

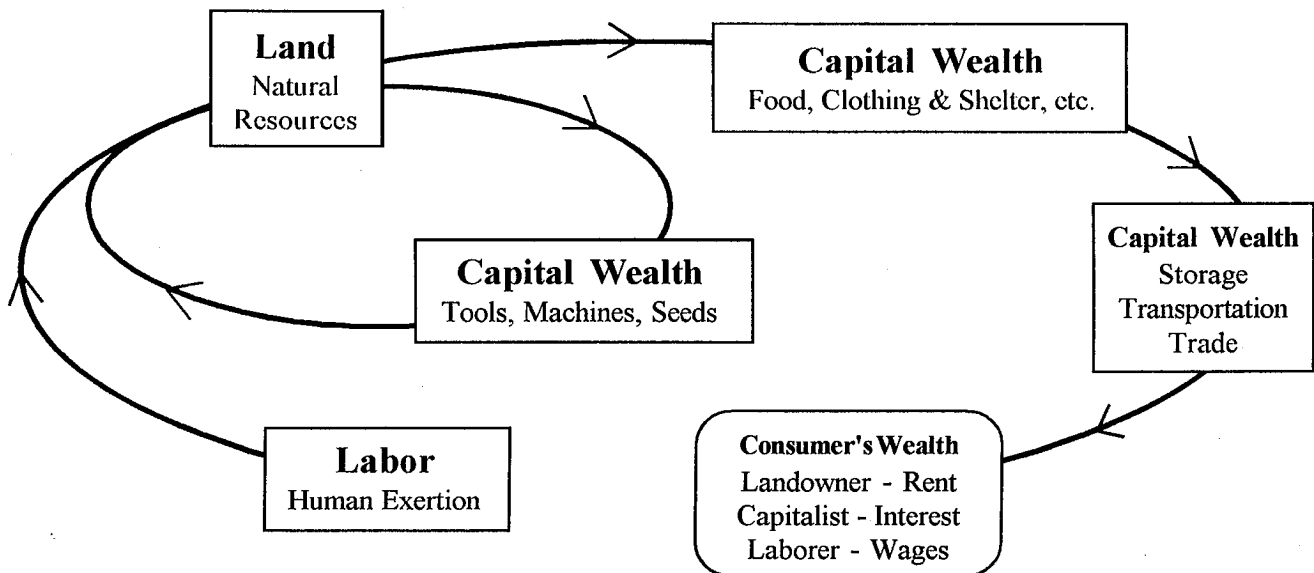
POLITICAL ECONOMY

How civilized men and women get a living

The science which treats of the nature of wealth and the natural laws which govern its production and distribution.

Based on the American classic, *Progress and Poverty*, this course explores the relationship between the individual and society, the foundations of opportunity, and the mechanisms of exploitation. It gives insights into the outcomes of poverty and prosperity and the recurring cycles of expansion and recession. And this course presents the alternatives to conventional public policy.

People exist and they satisfy their desires by consuming food, clothing, shelter, automobiles and a multitude of other products. These products are produced by adapting natural resources to the satisfaction of human desire (changing materials in form or in place).



