CAPITAL AS ORIGINATING ENTERPRISE.

Yet there is a mysterious something which appears to be wanted, under present conditions, before any great work can be undertaken; which mysterious something goes by the name of Capital, and turns out to be money.

Take our vast mineral fields in Tasmania. The only two factors required to develop these resources are labour and the instruments of production. To say that food also is wanted is only to say that while one body of men are working at the mines, another body of men must be producing food for them, so that it comes to labour and instruments after all. Counting food too, however, as one of the factors wanted, and wanted at once, all are present already; and if they were not, "Capital" itself could do nothing. Yet somehow the active and passive factors—the labour and the requirements of labour—do not come together, and the work hangs fire till a big capitalist appears upon the scene, when the enterprise starts at once. How is this? What has the capitalist supplied?

The labourers he employs were all present already and willing to work: the food with which he is to feed them existed already in abundance, in granaries, in storehouses, in grocers' shops; besides what was coming in daily in the shape of sheep being fattened into mutton, vegetables being grown and gathered, butter being churned, eggs being laid, and so on. The tools again with which he is to equip them were, many of them, already in the labourers' hands, while vast reserves were in the shops and warehouses awaiting sale, in back-yards lying unused, and more were being constantly turned out from the factory or imported in the ordinary course of business. Every material factor for the work was either already in existence in the country and available for use, or was procurable when wanted, as the work went on; but the capitalist supplied none of these things, but only drew upon the supplies in other people's hands. What then *did* he supply?

To answer this, we must go back a step and recapitulate.

What, once more, is capital? Not that vague, indefinite capital which the economist evolves, as the German philosopher evolved the camel, out of his "moral consciousness," and which some economists define one way, some another, and no two alike; but that capital which everybody talks about in daily life, which is applied for in prospectuses, which floats enterprise, which the needy borrow, and which brings interest.

It is money. Ask any man in business whether he would rather have capital or money, and he will laugh at your question. He will reply, "They are the same thing."

Moreover, whether he lends or borrows he will not care in what shape it comes, gold or notes, mortgages, debentures, railway shares, mining scrip, so long as it is immediately convertible to the one use for which he wants it—purchasing power; the command of the goods and services of other people.

Purchasing power—that is its distinguishing property; but what is the thing itself, essentially?

The way to find out is not to sit down and theorise about it, but to go to the capitalist and look into his pocket, so to speak.

You will find that as to actual goods he often has little more than the clothes on his back and in his wardrobe, and a little loose cash in his purse. As likely as not, he rents his house, he hires his conveyance, he buys his provisions and luxuries from day to day, or from week to week. But behind all this, he has *claims*—claims on the daily earnings of other people. Sometimes these claims are legitimate and just, representing past service rendered; sometimes they are extortionate and preposterous, but be they one or the other, they are mere claims now; airy, unsubstantial claims, adding not a fraction to the sum total of enjoyment or production, but whose grasp is far-reaching and whose power tremendous, and by virtue of which he can live without labour on the labour of other people.

Not only are they mere claims in themselves, but they are in great part claims resting upon claims; the shadow of a shade; the effect of a cause long since passed away, and that often had no more substantial basis than the existing claim.

The bank on which our capitalist draws interest from deposit generally never saw the colour of his money. What he deposited was cheques, bills, title-deeds—transfers of the claims of other people. The fortune he inherits is generally of a similar nature. Has he a lien on a factory, a railway, a mine, or a commercial firm? All this means that other people produce goods, convey passengers, extract minerals, buy and sell; the hands that labour, the brains that devise, the eyes that superintend are not his, but he *claims* a share of the profit.

"Well," it may be said, "it comes after all to this, that he, the capitalist, is the real practical owner of the funds in the bank where he has shares, of the farm on which he has a mortgage, of the business on which he has a lien, and the banker, the farmer, the business man are really if not technically his agents, using his instruments for his profit."

