



CAPITAL AND LABOUR.

FEW questions in the range of political economy attract more attention at present than the mutual relations of Land, Labour, and Capital. I believe if we arrive at a true conclusion as to the connexion of the two latter, their mutual relation to land (or rent) can be easily determined.

That capital is the result of labour is generally conceded; whence it follows that labour does not always require previously acquired capital for its support. And the same thing is otherwise evident. A man cast on an uninhabited island, where fruit, fish, and game abounded, could support himself by his own labour without any previous capital; and if food was sufficiently abundant, he might lay by a stock of it to maintain himself while making a house to dwell in, or a boat to escape from his place of exile. This stock would be his capital saved from the produce of labour, which was undertaken without capital. Or he might collect food enough for each day, before the working hours were over, and spend the rest of the day at work on his house or his boat, thus labouring without capital, and yet producing works of permanent value. But works of any

importance, which require time for their completion, can rarely be undertaken without capital. Such works can seldom be used or sold in an unfinished state. A ship cannot be put to any use until it is ready to be launched; and it could not be built unless there was sufficient capital *somewhere* to support the workmen (to say nothing of procuring the materials) until it was completed. This capital may indeed exist in different places, and in the hands of different persons. The workman himself may have a sufficient fund in hand to support him until the work is done; or he may be supported by a shop-keeper who sells goods on credit, to be repaid at the same period; or his employer may have the requisite capital; or, finally, this capital may exist only in the hands of a person with whom the employer has contracted, and who again may have borrowed the whole or a part of it from some other capitalist. But somewhere or other the requisite capital must exist, and exist in such a form that it will reach the workman if he is not the original possessor of it. It is true that the value of the unfinished ship increases from day to day, and that the owner may be able to sell it, or to borrow money on it long before it is completed. The unfinished ship may thus be termed a part of his capital; and though he pays the workmen from day to day, his capital may go on increasing during the whole time. But if the unfinished ship may thus be termed capital, it is at all events not the *kind* of capital which is required for the maintenance of labour; whereas, without a supply of capital available for the maintenance of labour, the

building of the ship could not have gone on. It is true, indeed, that the whole of the capital necessary to maintain the labourers during the building of the ship need not have existed before the work was commenced. Some of it may have been created while the building was in progress. For example, the employer may have realized a profit on another ship while the work was progressing, and may apply this profit in payment of the labourers. But this newly-created capital was not created by the building of the unfinished ship. That ship cannot be made use of to pay the labourers until it is finished and sold; and therefore the proposition laid down by Mr. George, that labour is sustained by its own produce, seems to me, when stated generally, to be unfounded. It is not true of any great and permanent work, and is hardly true of any description of work in an old and civilized country.

The case, however, becomes clear when we pass from labour in general to hired labour, which is much the most common kind of labour in all civilized countries. No person without capital can hire labour—at least unless he is believed to have capital. For no man would labour for hire, subject to the condition that he was to be paid out of the proceeds of his own toil. Such a hiring would amount to an agreement that if the proceeds of his labour exceeded the wages agreed upon, the employer should take the excess, whereas if these proceeds fell short of his wages, the labourer should be satisfied with them. For if the employer was avowedly a man without capital, it is plain that he could not pay the labourer

anything more than the proceeds of the latter's own labour, and an agreement to pay more would be so much waste paper. In every hiring, therefore, it is assumed that the employer has the means of paying the wages which he undertakes to pay, even though he should have to dispose of the finished work at a loss—that the farmer, for example, can pay his labourers, even if a bad harvest should not yield enough to pay the rent, seed, and taxes, without drawing on his other resources. The employer is thus a capitalist. He takes the risk, and agrees to pay the labourer a fixed sum in any event, this sum being low enough to give him a reasonable expectation of realizing a profit on the transaction. And besides the risk, he has almost always to advance a portion at least of the wages. His profit, accordingly, should be sufficient to cover interest as well as risk, together with, in most cases, a remuneration for his own trouble in planning and superintending the work. There is thus, at all events, an element of truth in the economical maxim that Labour is limited by Capital. A man does not usually commence building a house unless he sees his way to finishing it, either with his own capital or with the capital of others, which he confidently calculates on being able to borrow; and a great deal of capital has to be expended on the house before any product of this expenditure comes in. In fact no product comes in until the house is inhabited. The man who buys an uninhabited house must be himself a capitalist. It may be added, that the greater part of the labour, which is not the subject of hire in this country, consists

of the agricultural labour of the occupiers of land and their families. But for this kind of labour capital is also required; for the soil only yields products capable of being sold or of directly maintaining labour after considerable intervals, and while waiting for these returns the tiller of the soil must be supported either by his own capital or by the capital of others. Though his fields might bear promise of a splendid harvest, if no one within his reach possessed more food than he required for his own consumption, the farmer would starve before the time for reaping arrived. He might indeed find capitalists willing to give him credit; but then his labour would be supported by their capital (or perhaps by the capital of persons who had given *them* credit) until his crops were ready for the market.

