

tion in its higher form of intellectual and moral culture. These two factors mutually act and re-act on each other; and whatever advance is made in either, it will be quickly followed, if not at once accompanied, by a corresponding advance in the other.

We have now gone through the list of those aids to wealth-creation which we had, at p. 14, proposed to examine. That list, however, was far from an exhaustive one, and numerous other topics readily suggest themselves as tending in the same direction. But some are too general in their scope or too indirect and partial in their connection with the subject to justify, while others are either too obvious or too unimportant to require, a separate reference. It will be observed that of all those aids to wealth-creation of which we have treated, there is not one that it is not in the power of man to adopt and carry out with more or less of completeness. It is for him, after inquiry and reflection, to decide whether those are truly the best means of attaining the best ends. If deemed to be so, there is no intrinsic difficulty, nor should there be any avoidable delay, in manfully resorting to them. True, that in the way of this active advance towards universal well-being there intervene certain obstacles, but we contend that, far from being insuperable, they can speedily be removed by the intelligent exercise of human volition. At a farther stage of this inquiry we shall advert to these obstacles, and measure their power of obstruction.

CHAPTER VI.

Impediments to Wealth-creation—Insecurity of Person and Property—Superfluity of Unproductive Consumers—Their Classification.

HAVING now considered the chief aids, we shall proceed to consider the chief impediments to wealth-creation, as classified at p. 15.

B I. INSECURITY OF PERSON AND PROPERTY.
—To put it in other words, one of the most formidable obstacles to wealth-creation is bad government. It is clear that capital will not be brought into existence, or will soon cease to exist, or will take unto itself wings and fly, unless it be secure from robbery or confiscation. Who would care to accumulate capital in a country where, or at a time when, it was liable to spoliation, through either the weakness or the wickedness of the government? Under such baneful influences, not only there is no growth, but there is decadence; not only the creation of native capital is impossible, but the introduction of foreign capital is repelled.

For instance, there exists a wide and promising field for the employment of capital and labour in the vast and fertile plains and in the latent mineral wealth of Asia Minor, but who would risk either capital or labour under the precarious protection of the feeble and loose-jointed Turkish Government against the red-handed swoop of greedy and unscrupulous Turkish pashas? On the other hand, observe the enormous amount of European capital

that has been attracted, by a sense of the security to person and property that there prevails, to North America, Anglo-India, and our Australian and other colonies, and the rapid creation of wealth that has resulted therefrom. Where capital goes, there also goes labour, which both feeds upon it and feeds it—labour which consumes indeed, but which, intelligently applied, reproduces infinitely faster than it consumes. This happy combination of capital and labour generates fresh masses of wealth, of which the unspent portion goes to form additional capital, and to sustain additional labour.

Sometimes, however, lured into extra risks by the temptation of extra profits, capital gets entangled into dangerous operations. Among other forms of imprudence large loans have been granted at various times to governments and nations of doubtful solvency, mostly, however, on terms which implied a knowledge of the risk encountered. Through ignorance or dishonesty, mismanagement or misgovernment, the sums thus lent have frequently been misapplied or wasted. The wealth which, if used as reproductive capital, would have been a source of prosperity and improvement, was squandered on futile, or sometimes on evil, objects, and the borrowing governments soon became unable to pay either the interest or the principal of their debts. Thus the capitalists lost their money, and the improvident governments lost all the advantages which the proper use of that money would have conferred, had it been applied to developing the resources of their country. Made aware by

bitter experience of the insecurity of investments made in such countries and with such governments, foreign capitalists henceforward stand aloof from them. They consequently fall to the rear in the march of improvement, and lag languidly behind. Turkey and the South American republics are notable instances, among some others, of confidence so forfeited.

