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WEALTH-CREATION.

CHAPTER I.

Definition of Wealth—All Wealth is actually Distributed and Used
—The more Wealth there is Created, the more there is for
Distribution—Obstacles to the Creation of Wealth should be
removed, and Aids to it adopted—Money is not Wealth—
The Three Factors of Wealth are Land, Labour, and Capital.

BY "wealth" we mean all such objects of human desire as are obtained or produced by human exertions.

The amount of wealth, as above defined, that is at present produced by mankind falls short of satisfying the needs, physical and mental, of all men. But would it not be possible for the production of wealth to be so increased as to suffice for that purpose? And are the obstacles which have hitherto checked that increase insurmountable? These are the problems to which we shall devote our attention in this work.

It is intended to establish the following four propositions:—

1. All the wealth that is obtained or produced by human exertions is actually distributed and used.
2. The more wealth there is created, the more

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there is for distribution, and the more "objects of desire" fall to the lot of each human being.

3. All obstacles to the creation of wealth are injurious, and ought, if possible, to be removed. All aids to the creation of wealth are beneficial, and ought, if possible, to be adopted.

4. Such obstacles and aids to wealth-creation should be identified, classed, and discussed, with a view to their respective removal or adoption.

Before we proceed to examine these propositions *seriatim*, let us say a few words as to the worth and importance of such inquiries. No development of man's intellect, or of his moral sense, can take place until his physical wants are satisfied. The latter is a "condition precedent" to the former. Whatever tends to impart to labour its maximum amount of productiveness, and to prevent needless waste of wealth, tends to procure to the labour-seller more of physical comforts and less of physical toil. It tends to emancipate him, not indeed from the wholesome and ennobling duty of working, but from the drudgery of doing nothing else but work. All labour and capital, wasted by being directed to useless, unprofitable, or improper objects, are utterly thrown away, and by their misapplication the wealth remaining for distribution is unjustifiably diminished. To obviate this wrong against humanity is the mission of the economist, and, involving, as it does, the material as well as the mental and moral welfare of the great bulk of mankind, it is as noble an object as any science can have in view.

Those who, leading a life of refinement and

culture, affect to look with disdain on studies connected with the pursuit of wealth, should remember that they are themselves entirely dependent on its possession, either acquired or inherited, for the indulgence of their tastes. Few writers or painters refuse cheques for their works, and the most fastidious of them overlook for the nonce that, as labour-sellers and payment-receivers, they become parties to one of the most commonplace of mercantile transactions. We see no loss of real dignity on either side. Neither need sneer at the other.

Let us now look at the first of the four propositions with which we have started.

1. ALL THE WEALTH THAT IS OBTAINED OR PRODUCED BY HUMAN EXERTIONS IS ACTUALLY DISTRIBUTED AND USED.—The exceptions to this statement are so few, and comparatively so insignificant, that they prove the rule by showing how little it excludes. They chiefly arise from accidents that are more or less remediable. Let us enumerate the most notable instances in which wealth is annihilated without being distributed and used. (1) Destruction through shipwreck. (2) Destruction by fires, inundations, earthquakes, and similar natural causes. (3) Decay while waiting consumption (decomposition of fruit, fish, meat, and other perishable articles). (4) Heating and spoiling of grain, cotton, and other cargoes during their conveyance from one place to another. (5) Occasional over-production from want of market (grain rotting in some parts of roadless Russia; maize-ears used as fuel in some parts of America, &c.). Besides these, a few still more trivial cases may be adduced;

but all of them put together, when compared with the enormous volume of continuous production that results from the aggregate labour of all mankind, form so minute a fraction that the truth of our first proposition is thereby far less impugned than confirmed.

And it stands to reason that it should be so. Man does not labour to produce unless he derive some benefit from his labour. If, in exchange for what he produces in excess of his own wants, he can obtain from some other producer things that he feels a desire to possess, he will continue to produce in excess of his own wants; but should no opportunity exist for his making such exchanges, he will confine his production to his own personal requirements. For he has no inducement, and why should he labour fruitlessly? In short, unless wealth be distributed and used, it will cease to be produced. The practice of hoarding (which has greatly diminished and is gradually disappearing), and the unsold stocks of goods in dealers' hands, are causes which delay but do not prevent ulterior distribution.

On this proposition, which many may regard as a mere truism, we lay great stress, because, simple as it may appear, it is pregnant with important inferences and conclusions.