To this extent, then, labour is supported and limited by capital; and, all other things being alike, the more capital there is in any district seeking investment the greater will be the demand for labour. But even then it is the proportion between capital and labour, and not the actual amount of capital, that must be looked to. If the capital is doubled while the labouring population is trebled, a diminished demand for labour and decrease in wages will result. A great capitalist, moreover, frequently does not invest all his capital in his own district, or even in his own country; while in order to produce an increased demand for labour at any particular place there must be an increased amount of capital seeking for investment at that place. With these qualifications the increase of capital is in itself of advantage to the

labourer, and so far it may be said that the interests of the capitalist and of the labourer are identical. But this identity extends no further. It is for the interest of the capitalist that there should be a large supply of labourers in his neighbourhood, because every increase in the number of persons seeking employment tends by competition to diminish wages. On the other hand it is not for the interest of the labourer that there should be too many hands seeking employment. The fewer competitors he has, the better bargain he can make with his employer. Further, it is evident that (leaving rent out of account for the present) (the produce of labour affords the fund out of which both the wages of the labourer and the profits of the capitalist must ultimately be paid (or repaid if the wages has been previously advanced).) It may be for the interest of both parties that this fund should be as large as possible; but when we come to the distribution of the fund, every increase in the proportionate share of the one must be accompanied by a diminution in the proportionate share of the other. It is the interest of the capitalist to keep wages down to the sum which is necessary to maintain the labourer and keep him in working condition. It is the interest of the labourer to keep down the capitalist's profits to the lowest percentage that will induce him to continue the work. Interests which are identical as regards the creation of the fund, are thus hostile as regards its distribution. Hence come strikes and lock-outs. In the former the men surrender their wages for a time in order to obtain a larger share of the common fund for the

future ; in the latter the employers surrender their profits for a time, with a similar object. The co-operative system is the only one which avoids this conflict of interests. In the system of employer and employed—of capitalist and labourer—it is inevitable.

But the increase—even the proportionate increase—of capital may be accompanied with incidents which render it useless to the labourer. For not the whole, but only a part of the capital invested in any work, is employed in the payment of wages. Thus, when capital is invested in making a railway, there is in the first place a large sum paid for the purchase of land. This may continue to be capital in the hands of those who receive it, but very little of it is usually expended in the maintenance of labour in the district through which the railway passes. Another large sum is expended in the purchase of wood and iron. Much of the price of these articles consists of the repayment of labour, but of labour in a different district, and often in a different country from that in which the railway is made. So too of the engines and carriages, and other articles which I need not specify in detail. Nor is this all. As the railway will yield no profit for a considerable time, enough capital must be provided to pay the labourers, not for a few days, but for months or even years, before the line itself can be looked to as a means of repaying the labour expended on it. And that this circumstance tends to lower wages, or at least to keep it from rising, is easily shown.

Suppose I have £1000 to expend in wages, if I expend it in a work which is expected to yield a return

in ten days, I may lay out £100 a-day in labour; but if I have to wait for ten months before receiving the return, I can only expend £100 a-month, or about one-thirtieth part of what I could lay out in the former case. If I am the proprietor of a fishing-boat, the very first day's fishing may produce enough to pay the fishermen their wages; and if I can sell the fish immediately on landing, the labour may, in this case, be maintained out of its own produce without any capital except the boat and fishing-tackle. But at all events a very few days' wages would be sufficient for me to keep in hand to meet contingencies. Again, if I am the proprietor of a boot and shoe manufactory, I will have boots and shoes to sell in a few days after the work commences, and a small sum will suffice for the payment of wages, provided that I can obtain a ready sale for my goods when made. In the case of a railway or a ship, on the other hand, I may have to continue paying the labourers for months or even years before the work produces anything. Hence it is evident that works which yield quick returns can be carried on with less capital, in proportion to the number of labourers employed, than works which yield slow returns. This will be the case unless the part of the work which I may term materials, as opposed to labour, requires a greater outlay in proportion to the number of labourers in the former instance than in the latter. But the reverse of this is usually the case. In works of slow return the materials are generally more expensive in proportion to the number of labourers than in works of quick return (materials, as already remarked, often

include a good deal of labour, but then it is labour performed in a different locality, and in some cases labour performed many years before). The substitution of works of slow return for works of quick return therefore always tends to reduce wages;* and we shall I think see that this substitution is one which naturally accompanies the growth of capital and materially lessens the advantages which the labourer might otherwise expect to derive from that growth. If capital doubles itself while the labouring population increases by one-half, we might expect to find that wages had risen; but such a change may have taken place in the modes of expending capital during the interval, that wages will have actually fallen.

Early settlers and the early capitalists in countries emerging from barbarism usually expend their capital on works of quick return. Their capital is small, and they cannot afford to be deprived of the use of it for any considerable time. They have no such means of undertaking great works as Joint Stock Companies, Banks, &c., afford in a more advanced state of society. And as they can select the very best investments which are capable of being worked with a small capital, their profits are usually large—a circumstance which makes

* The distinction between works of quick return and works of slow return coincides to a considerable extent with that drawn by Political Economists between Circulating Capital and Fixed Capital. And it is usually conceded that with the growth of capital and progress of civilisation the proportion of Fixed to Circulating Capital tends to increase, and that the increase may for the time at least injure the labourer. But in Circulating Capital itself the rapidity of circulation differs very considerably, and this difference has also an influence on wages.

rapid returns peculiarly desirable. A profit of 5 per cent. four times in the year is better than a profit of 20 per cent. at the end of it, and the difference is proportionally greater than if the quarterly profit was one per cent., and the annual profit four. At what price could a grocer sell a keg of ten-year-old whiskey if the average profits of trade were 40 per cent. during the time that he had lain out of his money? But at the present rate of profits the price of ten-year-old whiskey is not extravagantly high. Quick returns and large profits are thus at first the order of the day. Capital accumulates rapidly, the demand for labour increases and wages rises. But no country can afford opportunities of unlimited investment, capable of producing large profits and quick returns, under any system of Land Laws that could be devised. The demand for any article diminishes as the supply increases, or at all events customers must be sought for at greater distances—thus rendering the returns slower and the profits smaller; and if wages has risen in the meantime, profits will be still further reduced. This observation would apply to every branch of industry and manufacture, even if the cost of the materials did not increase when a larger quantity of them was used. But an increasing capital accompanied with diminished profits naturally induces the capitalist to enter upon greater works, requiring a longer continuance of labour, and yielding slower returns. Works which could not be undertaken without loss when the current rate of interest is 7 per cent. may be undertaken with advantage when it has sunk to $3\frac{1}{2}$. And the invest-

ment of capital in such undertakings tends, as we have seen, to lower wages.

