wages, interest and rent.

Now it occurs that producers may not consume directly all the wages, all the interest, or all the rent they produce. Having products for exchange, these products when placed into the market become capital and remain such until taken out of the market for consumption and are replaced by other products, which then become capital.

The words, wealth, capital, rent, wages and interest, are abstractions. They are functional separations of idea which, though they all treat of the same thing, treat of it in its various uses. We must keep each idea in its proper relation with the others. Wealth cannot be treated of as capital until its functions as wages, interest and rent have been completed. Then, if it is devoted to the further production of wealth it will be comprehended as capital.