You may say this, of course, if you like, but I submit that it is straining words out of their ordinary meaning, and getting an incorrect view of the substantial facts. For the capital that he originally advanced, if it consisted of goods, has long ago been consumed and used up; if it consisted of money, has long ago disappeared and been lost in the general circulation, and all that remains to him is a *claim* on the earnings of the people to whom he made the advance. The produce out of which his interest is to come, out of which the advance is to be ultimately repaid, is a new creation, the fruits of the borrower's, or some other person's labour.

Even if the claim always represented a real contribution in the past, it does not follow (as is too hastily assumed) that this contribution survives perennially, *in any shape*, to swell the sum total of accumulations. Much has been consumed in self-indulgence; much has been wasted through carelessness and bad management; much, invested judiciously and tended carefully, has come to naught through unforeseen accident by the "fortune of war"; but the claim lives on.

No doubt there are failures in business continually occurring, culminating in bankruptcy by which claims are being wiped out, but the claimants, as claimants, lose less than the struggling workers who are wound up. While the workers lose everything, the claimants generally save a good deal from the wreck, for in the winding up the claims come first.

I do not complain that it is so. Let just debts be paid by all means. I am only pointing out how largely so-called accumulations resolve themselves into claims, and how these claims multiply and persist figuring as increase of capital which is supposed to support and carry on industry, while, in fact, it only drains it.

Much, however, an enormous part, of these claims never originated in any real contribution at all; never represented materials supplied, work done, or service rendered of any kind, but arose simply out of demands made by some privileged person for mere permission granted to a worker to work somewhere, to a traveller to pass somewhere, to an individual to be somewhere; and these preposterous claims have by transfer, by amalgamation, by lapse of time become so inextricably interwoven with claims based on real service rendered, that there is no disentangling them in the mass of floating so-called capital.

Here, for instance, is a capitalist, the recognised possessor of £10,000. Who, in most cases, knows, or who in the business would care to know, how this £10,000 grew up? How much of it came by inheritance from a dim past of lands, or goods, or claims, or privileges, having a money value; how much from interest, how much from rent (both representing mere claims on other people's labour), and how much from work actually done by the possessor?

All that the world knows is that he has £10,000, and the whole commercial world unanimously recognises this £10,000 as capital, no matter what shape it assumes.

The economist says, they are all wrong; that mere claims are not capital. He might as well tell the nautical world that a three-masted square-rigged vessel is not a ship. For capital is a commercial term just as a ship is a nautical term, and the meaning of words is determined not by the fiat of closet philosophers or by their derivation, but by custom, the custom of the people who habitually use them; and the philosopher himself, so great is the power of custom, must and does use them in the customary sense despite all his protests to the contrary.

It is the plague of Political Economy that almost every fresh writer begins by taking some accepted term and declaring that it does not mean what everybody else understands it to mean, but something else that he thinks it ought to mean, and so starts a fresh vocabulary till they are all at cross-purposes, and no students know certainly what any term means.

Who can wonder that the ordinary clear-headed man of business does not trouble himself much about Political Economy, or care what it teaches?

Labour is the active factor that produces all wealth. No doubt the forces of nature take a very active part, in one sense, in production, but they do not of themselves produce wealth. The rain might fall and the sun shine, but unless labour prepared the soil and sowed the seed there would be no crop. Even if the crops grew spontaneously, unless labour gathered the harvest and prepared the grain there would be no food. It is man's labour alone that turns these natural forces to man's use, and so produces wealth.

See what a multitude and variety of efforts go to the production of a loaf of bread. Some men are felling timber, some extracting iron, some working these up into tools; some using these tools to cultivate, to harvest, to grind, to bake; and an innumerable host, as great as all these put together, are simply shifting materials to and fro; from the forest and the mine to the factory, from the factory to the farm, to the mill, to the bakery, to the consumer; and behind these more still, making roads, building ships, keeping accounts, disseminating information, preserving order.

