of butter when placed on the consumer's table as final products, notwithstanding he knows that neither of them will be eaten till a further effort has been expended on them; that is, that the loaf will be first cut into slices, and the butter spread upon it.

In the same way a sofa once delivered in the *locality* where it is wanted, even though not sold, is for all practical purposes a final product, in that henceforth it is fitted for enjoyment only, and cannot be applied to any productive use.

TRANSFERABILITY OF TAXES ON CAPITAL.

It is said that taxes on capital are transferable. Taxes on land are not.

Taxes on capital are said to be transferable because capital is portable. If a tax is levied on capital, the capitalist at once passes it on to the borrower in increased interest, saying, I want the current rate of interest, and if I can't get it here, I will take my capital elsewhere where it is not taxed.

This is what they call "driving capital out of the country." If the borrower refuses to accept, the taxed capital begins to flow out of the country till it becomes so appreciably scarce that interest rises, and the borrower *has* to pay the tax.

But this idea of the portability of capital evidently rests on the assumption that capital signifies money. If a man's capital is invested in the shape of a deposit at the bank, or a mortgage on land, in a mere claim, in short, representing money power, he can withdraw it at a word, and transfer it by bill of exchange to the utmost parts of the earth for the mere cost of a stamp. If it consists of a bag of sovereigns, he can withdraw it nearly as easily.

But if capital means instruments, it can be rarely withdrawn in this easy and airy way. It depends on what sort of instruments I have when the tax is levied.

If my capital, estimated at say £5,000, consists of a ship, I can, of course, weigh anchor and evade the tax. But if it consists of a warehouse, I cannot weigh anchor with that. Neither can I evade the tax by selling my warehouse, turning it into gold, and departing with that; for the warehouse not being portable the tax sticks to it, and the buyer, knowing this, will give me just so much the less for it. So even if I realise and depart, I shall not have evaded the tax. Indeed, when we come to consider it, capital, except when already converted into money, is portable only to a very limited extent.

A large part of the capital represented by instruments of production consists of fixtures, and cannot be moved at all. Another part consists of articles so fragile, perishable, or bulky, that they cannot be moved except at great cost and risk; and another part consists of articles which, though much wanted where they are, would be little wanted elsewhere, either because they would be of no use there, or because they are so abundant there, or so easily procurable that they would not be worth moving, even at small cost. A part, again, consists of live stock; and to remove large flocks of sheep from the interior to the coast, and from the coast across seas, would be so ruinous that their owners would pay almost any tax, or even abandon their flocks rather than attempt their removal.

The doctrine, then, of the transferability of taxes on capital is accepted by the man of business only, because he means by capital, money—money as money, not instruments as instruments—and the economist teaches it because he really means the same thing, though he is not conscious of it.

Well, but it will again be said: "When all is said and done, money at bottom means instruments."

No. It is quite a different thing, though like other different things, the two often get mixed together, or convertible one into another, to outward appearance, at least. Money will buy instruments, and instruments will fetch money, but the two things are in their nature essentially different.

Money is that by means of which I can obtain goods already existing in other people's possession. Instruments are that by means of which I can increase the sum total of goods.

The money power of a rich man does not indicate any aid, actual or potential, to industry. His money merely indicates a claim on, or command over, the goods or services of other people; a claim sometimes just and reasonable, sometimes indefensible and outrageous, but within the sanction of the law.

The wealth (or money power) of some Irish landlords, for instance (I select them because, in their case, it is most clearly seen), consists solely in a claim on the yearly produce of their tenants; a claim founded on no shadow of service rendered to them, or to be rendered, on no work done for them, on no instruments supplied to them, on no money lent to them; a claim based solely on their ownership of the land, by which they are enabled to say, "Rent or Eviction," equivalent to "Stand and deliver: your money or your life." And yet this claim, the claim itself, mind, as distinguished from any particular pigs or potatoes which may have been exacted as rent, is a negotiable article, and therefore in the commercial world represents capital. Such a "capital," however, is obviously no part of the Third Factor of Production. So far from assisting industry, it despoils and paralyses it.

On the other hand, instruments, as instruments, do represent this third factor, and do so equally, whether they have a money value or not.

The pointed stick with which the bushman digs up wild roots, which, if broken, he can replace in a minute, and which has no exchange value, even among his own tribe, is a most potent third factor in his industrial life. He could not get on without it. It is to him what the spade is to the Irish cotter, what the theodolite is to the surveyor, what the ship is to the mariner.

Whether the instruments with which we do our work be rudely simple or ingeniously complicated, whether they cost much labour to produce or can be picked up anywhere, whether they have an exchange value or not matters nothing. Their worth and efficiency as a third factor of production depends entirely on their nature and use; and no intellectual thimble-rig of exchange can alter the fact.

"Nothing," says the economist, "can be considered as capital, which, being eliminated, leaves the sum total of capital unimpaired. For example, a cheque is not capital; a sovereign is."

The proposition is undisputed; but, as to the example, I beg to differ. A cheque represents capital exactly as a sovereign does, equally so whether we consider capital as money or as instruments.

A. as money. A cheque for £1, so long as the signature is good, will command 20 shillings' worth of goods as readily as will a sovereign.

B. as instruments. The cheque fulfils precisely the same function that the sovereign does, *viz.*, as a token representing a deferred claim, or power to draw upon the general stock of goods.

Sovereign and cheque alike are useless in themselves; alike are useful only to exchange away for real utilities, and alike command the same quantity of those utilities. If the cheque were as costly to produce as the sovereign, everyone would recognise it to be capital, exactly as is the sovereign. The only difference between the two (so far as we are concerned at present) is that the one can be replaced at a cost so trifling as to be counted nil, while the other will cost its own nominal value to reproduce. But this facility of production in the cheque does not detract from its efficiency as an instrument; on the contrary, it enhances it. Spades and steam engines would be much more efficient aids to production, that is, would contribute a much greater net increase to production if they could be produced as easily as cheques. For the gain to industry due to any given instrument may be measured by the gross increase due to its use, less the cost of producing it.

Say it would take 100 men 12 months to excavate a given length of canal with picks and shovels, which they have already got, while they could do it in 9 months with a steam excavator, but it would take them (or 100 other men) a month to make the excavator. Then the gain due to the excavator would be 3 months less 1 month = 2 months; while, if the excavator could be produced as easily as a cheque, the gain would be the whole 3 months without any deduction. The smaller the cost then of producing any instrument, the greater the gain due to its use.

MEDIUM OF EXCHANGE.

Money in its concrete form of coin, cheques, notes, is said to be the medium of exchange. It is rather a contrivance for deferring the completion of exchange.

If I exchange £100 worth of grain for £100 worth of cloth, the money is not wanted. The two commodities change hands, and there is an end of the matter. The money only comes in ideality, as a measure of value. But if I want to throw my grain into the general stock, thus getting rid of the trouble and risk of keeping it, and do not want cloth or anything else in