

get as interest upon capital. Nevertheless, land is not capital, nor is intelligence capital. Production requires, as we have seen, three distinct things, namely, land, labour, and capital; and there is much harm in confusing things together by giving them the same name when they are not the same thing.

CHAPTER VI.

DISTRIBUTION OF WEALTH.

38. **How Wealth is Shared.** We have learned what wealth is, how it is to be used, and how it may be produced in the greatest quantities, with the least possible labour, but we have yet to enter on the more difficult parts of our subject. We must now try to make out how wealth is shared among those who have a hand in producing it. The requisites of production, as we have seen, are land, labour, and capital; if these were all supplied by the same person, no doubt the produce ought all to belong to him, with the exception of what is taken by the government as taxes. But, in a state of society such as exists at present, the labourer seldom owns all the land and capital he uses; he goes to work on another man's farm, or in another man's factory; he lives in another man's house, and often eats another man's food; he derives benefits from other men's inventions, and discoveries; and he uses roads, railways, public buildings, &c., furnished at the cost of the community.

The production of wealth, therefore, depends not on the will and exertions of a single man, but on the proper bringing together of land, labour, and capital, by different persons and classes of persons. These different persons must have their several shares of the wealth produced; if they furnish something requisite for producing, they can make a bargain and ask for more or less of the produce. But it is not mere chance or caprice which governs the sharing.

of wealth, and we have to learn the natural laws according to which the distribution takes place. We must ascertain how it is that many of the population get so little, and some so much. Men work very hard on a farm and raise crops; the landlord ~~comes and~~ takes away a large part as rent, so that the labourers have barely enough to live upon. When we are able to understand why the labourer gets so little at present, we shall see, perhaps, how he might manage to get more, but in any case we shall see that it is due in great part to the laws of nature.

The part of our subject which we are now going to consider is called the **distribution of wealth**, because it teaches us how the wealth produced is distributed (Latin, *dis*, apart, and *tribuere*, to allot) between the labourers, the owners of land, the owners of capital, and the government. The part which the labourer gets is called **wages**; the share of the land owner is called **rent**; that of the capitalist is **interest**; and the government take **taxes**. We may say that, as a general rule, the produce of work is divided into four shares, which may be thus shown:
produce = wages + rent + interest + taxes.

39. **The Labourer's Share—Wages.** It ought to be carefully remembered that the names **wages**, **rent**, and **interest**, as here used, do not exactly agree in meaning with the names as we employ them in common life. The wages paid to workmen are sometimes more than wages, being partly interest; the rent almost always consists partly of interest; and what is called interest may in some degree be really wages or rent.

By **wages** we mean, in political economy, nothing but what goes to pay for the trouble of labour. But many workmen own their own tools; masons have a boxful of chisels, mallets, rules, &c.; carpenters often require twenty or thirty pounds' worth of planes and other implements; a pianoforte maker sometimes owns seventy pounds' worth of tools; even gardeners re-

quire spades, rakes, a barrow, scythe, or perhaps a mowing machine and a roller. Now, all such tools represent so much invested capital, and a certain amount of interest must be paid for this capital. A pianoforte maker might expect five pounds a year as interest upon the cost of his tools. But true wages, are what remains after allowance has been made for such interest, and it would be proper to subtract also what is paid to the government as taxes.

40. **The Land Owner's Share—Rent**, the second part of the produce, means, in political economy, what is paid for the use of a natural agent, whether land, or beds of minerals, or rivers, or lakes. The rent of a house or factory is, therefore, not all rent in our meaning of the word. Capital has been spent in building the house or factory, and interest must be paid on this capital; we must then deduct this interest from what is commonly called the rent, before we can find out what is really rent. The ground rent of a house is the rent paid for the ground on which it stands, and this will be more nearly the true rent, apart from interest. Similarly, the ordinary rent of a farm will usually include interest upon the capital spent on the farm buildings, roads, gates, fences, drains, and other improvements. We shall afterwards learn exactly how true rent arises.