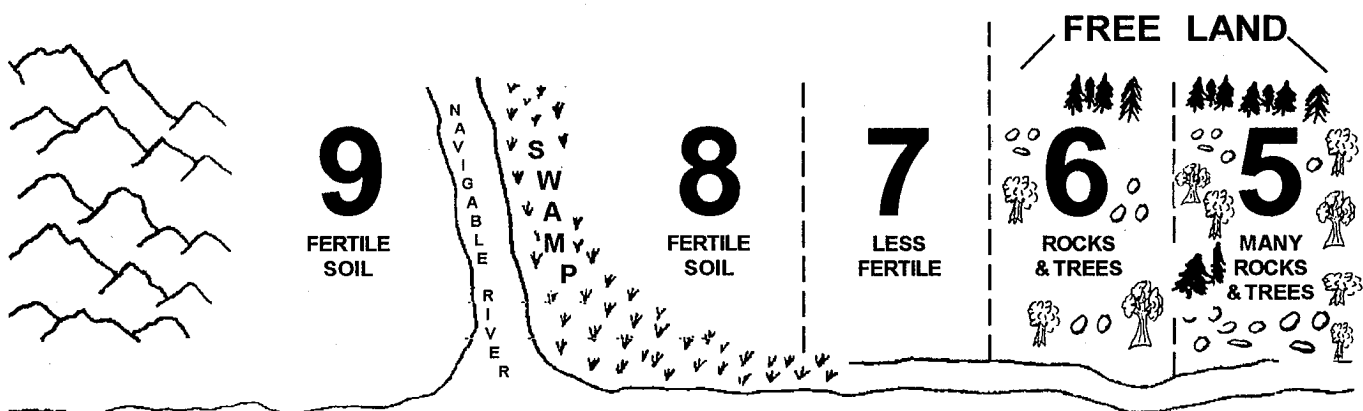
People endeavor to maximize the results of their efforts, so they produce tools and machines. Production becomes a more complicated process, but in the long run people get a greater result. The same thing is true of agriculture; a greater result is enjoyed by planting and cultivating than simply by gathering food which exists in nature. Anything which aids in getting a natural resource to the consumer in the desired form is part of production. Although money cannot be eaten, worn, lived-in or driven, it is an enormous asset. It eliminates the need to find one person who not only has what you want, but wants what you have (barter). With money, you may buy from one person who wants what you have and sell to different person who has what you want. Anything which consistently acts as a medium of exchange is MONEY.

In order to maintain a clear distinction between the Earth itself and the results of human endeavor, precise terms will be used. They are the same terms used by classical economists; they are used here with greater discipline. The Earth itself, that is, the entire material universe excluding people and their products, is called LAND. All human exertion, mental and physical, which is used to make products is called LABOR. All materials altered by human exertion and having an exchange value are called WEALTH. All wealth used to produce more wealth and wealth in the course of exchange is called CAPITAL.

LABOR is the active factor. LAND is the passive factor. CAPITAL, a compound factor, results from labor applied to land. It gives labor a greater efficiency.

In many societies, land is assigned to individuals and groups for exclusive use. This gives security to the things produced on and out of the land. People are not willing to till and cultivate the soil, or to build homes or factories unless there is assurance that they can keep what they produce. Titles to land do not give their owners an advantage as long as there is land of equal quality freely available to everyone. However, as soon as all the best quality of land is monopolized and someone must resort to land of less desirability, the owners of all better land enjoy an advantage, and the land attains a value. All the gains which result from the superiority of land are called RENT. This changes and limits the word "rent" from its meaning in everyday speech. In political economy, rent does not include payments for the use of products (such as rent for a building, or for a car).

In the following model the numbers represent the average wealth (food, clothing, shelter, etc.) which can be expected to result from each unit of labor and capital applied to the respective grades of land.



The difference between the average result that can be expected on any particular piece of land and the average result that can be expected on land that is free is called the POTENTIAL RENT. While the actual rent is part of what's produced, there can still be a "potential rent" even if nothing is produced. When land is rented, the owner usually asks for the potential rent.

QUIZ:

- #1. Fish in the ocean are: land A.() capital B.() wealth C.()
- #2. Before labor can produce wealth, it must have: money A.() capital B.() land C.()
- #3. Is a storekeeper a producer? Y() N()
- #4. Can the potential rent be greater than the actual rent? Y() N()
- #5. Using above model, what is the "potential rent" on the 8 land? ()
- #6. If an individual could produce twice as much as the average person on any particular piece of land - 18 on the 9 land, 12 on the 6 land, and so on - and the potential rent were being asked on all grades of land - where would that individual experience the greatest gain? On the best land A.(). On the free land B.().

Answers on top of previous page.