At every step there is an increment added, a profit made, and on every profit descends the dead hand and claims a portion; the hand of somebody whose ancestors acquired the title to the land, or who lent money, or left the money to lend, or who acquired some right of taking something, which has become a "vested right"; and so the claims roll up and roll on and overspread the land, till the labourer, whose toil produces everything, receives so little that, besides having to buy somebody's permission to work on any particular spot, he must borrow, and in so doing, create fresh claims against himself.

Rent and interest differ in many important respects, but they are alike in these two: that they represent no work done by the claimant, but only permission accorded to somebody to use something; and that they can be handed down from generation to generation, while payments for active service rendered, once made is done with, and cannot be claimed again. (The original capital lent may have represented actual work done by its possessor, but the interest demanded for its use does not.)

Rent and interest both grow continually, but in different ways; one by intension, the other by extension. All the land is owned and all bears rent, therefore the quantity of land bearing rent cannot increase, but the rate of rent rises ever.

Interest grows in the opposite way. The rate of interest does not rise, but rather falls, but the amount of (reputed) capital to which interest attaches increases continually; so that the sum total of rent and the sum total of interest grow together, and together they weigh upon industry like a nightmare.

Now we can see why capital seems necessary to start enterprise. It is not capital itself, but capital's consent that is required.

Capital—not the indefinable abstraction on which economists alone agree, and agree only to differ—but the capital of real life; the capital that everybody recognises and understands and wants, and that bears interest; the capital by aid of which one man controls enterprise, and for want of which another fails; the capital at whose call labourers assemble, and the instruments of production are brought forth; this capital consists of claims only, and therefore it supplies nothing, it only takes; but it is ever ready, on sufficient inducements and for its own profit, to apply what it takes to new and speculative enterprise.

If this capital were to disappear, claims cease, and the workers reap the full fruits of their work, they would themselves start all the enterprises that were wanted without difficulty and without delay.

We have now gone pretty fully into the essential difference between instruments and money. We have seen what confusion and error have resulted from the adoption by economists of the term *capital* to express the Third Factor of Production, and we have found that this third factor consists of *Instruments;* an instrument signifying anything, the product of labour, which does not directly afford enjoyment, but only helps us to procure the things that do; something which is useful not in itself but only in assisting us in producing, transporting, or improving the things that are enjoyable in themselves.

We are now in a position to affirm certain clear, broad principles concerning this Third Factor.

1.—Nothing can be included under this head: nothing can be regarded as an instrument, as that which facilitates production, unless it is of such use directly *and in itself*, and not vicariously, by exchange. This sounds rank heresy, as Mill and all the economists plainly declare the contrary. Still it has only to be put plainly, I think, to be seen at once to be true.

In a tribe of savages who live by the chase, their weapons (which we shall represent by a spear) constitute their third factor of production; and their capacity for maintaining themselves and for accumulating those comforts which the hides, bones, sinews, and so on of their game supply, will depend (*ceteris paribus*) on the number and excellence of their spears up to the point at which there are as many spears as are wanted. While their capacity for direct enjoyment will depend (*c. p.*) on the number and excellence of their articles of comfort and enjoyment (which we shall represent by a shell-necklace). No multiplication of shell-necklaces will add an iota to the tribe's capacity for production; not even though division of labour and exchange go on, so that a necklace will exchange for a spear.

True, that by such exchange the man who had an industrially useless necklace has now got an industrially useful spear and so can go out hunting; but the man who had an industrially useful spear has now got only an industrially useless necklace: and though the man who bought the necklace may have had two spears, so that he still has one (which is all that he wants), after parting with the other, so that there are now spears enough to go all round, still this sufficiency for all is due not to the one man for having made a necklace, but to the other man for having made two spears.

Exchange or no exchange, the productive power of the tribe, their capacity to kill the game that supplies their food, their clothing, and their other requirements, depends entirely on their weapons, not at all on their ornaments. Exchange does not alter the nature of the thing exchanged, and a spear remains an instrument (something of use only to procure something else), and a necklace remains a final product (something of use only for enjoyment), no matter who possesses it.