With trifling exceptions, the only direct means by which a government can promote wealth-creation is by affording complete security to person and property. Whenever it actively interferes, however plausible the motive, with the natural course of trade and industry, such interference is almost always mischievous. Left to themselves, buyers and sellers, producers and consumers, importers and exporters, capitalists and wage-receivers, all find out, by long experience and by constant search after new modes of gain, the best conditions under which they can make those interchanges of which trade consists, and of which the individual profits constitute the aggregate profits of the community. Undoubtedly, it is within the province of government to prohibit adulterations, to punish frauds, and to enforce contracts. These, however, are mere police duties, indispensable to the security of person and property. These only define what shall not be done, but do not prescribe how wealth-creators shall do the work which they have to do. Of that, they themselves are the best judges.

But a government goes beyond its province, and gets out of its depth, when by fiscal regula-

tions it ventures to destroy one class of industry in order to rear another on its ruins. By adopting the protective system, it takes on itself the responsibility of directing the industry of the country into other than its natural channels. In effect, the following is the announcement of its policy: "You manufacturers of articles A and B, which are now exported in exchange for the foreign articles L and M, you must shut up your factories and throw your men out of work, for we are going to prohibit the import of the foreign articles L and M, and make them at home. Therefore your articles A and B will no longer be wanted in exchange for them." Is not this a great injustice to the capital and labour engaged in the production of articles A and B? And all the more so as these latter were produced so cheaply that the foreigner bought them, while articles L and M are produced so dearly that a protective duty is necessary to compel the native consumers to buy them.

Even from the most comprehensive point of view, this meddling interference of governments in such matters must be either inoperative or injurious. For if it produces no change in the distribution of industries it is useless and aimless. If it does, it must be for evil, since it implies a disturbance of the natural arrangements into which commerce and industry had settled. Protection to an industry that requires protection necessitates the sacrifice of some other industry that requires no protection. All, therefore, that the producers and distributors of wealth really require at the hands of government is protection to person and

property. Most of what governments volunteer to contribute beyond that is pernicious. On the other hand, such security is indispensable to wealth-creation; for without that, most of the inducements which move men to produce in excess of their daily requirements, and to accumulate capital, are wanting.

B 2. SUPERFLUITY OF UNPRODUCTIVE CONSUMERS.—If all the adults of a community were (other circumstances being favourable) to contribute directly, by every means in their power, to the creation of wealth—or, in other words, if there were no unproductive consumers—it is self-evident that either the wealth thus created would far exceed the wants (amply supplied) of all, or else that the average number of working hours per diem would be reduced far below what they now are. Indeed, in the latter respect, some progress has already been made, and in some countries fewer hours of consecutive labour, and more frequent respites from that labour, now accrue to both physical and mental workers. We are less plodding, but quicker and sharper at our work than our ancestors. Our facilities of locomotion and intercommunication are infinitely greater, and in England, with few exceptions—such as railway pointsmen, members of Parliament, and fashionable milliners—a somewhat larger proportion than formerly of the twenty-four hours is devoted to rest, recreation, or refinement. But the general improvement is very small, and, small as it is, it only reaches a certain number in a few countries, because the aids and impediments to wealth-crea-

tion have as yet been little considered from a politico-social point of view.

While, however, it is impossible that all the adults of a community should, as is assumed in the foregoing hypothesis, become productive consumers, it is clearly in the interests of wealth-creation that social arrangements should approach that desirable state of things as closely as possible, and that there should be in a state as few unproductive consumers as is consistent with other considerations. The greater the number of those on whom the burden of production may collectively weigh, the smaller will be the strain on each.

Let us now proceed to analyse and classify the various sections into which civilised societies are divided, and to inquire whether there do not exist among them an unnecessarily large number who consume without producing, and who are withdrawn, without adequate or justifiable cause, from the important work of wealth-creation.

The following four categories will, we believe, embrace all classes of the community :—

1. Those who produce and distribute wealth—that is, who contribute land, capital, and labour.
2. Those who govern, and the various functionaries whom they employ.
3. Those who are engaged in the learned and other professions.
4. Those who are unemployed, or who have no legitimate means of earning a livelihood.

The constituents of all civil societies are resolvable into these four groups, and we shall

examine each *seriatim*, with a view to inquire how far in each the relative number of productive and unproductive consumers might be advantageously modified.