Moreover, there is another reason why, as capital increases, a smaller proportion of it is applied to the maintenance and remuneration of labour. This is the discovery of labour-saving appliances which always keeps pace with advancing civilisation. Better implements effect a considerable saving of labour. Fences, roads, &c., afford a further saving; and when the labour of domestic animals was first employed in the production of wealth there was a saving of human labour to an extent which it is difficult fully to appreciate. Afterwards the power of water and wind, and finally of steam and electricity, were applied to the same purposes as the toil of the horse and the ox: while wagons, cars, and indeed almost all kinds of machinery were constructed so as to lessen friction, and thus enable labour to be applied to greater advantage. Labour was no doubt necessary to effect most of these improvements, but the labour which was thus expended bore no proportion to that which was saved. Now this saving of labour is by no means an unmixed gain to the human race: for a large part of mankind are dependent on their labour for subsistence, and whatever lessens the demand for labour is injurious to them. It compels them to accept lower wages, and increases the chance of their being left for a time without any employment. It has a counterbalancing advantage in promoting a rapid accumulation of capital, which as we have seen is on the whole favourable to interests of the workman: but though

wages may in this way be prevented from actually falling, it is plain that it will not increase proportionally to the increase of capital, even if the number of labourers remains constant; and also that when capital is increasing faster than the labouring population, wages may be lowered rather than raised by the change. To this it is to be added that for most of these labour-saving appliances a certain amount of skilled labour is required. Thus even a good ploughman will earn more than an ordinary agricultural labourer. Now in a primitive state of society the distinction between skilled and unskilled labour hardly exists, while as civilisation progresses it becomes very marked, and the difference in wages is often considerable. This division of labourers into two classes tends to raise the wages of the higher division and to depress that of the lower; and as the majority of the labourers belong to this latter division, it is by their wages that the general rate of wages is usually estimated. Here is another reason why increasing capital does not always lead to increased wages.

Mr. George, to whose views on the subject of capital and labour I have already referred, contends that these labour-saving appliances ought to raise wages, and that the Land Systems usually adopted afford the only explanation of why they do not. Such appliances, he thinks, ought to raise wages, because they increase the efficiency of labour; and he appears to think that in a well-organised State no labourer would be left unemployed, inasmuch as labour is not maintained by capital, but by

its own produce. And if all the labourers continued to be employed while the efficiency of their labour was enhanced, it would be natural to anticipate an increased rate of wages. I have already expressed my dissent from a part of this theory. Labour, I apprehend, must to a certain extent be supported by capital, and the extent to which it must be thus supported increases with the progress of society ; and thus, even in a well-organised society, labourers may lack employment for want of the capital necessary to employ them. Further, the value of increased efficiency is not to be measured by its quantity. Suppose, for instance, that when we already manufactured a sufficient amount of cotton to supply the wants of our population, a discovery was made which doubled the efficiency of labour [in its production, and that the resource of exportation (a resource which cannot be universal) was not open to us. It is plain that we would not use double the quantity of manufactured cotton while it remained at the same price as before. Men in fact would not increase their consumption of cotton at all until the price was lowered. Then they would perhaps wear more clothes and buy new garments on occasions when formerly they would have been satisfied with patching up the old ones ; but making every allowance for this, I doubt whether they would consume a double quantity. But if their consumption fell short of this double quantity, the number of labourers engaged in the manufacture of cotton would be reduced, and some of the present labourers would have to seek employment in new branches of industry ;

and when labourers are seeking for employment wages always falls.

Where, moreover, could these labourers procure employment? Either in some existing branch of industry or in some new one. In the former case they would compete with those already employed, and thus tend to lower wages. Even if the employers in these branches of industry were willing to take all the hands thus disengaged, the increased production would fail to generate an increased demand at the same prices, and the fall in prices would lead to a reduction in wages. But, suppose, on the other hand, that the labourers are transferred to new branches of industry. In a wealthy and civilised country, the only reason why any branch of industry is new is that it could not previously have been worked with profit. And how can it be worked with profit now if labour is not cheaper? This I believe is only possible in two cases, viz.:—when the growing wealth of one section of the population produces a demand for luxuries which did not previously exist, and when the new labour-saving appliance is one which enables something that could not previously have been made without loss to be made with profit. In both these cases there is an increased demand for labour; but the former is a misapplication or consumption of capital which cannot prove advantageous to the labouring classes in the long run. It is the latter only that really benefits the labourer. If a mine is of such a character that it can be profitably worked with rude machinery, when the only mode of access is by a rough country road, improved machinery

and a connecting railroad may injure the labourers ;* but it is otherwise when the railroad and good machinery must be brought to bear before it can be worked with advantage. On the whole, however, I believe it will be found that labour-saving appliances have a much greater effect in diminishing than in creating a demand for labour. Without them capital would increase more slowly, but the labourer's share of the total produce would remain undiminished, and the value of the total produce would correspond more closely with its quantity. A slower growth of capital might thus prove more favourable to wages.†

I may remark, however, that if we limit the term

* It would probably improve the condition of the labouring classes for the time, however, because a much greater quantity of the ore or other produce would be raised. But then the mine would be worked out much sooner, after which the labourers would have to look elsewhere for employment.