2. THE MORE WEALTH THERE IS CREATED, THE MORE THERE IS FOR DISTRIBUTION, AND THE MORE "OBJECTS OF DESIRE" FALL TO THE LOT OF EACH HUMAN BEING.—That the more wealth there is created, the more there is for distribution, is self-evident. As to possible im-

provements in the mode, or in the proportions, of that distribution, such topics do not come within the scope of the present treatise. We are here dealing with things as they are; and we assert that, even under the existing laws which regulate distribution, imperfect as they may be, the more wealth there is created, the more there is distributed among all classes of the community. All receive more or less of additional benefit from the increased mass of wealth that is created. If much is produced, there is more for all; if little is produced, there is less for all. In the former case nobody is pinched; in the latter case, savings-holders (capitalists) get what they want, while labour-sellers get what they can. Abundance leaves a large, scarcity a small, overflow, after the requirements of the rich are satisfied. It is clearly the interest of all, especially of the non-capitalists, that man's productive powers should be exercised in the most efficient manner, so as to create the largest possible fund of wealth. For it is out of that fund that human wants are supplied, and the more there is for all, the more there ought to be for each. The smaller the fund for distribution, the worse for the weak; for, in the scramble, the strong prevail and the weak suffer. Our great aim, therefore, should be to secure an abundance of every object that can contribute to man's material, and consequently to his intellectual and moral, well-being.

In articles of primary necessity distribution is not very unequal, except in cases of absolute destitution. A prince does not consume more food

than a peasant, and the greater the quantity of food raised, the more (since what is produced is distributed) falls to the lot of every man, rich or poor. Similarly, if all other articles, (1) of necessity, (2) of comfort, (3) of luxury, were produced in greater abundance than they now are, then in the proportion of such extra abundance the distribution would extend to a larger circle of consumers. There is no physical hindrance to those articles being produced in such abundance as that the distribution should extend to every member in the community. The hindrance entirely lies in ignorance, bad government, and other remediable causes. The aggregate productive power of man, properly developed and directed, is almost boundless. Its present results are a mere fraction of what they might be were the science of wealth-creation generally understood, and its teachings generally adopted. Let us suppose a state of things in which, with the same number of people, the number of objects of desire created by their labour and capital were on the average multiplied tenfold. It is clear that, as all wealth produced is distributed, the additional enjoyments thus procured would, in a varying degree perhaps, but still in a positive degree, be felt and shared by all classes of the people.

It may occur to some that such a multiplication of commodities might occasion a "glut." So it would, if all commodities were equally multiplied tenfold, without reference to the relative demand for each. It is for that reason that we used the words "on the average." Some articles would be

in excess if so multiplied, while others might be multiplied almost indefinitely without satiating the desire to possess them. There cannot possibly be a general "glut" of all commodities. A "glut" is simply the over-production of one or more, as compared with all other articles; or, which is the same thing, it is the under-production of other articles as compared with the one or more which are in excess. The moment the balance is restored, the glut ceases. As long as all commodities are produced in that proportion to each other which is indicated by the relative demand for them, there can be no glut. If you preserve that proportion, you may double, or decuple, or centuple the results of the same labour and capital, and there still can be no glut. Every article, however abundantly produced, is counterbalanced by, and is interchangeable with, a similar abundant production of other articles; and the result is not a glut, but a general abundance of all articles. It is this general abundance which, overlapping the requirements of the rich and strong, overflows on to the wants of the poor and weak; and it is this general abundance which it is the object of science to secure and apportion.

Given that "the more wealth there is created," the more falls "to the lot of each human being," it follows as a necessary consequence that

3. ALL OBSTACLES TO THE CREATION OF WEALTH ARE INJURIOUS, AND OUGHT, IF POSSIBLE, TO BE REMOVED. ALL AIDS TO THE CREATION OF WEALTH ARE BENEFICIAL, AND OUGHT, IF POSSIBLE, TO BE ADOPTED.—This seems a simple truism, and yet, while in the abstract it is

recognised, in practice it is ignored. It has been left to individual exertion (based on the acquisitiveness inherent to men) to adopt such means of accumulating wealth as lay in the power or satisfied the cupidity of each. True that governments have occasionally interfered in the shape of bounties and prohibitions, monopolies and patents, restrictions and privileges; but such assistance, while perhaps enriching a few, has only impoverished the community, and paralysed its productive powers. Statesmen have taken no large views of the important bearings of wealth-creation and wealth-distribution on the physical and moral welfare of the human race. Men cannot rise in the scale of being unless their material wants and spiritual aspirations are both ministered to. When we come to the enumeration of the obstacles and aids to wealth-creation, it will be seen how very many there remain of the former to be removed, and of the latter to be developed, before civilisation has exhausted all the means which are within its reach of benefiting mankind.