1. *Those who produce and distribute wealth.*—This division primarily includes those persons who contribute to the three factors of all wealth, viz.—land (of course including mines, &c.), capital, and labour. We have shown at p. 12 that all three are indispensable to production, and that no two of them could be efficient without the concurrence of the third. The land-owner, the capitalist, and the labour-seller are co-agents in the work, and so equal in efficacy that neither of them can claim any superiority over the rest. Land and labour without capital are about as helpless as capital and land without labour. Since, then, the production of wealth is impossible without a combination of all three classes—land-owners, capitalists and labour-sellers—it follows that each class is entitled with equal justice to be designated a productive class. The claim often put forward on behalf of the labour-sellers that they are the sole creators of wealth is inadmissible. It is doing them a real service to remove that erroneous impression. Their true, and therefore their best, policy is to withdraw pretensions that cannot be sustained, and to rest their case on other and surer grounds. They may say, "Without us, the other two classes could do nothing." The answer is obvious, "Very true, but it is equally true that, without the other two, you yourselves could also do nothing. If, indeed, you possessed and contributed the land

and the capital, as well as the labour, you would then, in your treble capacity, really be the producers of wealth ; but that very supposition rather confirms than invalidates our proposition that land, capital, and labour are all three necessary to the production of wealth."

How the present possessors of land and capital became possessed of them is a question quite beside the present inquiry. As far as concerns the theorem which we propound as to the equal importance of all the three elements of production, it matters not in the least in whom, whether in individuals, or in corporations, or in the state itself, the possession of the existing land and capital may be vested. If by a despotic exercise of power, the state could, without dislocating the frame of society, dispossess the present owners, and substitute a fresh set, it would not alter the fact that land, capital, and labour are all three of equal necessity to wealth-creation.

In not a few instances all three are now concentrated in the same individual. A labour-seller who, through a building society or otherwise, has secured a freehold cottage, and who has a small sum in a savings-bank, while still earning weekly wages at a factory, combines the three qualifications. Lord Shaftesbury, a land-owner by inheritance, and no doubt a capitalist by excess of income over expenditure, is indefatigable, in and out of Parliament, in the noble work of promoting, according to his lights, the welfare of his fellow-men ; he also therefore combines the three qualifications. The merchant or manufacturer who has

amassed a fortune and bought some land, but who continues to work early and late at his office, equally combines the three qualifications. But it is none the less true that even when each qualification is held singly, the owners of such single qualification are all of them co-ordinate agents of production. One man lives by the rent of his land, the second by the interest of his capital, and the third by the sale of his labour ; but all three are producers, as the land, the capital, and the labour are equally indispensable to the creation of wealth. All three contribute to that end in different ways, but each way subserves the common purpose in an equal degree.

We have now, we think, adduced valid reasons for classing land-owners, capitalists, and labour-sellers as joint and co-equal producers of wealth. We now come to the classes who distribute the wealth thus produced, and these embrace a very large constituency. They comprise merchants, bankers, brokers, shopkeepers, ship-owners, railway proprietors, and, generally, all persons who are engaged in the work of transferring the wealth that has been created into its multifarious channels of consumption. The number of these agents of distribution, together with their assistants, clerks, porters, carters, sailors, and many other labour-sellers employed by them, is very considerable ; and their functions are of world-wide importance. Indeed, the main final cause of production is distribution. Without the latter, the former would either not take place, or would soon be discontinued. Who would go on producing unless, by exchanges,

he could reap some advantage from it? Now, distribution implies interchange of commodities; for the goods which the agents of distribution convey from country A to country B, either have been paid for beforehand, in which case they go to extinguish a debt and close a transaction, or they have to be paid for, in which case, till actually paid for, they go to create a debt and open a transaction. In either case, these transactions are finally balanced by the conveyance of commodities (of bullion in rare instances, and to an insignificant amount) from one country to another by the agents of distribution.