† It may also be worth while to remark that labour-saving appliances do not always increase the quantity of the produce. Thus, the substitution of ploughing for digging undoubtedly produces a lighter crop from the same extent of land, and in gardens and other places where the highest style of culture becomes necessary, hand-labour is still resorted to. But the substitution has become almost universal, because the saving of labour is proportionately much greater than the diminution in the value of the crop ; and if a method of growing half our present crops on the same extent of land with one-tenth of the labour was discovered, it would probably be adopted as an improvement in agriculture. It may be indeed that horse-labour enables a greater extent of land to be tilled, and that thus on the whole its effect has been to produce a greater quantity of corn even after deducting the corn consumed by the horses. But there are evidently limits to the application of this principle ; for we do not possess an unlimited quantity of land capable of being tilled. In some future age, if the price of corn should become very high and the production of the largest amount of it for human sustenance should become an object of primary importance, we may have to get rid of our horses and resort once more to the spade. Labour-saving appliances of the kind which I have just referred to may tend at once to lower wages and raise the price of food.

Capital (as is usual with Political Economists) to wealth destined for production,* the alleged dependence of labour on capital must be confined within still narrower limits. For wealth spent unproductively often gives a good deal of employment: as when a monument or statue is erected, or buildings, &c., are ornamented in a manner which does not enhance their utility. Wealth thus spent either diminishes the capital of the country or checks its growth, as does also wealth spent in war; but while it is being spent, it may create a great demand for labour and raise wages accordingly. War, in addition to this, diminishes the number of labourers, unless we are to reckon soldiers among labourers: and in some contests a great many soldiers perish or are rendered unfit for labour. Both war and unproductive expenditure thus raise wages, and increased wages may, therefore, accompany a diminishing capital—diminish-

* I have not defined Capital, because definitions usually suggest difficulties with regard to certain articles which are on the border-land between that which is meant to be included and that which is meant to be excluded; and it is thus often possible for a critic to show that the author has used the term in a sense inconsistent with his own definition. My use of the term Capital will, I think, be sufficiently understood by anyone who seeks to understand rather than to criticise. But it may be objected that I should not have spoken of the labourer's savings as capital, because he must support himself whether he is employed or not. Supposing, however, that a labourer can obtain £5 for performing a piece of work by waiting for payment until it is finished, while he can only obtain £4 if he insists on being paid in advance, is not his support while engaged in this work a more profitable investment for his savings than if he lodged them in a savings bank? When he is out of work he may no doubt have to draw on his capital for his support, as his employer must do while his mill is idle owing to a strike or a lock-out. But his wealth does not cease to be capital because he is sometimes compelled to spend a portion of it. So long as it is not spent, and is available for such an investment as I have mentioned, it seems to me to be properly capital.

ing even relatively to the number of labourers. This process indeed can be only a temporary one, and wages will probably experience a heavy fall at the end of it; but as this fall does not come until the war is over or the unproductive expenditure is at an end, it will generally take place just when capital again commences to augment. Low wages will then for some time coexist with increasing capital as high wages had coexisted with diminishing capital.

Many writers describe the rate of wages as determined not by the relation between the amount of capital and the number of labourers, but between the portion of this capital which is destined for expenditure in wages and the number of labourers between whom this portion is divided. This part of the general capital of the country is sometimes spoken of as the Wages Fund. Now, in the first place, if the term Capital is used in the usual limited sense, we must, in order to make this statement true, exclude servants, soldiers, &c., from the class of labourers; for their wages is not drawn from capital—from wealth employed for the purpose of production. But seeing that a labourer may enlist or become a servant, it is plain that the wages of the one class of workers must influence that of the other. In the second place, the theory in question takes no account of the difference between skilled and unskilled labour, but assumes that the Wages Fund is divided equally among all those who participate in it. In the third place, there is in reality no Wages Fund. Capitalists

seldom determine beforehand how much they will pay away in wages, and how much they will invest otherwise. If materials rise, for instance, they must either invest a larger sum in the purchase of them or purchase a smaller quantity. In the one case they will have less capital left to pay their labourers; in the other they will require fewer labourers to do their work: in which latter case, less labour being required, wages will fall with the diminished demand, and the amount paid to the labourers will be lessened in even a larger proportion. Large profits coming in during the year may induce the capitalist to extend his operations and employ more labour, while losses or slowness of sales may compel him to contract them. Similar fluctuations are often produced by speculation. But the most serious of all the objections to this theory is that it takes no account of the difference between capital circulating rapidly and capital circulating slowly. In the former case the employer's Wages Fund (if he has one) may consist of three or four days' wages only: in the latter it may have to include a sufficient sum to pay the workmen for a whole year. What light can be thrown on the problem of wages by adding such items as these together and dividing them by the total number of labourers? The proprietor of a fishing-boat may have nine-tenths of his capital invested in the boat and its appliances, and yet may pay double the value of the boat in wages every year. The only way to arrive at even the average rate of wages would be to treat as the Wages Fund the sum expended in the payment of