Before going farther, it will be necessary to inquire (*a*) into the claims of money to be considered as wealth; and (*b*) into the sources from which wealth is derived.

(*a*) We have defined "wealth" as meaning "all such objects of human desire as are obtained or produced by human exertions." It is clear from this definition that wealth consists of a vast number of things that are not money. But we go arther, and assert that money (whether in the shape of specie or of paper notes) is not wealth.

Suppose that all the money in the world of every sort were buried in the depths of the Atlantic Ocean, the wealth of the world would remain all but undiminished. The actual loss to, and deduction from, the mass of the world's wealth would amount to a few tons of metallic substances of very little use except for ornamental purposes, and a few reams of paper. The real wealth, to which the defunct money merely represented the relative claimants, would remain intact. There would be left just as much of food, clothing, house-accommodation, articles of luxury, land, labour, machinery, &c. &c., as before. It is the distribution thereof that would alone be affected.

On the holders of money such a catastrophe would inflict great injustice and hardship. They would lose the vouchers which entitled them to a defined share in the world's wealth. That wealth would remain as great, but, along with their money, their claim to a share of that wealth would vanish. They would get less, and others would get more, than their rightful proportion. The destruction which we have supposed of the precious metals would also, until some other standard of value were adopted, occasion enormous inconvenience, disturb the course of commercial interchanges, and necessitate a temporary resort to barter. It would disorganise the trade of the world, and for a time obstruct many of the processes of wealth-production. But while readily allowing all these evil consequences of the supposed annihilation of money, the fact still remains that it would not, to any extent worth considering,

diminish the aggregate amount of the world's wealth. It is clear, therefore, that money itself, as money, is not wealth, but that it merely represents the conventional and legal claim which the holder of money has to a certain share of those objects which do constitute wealth.

If the holder of a guinea ticket to a public dinner loses his ticket, and in consequence loses his dinner, that does not diminish the quantity of the meat and drink provided. The loser of the ticket forfeits his share of the feast, but that share is not, therefore, lost. It is simply distributed in some other way than it would have been if the ticket had not been lost. Money is wealth only in the same figurative sense that the ticket is turtle-soup and venison. Both entitle the bearers to a certain quantity of what they represent; but neither the destruction of the money nor the destruction of the ticket would diminish the stock of desirable objects, to a portion of which the money or the ticket gave the holders a claim.

There is no law of nature appointing gold and silver to be standards of value, or privileging them to perform the functions of a circulating medium. It is simply a question of convenience. In some countries, cowrie shells or cakes of salt perform the same functions; and, indeed, nearly everywhere, those functions are largely performed by bits of paper, with a few words written or printed on them, which have no intrinsic value at all. The adventitious value of gold and silver arising from the universal consensus of mankind to use them as standards of value, is very great indeed as com-

pared with that which they would intrinsically possess as metals, if they were deprived of that exceptional privilege. Supposing other standards of value adopted in their stead, thus limiting their use chiefly to artistic and ornamental purposes, how much more would they be worth than nickel or aluminium? The gold in a sovereign now exchanges for about thirty quatern loaves; it may be questionable whether it would then be exchangeable for more than one, if for so much. But however small comparatively may be the intrinsic value of gold and silver as mere metals, it is only to that extent that they constitute wealth. Beyond that value they are merely counters or tokens, which may be destroyed without destroying the wealth which they conventionally represent; just as the guinea ticket to a dinner, if made of bronze, worth, say, twopence, would, supposing it dropped in the river, entail the destruction, not of the good cheer which it conventionally represented, but merely of the twopence which formed the intrinsic worth of the ticket.

It may perhaps be suggested that money does come under our definition of wealth, as being (very decidedly) an "object of human desire." But it will be obvious, on reflection, that it is only the metals themselves, as metals, that are "obtained or produced by human exertions."

The same cannot be said of the conventional privileges superadded to them when used as money. These privileges are not a commodity "obtained or produced," and do not, therefore, come within our definition. Bank notes and bills

of exchange are also "objects of human desire," but they do not constitute, they only represent, wealth. They are desired, not for the sake of the worthless bits of paper of which they consist, but because they are tickets entitling the holders to a certain defined share in the world's wealth. The destruction of these bits of paper might perhaps disturb the relative ownership, but would by no means annihilate the existence, of the wealth which they represented.

