

mouth or the most delicate instrument manufactured from that ore, it is Wealth. There are, however, two classes of wealth between which a distinction must be made, because they differ from each other in their economic object and character.

The first of these includes all forms of wealth which can directly satisfy some human want or desire. They consist of food, clothing, shelter, fuel, furniture, ornaments and some simple forms of transport.

The second consists of all those forms of wealth which cannot directly satisfy any human want or desire, but which can facilitate the production of such (primary) forms of wealth. This secondary form of wealth consists of roads, bridges, canals, railroads, irrigation works, factories, warehouses, shops, machines, tools, coin, and similar products of labour.

These two forms of wealth comprise all the real wealth which men can produce. On the other hand, there are objects, legal rights, and personal qualities, which are often regarded as wealth, which must be rigorously excluded from this conception. These are: Bank-notes, bank-deposits, cheques, bills of exchange, promissory notes, bonds, debentures, mortgages, and similar documents which are merely evidences of debt. They confer a legal right, not to some particular wealth, but to wealth generally, of the value indicated by the document. Shares are evidence of legal right to some particular wealth and to legal rights (debts or tribute rights).

Land is not wealth, but the source of wealth. The ownership of land and of other special privileges created by law, consists of the legal right to demand a share in wealth produced by some labour, present and future, without rendering any service in return. These tribute rights may be actual or potential, *i.e.*, the owner may exercise the same or may abstain from doing so for a time. In either case they have a value which is often mis-

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taken for wealth. This value is equal to the capitalised value of the wealth which it is expected the owner can annually obtain by exercising his right.

Personal qualities such as ability, strength, health and others, are sometimes mistaken for wealth. They, however, similarly to tribute rights, stand to wealth in the relation in which fishing rods stand to fish. Their possessor may, through their exercise, produce or acquire wealth, but they are no more wealth than fishing rods are fish.

§ 6. CAPITAL comprises all wealth (a) produced for the purpose of adding to the productiveness of future labour; (b) produced for the ultimate purpose of satisfying some want or desire, but actually employed in adding to the productiveness of labour.

The term "Capital" thus includes all secondary forms of wealth (see § 5) as well as some primary wealth. The first form of capital offers no difficulty; the second requires some elucidation. Clothing will serve as an example. Wool or cloth, in the hands of the person who is making it into clothing for his own use, do not add to the productivity of any one's labour. To this clothing maker they are the necessary material without which he could not make any clothing. Nor does the finished clothing in possession of the user have this exclusive result. Though, in a severe climate, he could not labour at all without clothing, he yet would want clothing whether he laboured or remained idle.

As long, however, as wool or cloth or clothing are in the possession of a dealer, or of a manufacturer who produces clothing for sale, they occupy a different position. As material, they are held in quantities which enable labourers to employ themselves exclusively in the production of cloth or clothing. They thus increase the productivity of this particular labour and prevent the general waste of labour which would arise, if every person

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had to make his own cloth and clothing. In the dealer's hands these same objects add to the productivity of every purchaser's labour, whatever purpose the same may be devoted to. If stocks of clothing were not held for sale at the time and place most convenient for the purchasers of clothing, the latter would be compelled to devote more of their labour to the acquisition of such clothing as they want.

It follows that primary or consumption goods in the process of manufacture for sale, or held for sale in the finished state, add to the productivity of labour in a similar manner as do secondary forms of wealth, *i.e.*, those which are specially produced for this purpose. Both these classes of wealth must, therefore, be regarded as capital.

A source of frequent and far-reaching errors is the assumption that capital exists for ever. Capital, like all other wealth, is either consumed in the fulfilment of the functions for which it is produced, or, if not so consumed, it decays uselessly. The contrary view arises from the fact that wealth, which might be capital, can be used and is used to an enormous extent, for the purchase of legal rights over the results of future labour. Such rights may be terminable or interminable. In the former case, their termination must be purchased by the transference of new wealth to the original purchasers or their assignees, or by a legal repudiation of the obligation to do so, *i.e.* bankruptcy, etc. This transference of new wealth, which can be used as capital, is mistaken for the return of the old capital, and this mistake is supported by the careless nomenclature which attaches the term "capital" to the enormous mass of documents testifying to the possession of legal rights, as well as to natural objects (land) to which some such rights attach.