wages during a year (or some other definite period), and to divide it by the number of labourers.* But the Wages Fund in this sense is not any part of the capital which existed at the beginning of the year or at any other specified time, one portion of it being probably destroyed as capital before another portion was produced. Moreover, such a calculation as this, if it could be made, would only give us the variations of money-wages; and the value of money-wages to the labourer is very different in dear and cheap years. And if there was any cause which tended as civilisation advanced to render the food of the working-man (the principal item of his expenditure) dearer or cheaper, an increase of money-wages might take place without any improvement in his condition, or a diminution without any injury. Similar effects, too, might be produced by the discovery of new gold and silver mines, or by the working out of those which at present yield our principal supply. For money-wages is wages in gold or silver, and the value of a given amount of money will always vary with that of these metals. The Wages Fund theory is thus from every point of view untenable. While, then, it is true, in a certain sense, that labour is limited by capital, and that the increase of capital (other things remaining the same) is in general beneficial to the labourer, it is also true that other things do not remain the same, and that advancing civilisation and growing wealth are always accompanied by new applications of

* Even this would not give the average rate of wages in the popular sense, for it supposes that all labourers are in constant employment.

capital which are less beneficial to the labourer than the old ones. And while the production of wealth is in general beneficial to both parties, in the distribution of it and its increments, the interests of employer and employed are opposed. This opposition, I believe, can only be overcome by the labourers becoming capitalists; and as their individual capitals are very small, this again can only be effected by an extensive system of co-operation. The difficulty of working extensive co-operative societies among the lower classes are, however, so great that, for some time at least, the conflict between Labour and Capital must continue. Whether wages could be fixed by a system of arbitration, as rents are now fixed in Ireland, seems doubtful. It would be an interference with individual liberty, on the one hand, to compel an employer to keep his factory open and to employ the same number of hands at wages which he was unwilling to give as trenching too largely on his profits, and on the other hand to compel the labourer to work, although the wages were such as he was unwilling to accept. And if the Court of Arbitrators fixed wages at too high a figure (as they probably would do in any country where political power was chiefly vested in the working classes; for Government Arbitrators are usually selected with a view of pleasing the party whose favour the Ministers are most anxious to secure), failures among the employers, resulting in leaving a number of labourers unemployed, would be the necessary consequence. Masters and men must, therefore, I think, be left to settle their own differences. But the growth of

the co-operative system would afford considerable aid in settling them. The wages paid by the co-operative societies, and the balances distributed among the members as profits at the end of the year or half-year,* would show the men what wages they might reasonably expect, while leaving a fair profit for the masters; and the masters would hesitate to reduce wages much below this point lest, besides inducing the men to strike, they should thereby extend the system of co-operation and raise up formidable rivals in trade. It may be added that, as the augmentation of capital is not always advantageous to the working-classes, the temporary stoppage of this accumulation, caused by conflicts between the employers and employed, do not always injure them, though it is of course attended with suffering at the time. The mere accumulation of wealth, apart from all considerations as to its distribution, is not the object at which any economist or statesman should aim.

The relations of Capital and Labour thus seem to me to be sufficiently intelligible without introducing the consideration of Land or Rent, and to afford an explanation of the fact that material progress is not always accompanied by an increase of wages or a diminution of poverty. It may be said, indeed, that if land always yielded equal increments of produce for equal increments of labour this would not be the case; for land would then afford unlimited facilities for the in-

* Assuming, of course, that wages and dividends were not artificially forced up by drafts on their capital, and their accounts falsified with a view of raising wages in the neighbourhood. There would be a strong temptation to do this when a strike or lock-out was contemplated or in progress.

vestment of capital without any diminution in the returns or therefore in the rate of wages. But supposing that we applied ten times the amount of labour to the land and obtained ten times the present produce, what should we do with it? How could we consume ten times the existing amount of flax or cotton or even of corn? If the entire population of the country increased tenfold, we should no doubt be in pretty much the same position as at present. But, if the population increased in any smaller proportion, the value of the new produce would not be ten times that of the old; and though if wages was paid in kind the labourer would receive as much as before, the part which he did not consume would be less valuable to him for the purpose of exchange. This would be true whether the land was rent-free or the rent varied in proportion to the produce. It is not, therefore, because equal increments of labour applied to land do not yield equal increments of produce, that when capital increases faster than population the rate of profits must fall. If equal increments of labour applied to *every* commodity yielded equal increments of produce, no doubt exchanges would always take place on the same terms, however population might vary. But even then there would be a limit to useful production. If A could only exchange his oats for B's wheat, and *vice versa*, production would stop when A grew sufficient oats and B sufficient wheat to supply the wants of both. Whatever was raised beyond this would have no exchange-value, because it could not be exchanged. But the growth of capital is evidently in one respect inimical

to the working classes. Capital is one of those things of which it is emphatically true that to him that hath shall be given; for, under ordinary circumstances, the annual increment is pretty nearly in proportion to the principal*. With the growth of capital, therefore, there is always a tendency towards its accumulation in a comparatively small number of hands; and if the original capitalist is a worker, his successors frequently live on what he has left them, *i. e.* on the produce of other people's work, which produce, for their numbers, they consume in much larger quantities than the working classes do. Now in a country in which equal increments of labour yielded equal increments of produce in every department, how could the condition of the working classes be improved by an increase in the number and consumption of the idlers? But it may be said that the application of capital renders the increment of produce *more* rapid than that of the applied labour. It often does; and this is, in fact, the only reason why the accumulation of wealth in the hands of a comparatively small number of persons, who spend most of its annual income on themselves, is not an unmixed evil to the working classes. Whether idle people are supported in a palace, a workhouse or a gaol is of little consequence to the working classes, save in so far as it costs more to support some than others. I do not of course mean