But the economist, misled by that fatal word *capital*, counts as this capital (which he declares to be the third factor of production), the necklace equally with the spear, because the one exchanges for the other. He counts (rising to higher levels) all the silk dresses and velvet hangings, the jewellery and pictures of a wealthy community, as this third factor under the name of capital, not because some of these goods are in an unfinished state, and therefore still in the stage of instruments, but because finished or unfinished, they can be exchanged for money, and with money you can command all things.

But final products, such as these, no matter how great their money value, no matter whether held for personal use or for sale, no matter how useful the goods they may exchange for, no more assist the productive power of the community that possesses them than did the shell-necklaces of the savage tribe help them to kill game.

2.—PRODUCTION NOT LIMITED BY INSTRUMENTS.—We are told constantly that production is limited by capital; that labour is unemployed, natural resources remain undeveloped, progress ceases, in this or that region for want of capital.

That *population* is limited by *food* is obvious enough. Man cannot exist without food, procured or procurable, from day to day. But that single requisite being assured, there is nothing in the nature of things to prevent him from doing useful work. If he has not a tool of some sort, his first step will be to procure one, and he can always procure it. If he cannot find useful work, it is always because somebody forbids him, and not because there is none that he can do.

The savage rises at daybreak, and breakfastless goes forth to seek his breakfast. His first step is to procure a tool, a club to kill some animal, or a pointed stick to dig up roots. The meat or the roots being provided, he is free to apply his labour to the satisfaction of his other wants.

The London casual worker also rises breakfastless, and goes forth to seek his breakfast. He has not to kill game or dig up roots, not only because there are no wild beasts or roots within reach, but also because there are meats and vegetables already procured all around him, but owned by other people, to whom he must render some service before he can get his share. Nor has he to find or fashion a tool for himself, because the appliances of industry also exist in profusion all around him, and his employer, if he can find one, will supply him with tools.

He has to earn his breakfast instead of capturing it, and if he cannot do so it is not because the needful instruments are non-existent or out of reach, or all in use, but because the existing conditions of society are such that, while the rich have a superabundance of good things, the poor may neither partake of this superabundance, *nor yet produce an abundance for themselves,* without their permission, a permission often very hard to obtain. In other words, because the rich have command not only over the products of labour, but over the natural opportunities of labour, and have closed them against the poor. Food, fuel, bricks, hewn stone, and metals of all kinds are wanted in all directions, and people in all directions are willing to pay for them; but because the labourer may not till the the soil, snare the rabbit, catch the fish, dig the clay, hew the stone, or open out the minerals, because the fertile lands, the moors, the rivers, the clay beds, the quarries, the mines, are all owned by one person or another who bars access to them.

The hindrance to productive work is artificial and arbitrary always, not natural and just. Useful, productive work can always go on if only the people are allowed to do it. If there are no tools, their first act will be to procure them, and that in itself is useful work, and work that can always be done.

Some particular work may be stopped temporarily by want of the necessary instruments, but work as work—useful, productive labour—never.

Progress may be checked by a barren soil like the Saharas, by an inhospitable climate like Labrador, by insecurity of life and property as in Armenia, by a crushing despotism as in some Eastern States; but from want of the means to work, and inability to procure them, never.

There is not a corner of the inhabited world where the people have not already in their hands the tools required to do the work they are accustomed to; much less is there any corner where they could not get more and better instruments if they wanted to, not perhaps to do the work in the best conceivable way, but to do it so well as to be well worth doing.

The advantage of superior appliances is real—the necessity for them is imaginary.

The Pyramids of Egypt still rank among the mightiest works of man, but the tools they were built with were of the simplest. The handspike and the skid were all the builders wanted. The handspike and the skid! Instruments that any savage could pick up ready-made, so to speak, in the woods.[1]

It is said that the way the Pyramids were built was as follows:—The first layer of stones was handspiked into place

[1] I am speaking of the actual building of the Pyramids, not of the quarrying and transport of the stone; though the instruments required for these were almost as simple.

and that course finished. The first stone for the next course was then handspiked up alongside. Then a number of men with handspikes raised one side of the stone and placed a chock under; another gang of men then raised the other side and chocked that; repetitions of the process raised the stone to a level with the top of the first layer, then two skids were laid across and the stone handspiked over into position. Repetitions of these processes completed layer after layer till the pyramid was finished.