In this way does commerce resolve itself, directly or indirectly, into barter. Directly, when a merchant exports goods to a country, and in return imports other goods from the same country, so that the two operations about balance each other; indirectly, when the exporting merchants receive payment, not in other goods, but in bills of exchange; for these bills of exchange represent either recent purchases or old debts, for which the country on which the bills are drawn has to pay. This indirect barter through the medium of bills of exchange it is the special business of bankers to conduct. They each, within their respective range of operations, perform the same functions as does the bankers' clearing-house in London, by means of which hundreds of millions of debts owing to and owing by a multitude of persons clear each other off, without resorting to any but trifling payments backwards and forwards of coin or bullion. A labour-saving, time-saving, loss-saving device.

Since, therefore, without the facilities for interchange which the operations of distributors afford, nearly all incentives to wealth-creation would be wanting, the use of or indeed the absolute necessity for that class of workers must be readily admitted; and they certainly cannot be deemed unproductive consumers. It must, however, be observed that their work would be much simplified and could be performed by a much smaller body of men were it not for the complications, uncertainties, and obstacles of many kinds, created by national jealousies and by state restrictions on free commercial intercourse. For instance, a large quantity of useless labour (tantamount to digging and filling up unnecessary earth-holes) is now devoted to a compliance with the complex and obstructive forms and regulations enforced under the protective system that prevails in so many countries. All deviations from the natural and healthy simplicity of unrestricted interchange necessitate some extra and special organisation to meet an artificial state of things. Each additional obstacle requires the expenditure of some additional strain to overcome it, and thereby entails a certain amount of unproductive labour. On the whole, however, it is, of all classes of society, in the ranks of those who "produce and distribute wealth," that the fewest unproductive consumers are to be found.

It may be said that the land-owner who spends his income in self-indulgence, and whose only task in life is amusement (a laborious task, too, very frequently), cannot be called a producer in the same sense as is a man who works ten hours a day.

Very true. But neither can the ten hours' toiler be called a producer in the same sense as is the contributor of that essential element of production, land. What each contributes is different of its kind, but both are indispensable, and neither would be of use without the other. No one is under obligation to furnish both elements. The labourer is not bound to contribute land; neither is the land-owner bound to contribute labour. The soil must (unless we revert to a state of Nature, which is savagery) be owned by somebody; and that somebody, whoever it may be, whether a person or a community, is through its cultivation, whether directly or by lessees, a contributor of one of the three indispensable factors of all wealth. Of course such land as is not devoted to productive purposes comes under a different category. Its owner does not contribute to the creation of wealth, and is therefore not a producer. We shall deal with this exceptional case in a subsequent chapter when we come to treat of the peculiar position of land in regard to its limited supply and its irremovability.

On the other hand, the same persons who complain that the contributor of land does not contribute labour also, are those who frequently complain that the capitalist goes on working long after he has accumulated a fortune, and who say that he should retire and leave the field which has enriched him open to others. Between these two complaints there is a manifest inconsistency. If the land-owner ought to contribute both land and labour, so ought the capitalist to contribute both capital and labour. The truth is that such double

contribution is entirely optional. Its practice would, of course, subserve the interests of wealth-creation, but there is no obligation on any one either to act upon it or to abstain from it.

CHAPTER VII.

Government Functionaries—The Professional Classes—The Unemployed Poor.

2. *Those who govern, and the functionaries whom they employ.*—It is this class which furnishes by far the most numerous contingent of unproductive consumers, and in which the largest reforms are both necessary and possible. Let us at once start with the following proposition, viz. :—That all those persons whose services are requisite for the due performance of those functions—legislative or executive, civil or military—through which the government of a community discharges the complex duty assigned to it of protecting the person and property of its members, are indispensable to the well-being of society, and cannot be spared from the important work to which they are appointed. It is only to those whose services are not requisite for the performance of such functions rightly understood, and who nevertheless are retained and paid by the state, that the designation of "unproductive consumers" is applicable.

Of these, some have no doubt been appointed to their useless tasks by patronage or routine, but