* A small capitalist often realises a higher rate of profit, because he can give closer attention to his business; but, on the other hand, he has usually to spend a larger proportion of his profits in maintaining his household, &c., so that the increase of his capital is slower notwithstanding his higher rate of profit.

that all men of fortune are idlers. Some, for instance, who have turned their attention to the affairs of State, are among the hardest-worked and the most valuable members of the community; and others perform a large amount of excellent work in other departments. But there are many persons in every wealthy country who perform no valuable work, and still a larger number who spend a great deal more than the value of their work*—to say nothing of those who do actual mischief. Now, if produce is proportional to population, when more is consumed by idlers less will be left for distribution among working men, and as capital increases more will be consumed by idlers. On the other hand, if produce increases more rapidly than population, a larger amount of it may be consumed both by the idlers and by the workers; and when this results from the growth of capital (or of wealth), all classes are benefited thereby. In short, as capital increases produce increases, but so does unproductive consumption; and the advantage or disadvantage to the labourer will depend on the proportion between these latter. But it is not owing to the fact that equal increments of labour applied to land fail to yield equal increments of produce, that both profits† and

* Thus, though charities in general are very useful to society, a man who does no active work, but with a fortune of £10,000 a-year, gives £2000 in charity, is not a much more useful member of society than the man with £8000 a-year who spends it all on himself. In economic phraseology, each of them spends £8000 a-year unproductively.

† I mean the *rate* of profits. The absolute quantity usually increases, because capital increases more rapidly than the rate of profits falls. The term Profits, as used here, includes what is sometimes called Wages of Superintendence—the return for the capitalist's labour in planning and superintend-

wages often fall as society advances. Until men can consume an unlimited quantity of commodities, an unlimited amount of capital cannot be invested as profitably as a limited amount; nor, I believe, is a society possible in which the same proportion of an increasing population can always be employed, for the same number of days in the year, in labour the efficiency of which is constantly increasing. Increased efficiency of labour would, under the most favourable circumstances, lead rather to shorter hours and more intervals of recreation than to higher wages. But even this it cannot effect, whatever degree of fertility the land may possess, unless the number and expenditure of the idle population is kept within reasonable limits. If the labour of one man, working constantly throughout the year, produces enough to maintain ten persons for the same period, he will not be allowed many intervals of rest in a country where there are nine idle persons for one worker, or where the number of both classes are equal and each idler consumes on an average as much as nine workers. And, speaking not of food but of commodities in general, one idle man or woman sometimes consumes as much as one hundred workers. He sometimes, moreover, consumes not merely commodities but labour: for he employs

ing the work. It is doubtful whether this kind of wages (if it is to be so called) rises and falls with ordinary wages. At all events it is generally for the interest of the capitalist that this kind of wages should increase, and for the interest of the labourer that it should diminish. It is by no means necessary, however, that a capitalist should earn wages of superintendence. He may employ a manager, or he may lend his money to the person who really conducts the business. The capitalist is thus not unfrequently an idler.

a number of persons who would otherwise be productive labourers in ministering to his own comforts or luxuries. My intention is not to censure the idle persons to whom I refer.* I am considering the question economically, and showing how their existence and expenditure tends to keep down wages. At the same time, I may remark that, their unproductive consumption is not so large as it appears at first sight. A considerable portion of what they spend is in fact merely transferred to other persons who use it productively. It is only the first cost of what they consume which involves unproductive labour: and unproductive labour itself may not be an evil in countries where the demand for productive labour is inadequate; though of course men of fortune would even in that case confer a greater benefit on society by using their wealth productively.

In conclusion, let me say that it is not rent or private property in land which produces the large class of idle people which is to be met with in all wealthy nations. No doubt some hereditary owners of land are idle, and the purchase of land or a mortgage on land is a convenient investment for a man who has a good deal of money and does not intend to work. But there are plenty of other investments open to him—for example, shares in public companies, debentures, purchases of a portion of the national debt: while, even if cut off from

* 'If any man will not work neither let him eat' is, however, an ethical maxim, which those who are engaged in the training of youth should enforce more frequently than they are in the habit of doing. Every man who has the power of contributing by his labour to the good of society is, in my opinion, morally bound to do so.

these, he has still the simple resource of lending his money at interest to persons who are in good credit, taking care, of course, not to risk too much on a single loan. The law might, perhaps, impose a limit on the amount of money which a man might receive by gift or bequest, or in any other manner without earning it; but when he has once received it, he cannot be prevented from investing it in a way which enables him to live in idleness on its annual interest. Nor, if it were possible to prevent such investments, would it be desirable to do so. The money would in that case be hoarded, and its possessor would support himself in idleness by making annual drafts on his hoard. Hereditary owners of land, moreover, are not more idle than persons who succeed in any other manner to fortunes of equal magnitude; in fact they are less so, for they feel an interest in their lands which is rarely felt in stocks and shares. But, notwithstanding all this, if we regard the total annual income of the country as a common fund, it is evident that when more of it is consumed by idlers there will be less left for the workers, and *vice versá*; and wages, depending entirely on the share of the workers, must be either lowered or checked in its advance, when the share of the idlers increases, unless the common fund increases so rapidly that both shares can be augmented at once. An idle population is thus an injury to the workers, and the injury is greater when the consumption of the idlers increases. But material progress usually creates a class of idlers whose expenditure is very large—a fact which becomes more apparent when we consider that its ten-

dency is not only to accumulate capital in a comparatively small number of hands, but also to increase rents. For this reason material progress cannot be an unmixed benefit to the working classes; nor would it be so if private property in land was abolished.* Wise legislation may, perhaps, render it more beneficial than it is. Co-operation among the labourers may effect something more; but I doubt whether the attendant evils can ever be wholly surmounted—at least unless by some socialistic system which would bring with it much greater evils than it removed, and which assumes wholesale confiscation as its starting point.

