

By **HENRY L. T. TIDEMAN**

Question: Are you not making a finicky distinction when insisting that labor and not wages is the cost of wealth? Everyone knows that the price at which a thing is sold must include the wages paid to the workmen who produce it.

Answer: From the nature of the question one would imagine that the questioner has the notion that the economic world consists of merchants, workers and consumers. The question also suggests that cost accountant's tables may be explanatory of economic facts. Business economy and political economy are entirely different sciences. Both use the same vocabulary; but each has its own set of meanings.

Thus in business, wages will be treated as something paid; in political economy as something retained or received.

The nature of wages may be seen in the example of a factory in which a group of workers are daily increasing the value of the inventory. The products are sold from day to day and the money taken in measures the value of the products. If the business is successful, then on pay day each worker gets an agreed upon share of the value they have all cooperated to produce. It will be observed that those wages are not a cost, not even to the owners of the business. If wages ever should become a cost the plant must soon close. But the cost accountant's tables will show the share of the total sum taken in which was paid to the workers, as "wage costs." Such is language.

It is reminiscent of the tale of the farmer who, when a yokel applied to him for a job, proposed that he go down to the river bank and gather drift-wood, offering him half of all he would bring. Had the innocent taken the job and the farmer kept books, the value of the wood retained by the laborer would have appeared as the wages cost of the wood the farmer got. Now back to our factory. If beside wages; rent and interest are involved, enough actual wealth must be produced above that taken as wages, so that these additional factors may come into a share.

Wages, interest or rent contribute nothing to prices. Price is a term of relationship, not of quantity. When the value of one hat is equal to the value of one pair of shoes, the price in money, of each, may be \$1.00, \$5.00 or \$25.00; but the figures are useful not as quantities, but as indicators of the economic relationships of the products in a market.