Whether the Pyramids were really built in this simple manner is of no consequence. The statement is only given as an illustration. The Pyramids *could* have been built in this way, and that is enough for us.

So long as there is labour (people willing to work), work can go on. If, indeed, there is no food for them, the people will die, and work will cease; not for the want of the instruments, but for want of the people. If there is food, but not enough for all, some will die, but work will go on as usual among those who don't die while the others are dying.

Not only can a community always find useful, productive work to do of some sort, but I think we may say they always can and do find the instruments for doing the work that most wants doing.

A tribe of Red Indians could not tunnel through the Rocky Mountains, but then they would not want to. There would be abundance of work much more suited to their requirements that they could do quite easily.

What they want is food, shelter, clothing, arms, ornaments, and they are never hindered from getting these by want of instruments for getting them. If they cannot get food enough to eat, it is because the buffalo have left the country, or the crops have failed, or the men are weakened by disease, and had not foresight or industry enough to provide beforehand a stock supply against accidents. They want a certain quantity of a certain kind of goods for immediate and immediately prospecttive use, and when they think they have got about enough of these, they trouble themselves no further. If you gave them ploughs and scarifiers and steam-engines for nothing they would not use them.

Most of the wants of civilised man are artificial and acquired. The savage never dreams of wanting such things till he sees them; often does not want them when he sees them, and those that he wants he does not want with sufficient intensity to take the trouble to acquire them.

Simplicity of wants, *vis inertia* and insecurity of life and property, not lack of instruments, account for the non-progress of stationary races. Want of capital in any sense of the word is never the cause.

A people may abandon a great work half finished, as the French abandoned the Panama Canal; but again it was not that the instruments were wanting, but that the people no longer cared to apply them to that purpose; the cost of the work having proved to be greater, or the profit promising to be less, than was anticipated. The instruments are there still, rotting away.

So long as there are human beings, there will be wants unsatisfied that are worth satisfying; that is, there will be work to do worth doing. Grant them access to natural facilities and the work will go on; the instruments will, so to speak, find themselves.

The supply of instruments available for production is not a fixed, much less an ascertainable quantity, but is indefinite and enormously elastic.

According to the Wage Fund theory, wages are drawn from capital, and that being so, the rate of wages is determined by the amount of capital offering for employment of labour as compared with the number of labourers seeking employment. This was long accepted by economists as not only being true but self-evident. It is now, however, abandoned, I believe, by most economists. It rested, like so many other fallacies, on the unconscious identification of capital with money. The only point in it with which we need concern ourselves here is the assumption contained in it that the quantity of the third factor of production available for the employment of labour and carrying on of work is at any given moment a determinate quantity; whereas it is highly indeterminate and enormously elastic.

There are always a vast quantity of instruments of production not in actual use, nor devoted by anticipation to any particular use, but available at any moment if wanted—

A. Complete, but unsold, in the hands of salesmen awaiting sale.

B. Sold and supposed to be in use, but often not really in use all their time, or for half their time. There are always spades, ploughs, axes, engines, working horses, instruments of every conceivable use, unused at the moment because their habitual users are doing other work with other tools.

The same tools that are now in nominal use by a hundred men could often be used to keep some hundreds of men going by a mere re-arrangement of labour and apportionment of tools. There is also a vast quantity of goods in process of construction which could be hastened to completion, altered and adapted to other uses than those originally intended, and turned into instruments instead of luxuries, or if designed for instruments already, into instruments of a different kind more urgently wanted.

There are articles innumerable, again, complete, disposed of, and put to use as final products, for mere enjoyment, which could be turned to use as instruments of work; dwelling-rooms that could be used as stores, carriage horses that could be put into carts, food products that could be converted into starch, glue, and so on. Further, there are people who are doing no work, people who are doing work useful in a way, but not productive, and people who are producing superfluities, who could on emergency be set to work to increase, almost at a moment's notice, the supply of instruments.