* More especially if the land-owners were adequately compensated for its abolition; for this would leave them incomes probably as large as before, while they would have greater inducements to idleness, and I may add to absenteeism and foreign investments. But I can see no more reason for confiscating the rights of the present land-owners than for confiscating those of the shareholders in a Railway Company. And if terminable annuities equal to their present incomes would be an adequate compensation in the one case, they would be an equally adequate compensation in the other.

CONCLUSORY NOTE.

Mr. George endeavours to establish the identity of the interests of the capitalist and the labourer by another argument which it may be desirable to criticise briefly. The profit of the capitalist admittedly consists of three elements—interest, insurance (or rather compensation for risk), and what is designated wages of superintendence. The grounds on which Mr. George summarily disposes of the second of these elements are not to me very intelligible ; and he assumes that wages of superintendence does not differ from ordinary wages, save that the labour, being of a superior kind, obtains a higher remuneration. Interest alone remains to be considered ; and he endeavours to prove (in the face of statistics which seem to establish the contrary) that wages and interest must always bear a fixed proportion to each other, and that, therefore, both must rise or fall at the same time. Interest, he truly states, is the return or profit due to capital as such. But capital is the produce of labour, and is, in fact, merely stored-up labour, just as coal is stored-up heat. Hence the earnings of capital and the earnings of labour must bear a fixed relation : ‘for if wages fall, interest must also fall in proportion, else it becomes more profitable to turn labour into capital than to apply it directly ; while if interest falls, wages must likewise proportionally fall, or else the increment of capital would be checked.’

This quotation is only saved from absurdity by the

doctrine already examined that the wages of labour is not drawn from capital but from its own produce. If this were really so, the labourer whenever his wages sank too low could, as Mr. George puts it, 'work for himself' and earn more in that way; though even then it is probable that he would hardly find himself able to lay aside any considerable portion of his earnings and turn it into capital. I assume that when Mr. George speaks of turning labour into capital instead of applying it directly, he means using it to produce capital for the labourer himself, instead of using it to produce capital for his employer. For the so-called 'direct' application of labour means the application of it to produce capital for the employer. Thus, during the whole time that a ship is being built or a railroad being made, the labourers' work is directed towards the creation of capital for the employer—the reproduction of destroyed capital and the creation of additional capital. The theory, therefore, amounts to this, that if wages sank too low the labourer would work for himself, and endeavour to create capital for himself in that way, while if wages rose too high the capitalist would leave him to work for himself, and decline to employ him any longer at a rate which was insufficient to remunerate the employer. But then the question arises, *Can* the labourer work for himself? There are very few works which he could undertake without capital, and even in these few he would usually find no opening. He can earn little or nothing by working for himself, and as a rule he does not attempt it. When out of work he first lives on his savings, if

he has any, and then on the poor rates or on private charity until he can procure employment again. If a labourer could always be hired at the same wages that he could earn for himself when out of employment, he could often be hired at a sum insufficient to sustain life itself. But the poor laws and private charity suffice to prevent wages from sinking to this point, and the competition among capitalists usually keeps it at a considerably higher level.

It is no doubt true that, when profits are unusually high, not only does the capital already in use increase rapidly, but many persons are induced to use as capital wealth which would otherwise have been hoarded or spent on themselves. This increase of capital produces an increased demand for labour, and wages rises in consequence: while the reverse effect takes place when profits are unusually low. But this does not prove that there is any fixed proportion between capital and wages. It is when profits are unusually high absolutely and not proportionally to wages, that wages tends to increase; and it is when profits are unusually low absolutely and not proportionally to wages, that the latter tends to diminish. There is no reason why wages should not be as high absolutely, when the ordinary current rate of interest is two per cent. as when it is five per cent.; and as a matter of fact it varies slightly, if at all, with the slow variations of interest in an old and long-settled country. Wages may even rise when interest is falling. It is only sudden and violent changes in interest or rather profits that appear to have any effect on wages.

Nor is it correct to say that capital is merely stored-up labour. Its first nucleus, if I may so speak, may have been the produce of labour, but it very soon becomes the mixed product of land, labour and interest, or rather profits. The part of it which is due to wages of superintendence may, perhaps, be said to be the produce of labour, but it is not ordinary labour, nor, as I believe, governed by the same laws. The phrase 'wages of superintendence,' I may observe, is an inadequate one. It is one thing to decide on the best investments for capital: it is another to superintend the management of the capital which has been thus invested. 'Wages of superintendence' points to the latter task, but the former is often the more important. Mr. George would, no doubt, describe the performance of the former function as labour also; but can the same thing be said of the abstinence of the capitalist in not consuming what he has produced, and in applying it to the production of more wealth? However, even conceding in its fullest extent the proposition that capital is stored-up labour, why should its remuneration bear a fixed proportion to the wages of present labour, unless the whole amount of stored-up labour bears a fixed proportion to the whole amount of presently-available labour? Otherwise there may be a difference between them similar to that which exists between skilled and unskilled labour. And in fact they do not bear any fixed proportion to each other. In every prosperous country stored-up labour (if that is a correct description of capital) increases more rapidly than presently-available labour: and interest falls more

rapidly than wages. Indeed wages may not fall at all.