We therefore arrive at this general theorem. Metallic money is not wealth, except to the extent of what the metal it consists of would be worth if it ceased to be used as money ; and paper money is not wealth at all, but merely represents a legal claim to it.

(b) The three factors of all wealth are land, labour, and capital. All three are represented in every commodity "obtained or produced by human exertions." No such commodity ever existed, or could exist, without all these three elements, in varying proportions, concurring in its production. The surface of the globe which we inhabit—that is, the land, water, and atmosphere, all of which we shall, throughout this work, include in the generic term "land"—furnishes to scanty bands of savages a precarious supply of fruit, game, and fish, obtainable by a minimum amount of labour and capital ; the labour being the acts of hunting or fishing, the capital being the rude implements and weapons which those acts require. In such cases labour and capital have contributed a very small, the land a very large, share. Let us take quite

an opposite instance. In the case of a picture by Mr. Millais, the few materials furnished by the land for canvas, easel, pigments, &c., contribute the merest fraction to the value of the picture, while the skilled labour of the artist, and the capital expended on his education and studies, form, beyond comparison, the most influential elements. But in each of these extreme cases, all the three factors, though in different proportions, are present. They are, indeed, indispensable to each other, and no two of them can produce wealth without the aid of the third. That without land labour and capital would have nothing to work upon, and could not even exist, is self-evident. That land and capital would be useless without labour is almost as obvious. That land and labour without capital would be totally unproductive is equally true, since absence of capital implies the absence of all tools and implements, and also of food or other stores set apart beyond the consumption of the day. Whatever is produced by labour in excess of immediate requirements, and laid by for future use, is capital. The weapons and canoes of the savage quite as much constitute fixed capital as our foundries or steam-ships. Without such capital the miserable biped would have to exist on the berries he might chance to find and pick up during the day, and would contribute no element of wealth. On the other hand, the English labourer, earning three shillings a day and saving one out of them, becomes a capitalist to the extent of, that saving, and may, by Mr. Fawcett's admirable provisions, out of a single day's economy,

twelve penny postage stamps, become a creditor of the State to that amount.

Inference :—Since wealth cannot exist without the combination of every one of these three factors—viz., land, labour, and capital—it follows that they are each of equal indispensability, and that all disquisitions as to their comparative importance in the production of wealth are idle and aimless, since their relative potency is indefinable.

CHAPTER II.

Classification of Obstacles and Aids to Wealth-Creation—Division of Labour—Free Commercial Intercourse—Loss Inflicted by the Opposite Policy.

WE now come to the 4th proposition laid down at page 2, and we contend that

ALL OBSTACLES AND AIDS TO WEALTH-CREATION SHOULD BE IDENTIFIED, CLASSED, AND DISCUSSED, WITH A VIEW TO THEIR RESPECTIVE REMOVAL OR ADOPTION.

We fancy that this proposition will meet with ready assent. If it be true that the more of wealth there is created, the greater is the benefit to the human race, it necessarily follows that it is essential to trace the causes that either promote or impede wealth-creation. We shall first proceed to consider the chief aids to the creation of wealth, which we may classify as follows :—

- A 1. Division of labour,
- A 2. Free commercial intercourse,

- A 3. Capital intelligently employed,
- A 4. Machinery and labour-saving processes,
- A 5. Facilities of inter-communication,
- A 6. Scientific discoveries,
- A 7. Education and morality.

We shall then proceed to consider the chief impediments to wealth-creation, which may be classified as follows :—

- B 1. Insecurity of person or property,
- B 2. Superfluity of unproductive consumers,
- B 3. Wars and international rivalries,
- B 4. Commercial isolation,
- B 5. Ignorance and immorality.

On the peculiar position of land in regard to its limitation of extent and its immovability, as compared with the unlimitable growth and universal adaptation of labour and capital, we shall remark farther on.

A 1. DIVISION OF LABOUR.—It is curious as well as instructive to compare the fecundity of a man's labour, when he is working in intelligent combination with others, with the sterility of the same man's labour when he is working isolatedly. A hive of men, harmoniously co-operating, can, without overstrain, produce indefinitely more than their joint requirements; whereas, all the efforts of a solitary individual can scarcely supply his most pressing wants. To say that in the one case man is a giant, in the other case a child, is a feeble expression of the relative power which the two positions confer on him of producing wealth. It would be nearer the mark to say that in the one case man can do everything, and in the other nothing.