Want of instruments, indeed, never retarded progress, never checked industry for a day, though want of instruments of a particular kind may have temporarily changed the course of industry. There are always instruments and to spare for more work than is being carried on, and there is always the power of multiplying them to any extent that may be required.

Much of the success that is attributed to capital (either as money or as instruments) is really due to organisation, and much of the failure that is attributed to want of capital is due really to privileged obstruction.

Here, for instance, is a 1,000 acre swamp with a rich, alluvial bottom. Around it live 100 small settlers, splitters, quarrymen, shepherds—men recognised as of "no capital," and living by their own labour entirely, owning amongst them merely the simple tools required for their work, a few ploughs, and teams of bullocks, a dray or two, picks and spades, mattocks.

It would be a grand thing to drain this swamp, but far beyond the means (it is supposed) of these poor men. Such an undertaking would require a big capitalist.

But it wants no big capitalist. It wants nothing more than is already possessed or readily procurable as required by these poor men. Land, labour, and instruments are all that is required, and they are all there. The men have only to combine, to come to an understanding, as to how the work shall be apportioned, and the profit shared, and the work can begin to-morrow. Some can begin taking the levels and laying out the work, some opening out with the plough, some shovelling. As for food, they have to procure that anyhow; a certain amount is already on hand, and for the rest they can apportion their time or their numbers (as in practice they have always *had* to do), and some can be growing food while the rest do other work.

There is no necessity for forming themselves into a Socialistic federation, or sacrificing one jot of their individualism; all that is wanted is an understanding by which the work shall be apportioned, and the reward be in shares proportionate to the work done, or supplies provided by each, on ordinary joint stock principles, and may consist in a given area of the drained land for occupation, or a percentage on the proceeds of sale or lease. No one need take a larger share than he likes. Some may give only one month's work in the year, some six months, and there is no hurry. Suppose the work will take five years to complete, this does not imply that they must wait five years for a return. The return will begin in a few months. For once the main drain is opened out, the general water-level will subside, and so much land be rendered available at once. Meanwhile, they can push on with the work when circumstances allow, or leave it for a while, when harvest or other calls keep them away.

If there are any particular tools wanted which they have not got, or unforeseen difficulties arise, such as an outcrop of rock, they can get all they want from outsiders; for the work being once fairly commenced, advances will freely be offered payable by shares in the proceeds.

It may be objected that such an enterprise is not a fair sample. It is too simple an affair altogether. It is only a matter of digging out some earth and letting some water off.

Well, the same thing may be said of the Suez Canal, which was only a matter of digging out some earth and letting some water *in*.

Countless examples could be given of enterprises equally vast and equally simple which are supposed to be impracticable for want of capital, but which require nothing but organisation and freedom from outside interference, to be begun at once with instruments already at hand, or readily procurable as required.

Why, then, do not these men begin to drain that swamp at once?

For the old, old reason. The landlord bars the way. Somebody owns that swamp, or has a "vested right" in it, or in some of its surroundings, and either wants cash down (and a lot of it) before he will permit a stroke of work to be done, or else will grant permission only on the condition that, after a certain interval, he may appropriate the whole concern.

And so it is all the world over. Privilege of some sort bars the way and demands backsheesh, before labour can exert itself.

FOOD.

But — and now we come to the crux of the whole question—is Food a third factor of production? Is it an instrument or a final product?

It is urged that when we say labour is limited by capital, we mean by capital, not tools and raw materials, but food, the food required to keep the labourer going.

Nearly all economists seem to agree that the food of the labourer is an instrument for carrying on the general work of production, and represents part, and the chief part, of the cost of the work; not merely relative cost (cost to the employer) but absolute cost (cost to the community).

Let us make sure that we are not disputing about mere words. What is really meant by the statement that labour is limited by food, and that food is the instrument and cost of labour (all three statements being bound up together)?

That *population* is limited by the food supply (procured or