Mr. George might, perhaps, reply that if private property in land was abolished, every labourer could work for himself whenever he chose to do so, and that he would do so whenever wages sank too low. But the cultivation of land requires capital, and if the labourer has no capital he cannot apply his labour to the cultivation of land for himself with advantage. Moreover, Mr. George would not, I think, be satisfied with proving that if private property in land was abolished there would not be any conflict between the labourer and the capitalist. He seeks to prove that there is no real conflict between them at present, and that it is the land-owner who keeps down—and equally keeps down—the earnings of both. This appears to me to be a mistake. The capitalist and the labourer are, for the most part, in the position of the man who has food and the man who has not; and the former may in many cases treat with contempt the threat that if he charges too much for his food the latter will produce food for himself. It is, indeed, just when wages are lowest that the labourer is least able to convert his labour into capital. He is in no position to resist any proposed reduction of wages unless he has saved something when wages were comparatively high.

I should, perhaps, observe that Mr. George, like Ricardo and others, speaks of high and low wages rather in a comparative than in a positive sense. He



refers rather to the proportion of the total produce which the labourer receives than to the actual amount of it. Even in this sense I do not think his statement is correct; but whether it is so or not is of little practical moment. If, without any material change in the price of the necessaries of life, the labourer who has been earning two shillings a-day earns half-a-crown, he is for all practical purposes receiving higher wages than before, and he will not concern himself much as to whether there is a technical sense in which his wages may be said to have been diminished. On the other hand, if his wages were reduced to one-and-sixpence, his complaints would scarcely be silenced by pointing out the technical sense in which his wages had been raised. To him his wages are highest when they enable him to command most of the necessaries and comforts of life, and they are lowest when they enable him to command least of them. And a similar observation may be made with respect to the capitalist, except that in his case luxuries must be added. Now can it be said that when the capitalist (supposing the amount of his capital unaltered) is in a position to enjoy most of the necessaries, comforts, and luxuries of life, the labourer is in a position to do the same? and not only so, but that their command over these various enjoyments increases or diminishes in precisely the same proportion? Such a doctrine seems to me to be neither sustainable in theory nor consistent with known facts.

Combinations of employers, if sufficiently extensive,

could force wages down to almost any extent, but for the resources afforded by the poor laws, by private charity, and by emigration. But reducing it too low might prove a short-sighted policy on the part of the employers, because (to say nothing of the loss incurred during the original conflict) it would soon impair the efficiency of the labourers, and after a time reduce their numbers—at least unless the labouring classes could be recruited from the middle classes, which is rarely the case. But the employer ceases to have a common interest with the labourer as soon as the rate of wages suffices to keep the latter in working condition, and to prevent the number of labourers from diminishing. Assuming the work to be equally well done in both cases, he has exactly the same interest in reducing the wages of his labourers as in reducing the fuel of his steam-engine. Nor do I think employers would, in general, concern themselves much as to whether the current rate of wages would reduce the number of labourers at the end of fifteen or twenty years. An early diminution in the number of labourers would concern them; but if they were assured of large profits for a considerable time, ‘after that the deluge’ might not appear a very formidable prediction. In the days of American slavery there were States where, in the current phraseology, slaves were ‘raised,’ and others where they were ‘used up’; and hired labourers would, I believe, be often used up by their employers if the latter could treat them as they pleased. The restrain-

ing forces are the poor laws, charity,* competition among employers themselves, and the saving habits of a portion of the working classes: to which may be added the willingness of some landlords to let their lands in small holdings, of some shopkeepers to sell goods on credit, and the final resource of emigration. But co-operation among the labourers themselves would, I believe, form the most effectual check on the rapacity of capitalists, while it would act also as a preservative against strikes, in the case of a really fair employer.†

* Including philanthropy, or a sense of justice among many of the employers. Some of the latter, no doubt, would not adopt the using-up system under any circumstances.

† That a demand for commodities is not a demand for labour is an axiom which some Political Economists never tire of insisting on. The present may be a suitable occasion for making a few remarks on it. As simply stated, it is an obvious but unproductive truism; but the real question, I apprehend, is whether a demand for commodities *produces* a demand for labour. Of course an increased demand for some commodities, accompanied by a diminished demand for other commodities, may not produce an increased demand for labour *generally*. But an increased demand for any commodity will, I believe, produce an increased demand for labour in the production of *that* commodity; and this increased demand for labour may not always require the application of additional capital to the production of the commodity in question. Thus, suppose the commodity to be ready-made clothes. The master tailor may be able to supply the wants of his customers without increasing his capital, because every sale of ready-made clothes replaces (with profit) the capital invested in them. The change in his capital will be that it circulates more rapidly than before, the article which, on the average, remained on his hands for six months being now (we will suppose) disposed of in three. But to supply the increased demand he must employ an additional number of working tailors, and there will thus be an increased demand for that kind of labour. This increased demand for labour results from an increased demand for commodities, and not from an increased capital. The axiom is in fact about as true as that an increased demand for beef is not an increased demand for store cattle. No doubt it is not; but it produces it, and I believe it does so directly and without any intermediate link, at least on some occasions.