41. **The Capitalist's Share.** The proper share of the capitalist is **interest**; but this is usually a good deal less than what actually remains in the hands of the capitalist. Business is generally carried on by some capitalist who rents a piece of land, builds a factory, purchases machinery, and then employs men to work the machinery, paying them wages. The capitalist himself often acts as manager, and works every day almost as long as the workmen. When the goods are finished and sold, he keeps the whole of the money he gets for them; but then he has already paid out a large sum as wages, while the goods were being made; another part goes to pay the

rent of the land which he has hired. Having struck off these portions, there ought to remain a certain **profit**, part of which he uses to live upon. But even this profit consists of more than interest upon his capital. It should include also a payment for his labour in superintending the business. The manager of a factory may seldom touch the cotton, flax, iron, or other material, which is manufactured; nevertheless, he works with his head and his pen, calculating the prices at which he can produce goods, inquiring where he can buy the materials most cheaply, choosing good workmen, keeping the accounts straight, and so on. Severe mental labour is really far more difficult and exhausting than manual labour; and in raising up a good business, and carrying it through times of danger, a manager has to undergo great anxiety and mental fatigue. Thus, it is necessary that a successful manager should receive a considerable share of the produce, so as to make it worth his while to give this labour. His share is called **the wages of superintendence**, and, although usually much larger than the share of a common labourer, it is really wages of the same nature.

Another part of the capitalist's so-called profit ought to be laid aside as **recompense for risk**. There is always more or less uncertainty in trade, and even the most skilful and careful manager may lose money by "circumstances over which he has no control." Sometimes, after building a factory, the demand for the goods which he is going to produce falls off; sometimes the materials cannot be bought; perhaps it is discovered, when too late, that the factory has been built in an unsuitable place; occasionally, too, the workmen are discontented, and refuse to work for such wages as the capitalist can afford to pay. Now, whenever any of these mistakes or misfortunes happen, it is the capitalist who mainly suffers, because he loses a great deal of money, on which he might otherwise have lived

comfortably. Sometimes men who have worked hard all their lives, and grown rich by degrees, lose all their wealth again in the end, by some error of judgment or by some unfortunate event due to no fault of their own.

A capitalist, then, must have some inducement for running into these disagreeable risks; by lending his capital to the government he might get interest for it, and be nearly sure not to lose. If, then, he puts it into trade, and runs the risk of loss, he must have a recompense for the risk. This ought to be at least enough to make the profits of the successful business balance the losses of the unfortunate ones, so that on the average capitalists will get the interest of capital and the wages of superintendence free from loss. We may say, then, that—

**profit = wages of superintendence
+ interest + recompense for risk.**

42. **About Interest.** That which is paid for the use of capital altogether apart from what is due for the trouble and risk of the person conducting the business, is called **interest**. This interest, of course, will be greater or less according as the amount of capital is greater or less; it will also be greater or less according as the capital is employed for a longer or shorter time. Thus the rate of interest is always stated in proportion to the capital sum and to the time; *five per cent. per annum* means that, for every hundred pounds of capital, five pounds are paid during every year in which the capital is used, and in the same proportion for longer or shorter times.

The rates of interest actually paid in business vary very much, from one or two per cent. up to fifty per cent. or more. When the rate is above five or six per cent., it will be to some extent not true interest, but compensation for the risk of losing the capital altogether. To learn the true average rate of interest, we must inquire what is paid for money lent to those who are sure to pay it back, and who give property in

pledge, so that there may be no doubt about the matter. It seems probable that the true average rate of interest in England is at present about four per cent., but it varies in different countries, being lower in England and Holland than anywhere else. In the United States it is probably six or seven per cent.

The most important fact about **interest** is that it is **the same in one business as in another**. The rates of profit differ very much, it is true, but this is because the labour of superintendence is different, or because there is greater risk in one trade than another. But the true interest is the same, because capital, being lent in the form of money, can be lent to one trade just as easily as to another. There is nothing in circulating capital which fits it for one trade more than another: accordingly it will be lent to that trade which offers ever so little more interest than other trades. Thus **there is a constant tendency to the equality of interest in all branches of industry**.

CHAPTER VII.

WAGES.

43. **Money Wages and Real Wages.** Wages, as we have already learnt, are the payments received by a labourer in return for his labour. It does not matter whether these payments are received daily, weekly, monthly, quarterly, or yearly. A day gardener is, perhaps, paid every evening; an artisan is usually paid on Saturday or Friday night, or sometimes fortnightly; clerks receive their salaries monthly; managers, officers, secretaries, and others, are paid quarterly, or sometimes half-yearly. When the wages are paid monthly, or at longer intervals, they are generally called **salary** (Latin, *salarium*, money given to Roman soldiers for salt); but if the salary is paid for labour and nothing else, it is exactly the same in nature as wages.