LESSON V.

CAPITAL AND ITS FORMS.

1. CAPITAL DEFINED.—Capital includes every thing employed in production except the labor. It thus embraces the material on which the laborer works, the instruments with which he works, the food and shelter by which he is enabled to work, and the results of his work, *i.e.*, the products, money, etc. And, as human labor has to do only with things designed, either directly or indirectly, for the use of man, all articles of value are only different forms of capital. Hence capital and labor alone are concerned in production. On the one side is man, with his various powers of contrivance, speech, direction, and exertion; and on the other, the various materials, instrumentalities and powers—both animate and inanimate—of nature. But property unemployed in production, whether it be in money or any thing else, is not properly capital: it is only wealth. Strictly speaking, wealth becomes capital only when employed in production.

2. KINDS OF CAPITAL EMPLOYED IN PRODUCTION.—Of the different kinds of capital, there is, first, the material upon which the laborer works, in order to confer upon it a greater value: such as the seed, manure, breeding animals, etc., of the farmer; the cotton, wool, iron, etc., of the manufacturer; and the tea, coffee, cloth, and other transportable and saleable articles of the merchant. Secondly, there are the instruments with which he works: such as the plows, carts, lands, and working animals of the farmer; the axes, planes, hammers, factories, and machinery of the mechanic or manufacturer; and the warehouses, ships, wagons, and cars of the merchant, teamster, or public carrier. Thirdly, there are the food and shelter by which the health and strength of the laborer are maintained, and by which he is enabled to continue his exertions, and which are substantially the same with all classes of laborers. And lastly, there are the mature products of each department of industry: such as

the grain and fatted animals of the farmer; the cloth, tables, etc., of the manufacturer; and the money and other articles for which the merchant has exchanged off his merchandise.

3. Of Productive and Unproductive Capital.—As already stated, money hoarded is of no use to any one. The same is true of other articles of wealth. Land lying waste, goods locked up in storehouses, machinery unemployed, and buildings unoccupied are all unproductive capital, or mere articles of wealth. Property thus situated is not only of no use to any one, but, from the effects of time and the elements, is often diminishing in value much faster than though it were put to some beneficial use. The true economist, therefore, always avoids as far as possible such a disposition of any part of his property. He is not satisfied if any part of it is unproductive, but endeavors to utilize it all by keeping it in constant use. Has he gold, he puts it in a bank, and thus renders it useful in supplying the basis for the circulation of the bank. Has he goods, he keeps them always in the market,

on sale. Or has he ships, factories, or other means and instrumentalities of production, he keeps them constantly employed in their appropriate sphere. Capital, to be productive, then, must always be put to some use. It must be employed either in directly supplying some of our wants, or else in producing articles fitted to gratify them. And as the man who thus uses his property always consults best his own interest, so also does he that of others. While hoarded wealth is of no service to any one, utilized wealth has a double profit—a profit for him who owns it, and for those employed in using it. Thus has God bound up the interests of all together—of the rich and the poor, the capitalist and the laborer.

4. Fixed and Circulating Capital.—Fixed capital, as is implied by the term, is that form of capital which has one definite and fixed use, and which serves its purpose in production without any material change. Such are houses, lands, stores, ships, factories, machinery, wagons, plows, and all instruments, tools, and implements employed

in any art. These are each confined to a single purpose, and though they do change some by use, yet not perceptibly in short periods. They gradually wear out, and must be replaced by others of the same kind. The change which they undergo is that of destruction, not that of transmutation into other forms. In production, fixed capital is that which works upon the material to be changed, or in some way promotes its change, not the changeable material itself. Circulating capital, on the contrary, is the material worked upon. It is the material ever changing or *circulating* through the different forms which arise in the progress of production. Thus, what is a raw hide, in the hands of the butcher, becomes leather in the hands of the currier, and shoes in the hands of the shoemaker. In all these forms it is circulating capital; but when it comes to be worn as an article of dress it becomes fixed capital, since in this form it merely assists the individual in production. It has at length reached its final use and destination. And so in other cases. Fixed capital, therefore, is capital put to its final use, while circulating capital is capital in all the forms which it passes through till it reaches that use. While the perfected instrument or machine, ready now to be used and worn out in production, is fixed capital, the material of which it is made at every stage in its progress toward completion, was circulating capital. The object of every form of production is perfected products, and every stage in the process is only a step toward that result. Of course, then, as production advances there must be a larger number and a greater variety of these ultimate products. Hence, among an industrious people, every generation leaves the world better off than that which preceded it.

5. To what Kind of Capital does Money Belong?—Some economists regard money as belonging to fixed, and some regard it as belonging to circulating capital. Money, to be sure, is an important instrumentality in transacting business, and hence, in a general sense, in production. Men could not produce so much without money as with it, since its use saves a great amount of time

which would otherwise be spent in changing off the various articles which they have to spare. It is then really only an instrument of exchange, not an instrument of production. This is its sole function, and, in order to fulfill this function, it is undergoing perpetual change—not, indeed, change of form, but change of place. And as an article is never fully ready for its final use until it has undergone its last change, not only in form, but in place, and is thus directly available for that use in the spot where it is needed, money in circulation can never be said to have reached its final destination. Money—*i.e.*, gold and silver, the only real money—reaches its final destination only when manufactured into jewelry, or other ornamental or useful articles which are capable of gratifying some human desire, or finds its lodgment in the vaults of some bank as the basis of its circulation. As to mere paper money, not based on gold and silver, its final destination is the rag-bag. Money, then, as the circulating medium, ever passing from hand to hand, must belong to circulating rather than fixed capital.

LESSON VI.

LABOR—ITS FORMS AND RESULTS.

1. DEFINITION OF LABOR.—Labor is any exertion, whether of the body or of the mind, made for the purpose of producing some useful result. Exertion without any purpose, or for an evil purpose, does not deserve the name of labor. Such exertion is mere sport, or random action, or mischief. Labor, however, is not wholly of the hand: there is labor of the mind as well. Indeed, the labor of the hand proceeds from an antecedent labor of the mind; the hand only does what the mind first conceives and wills. There are various kinds of mental labor also which do not lead immediately to any external acts: such as the various studies pursued in educating the mind, the investigation of the principles of science and of nature. Such exertions are among the most useful forms of labor,

since they lead to a knowledge of principles that guide the hand in its labors and enable it to achieve far more useful results. The study employed in investigating the principles of steam, and the mechanical combinations by which it is rendered available in producing locomotion on the land and on the water, has led to all the astonishing changes in property, comforts, and conveniences which have resulted from railroads and steamboats.

2. Forms or Kinds of Labor.—Labor, then, may be either of the body or of the mind. But the labor of the mind, as far as it pertains to production, may be of two general kinds. It may be employed either in investigating the properties and laws of nature, or in contriving such combinations and arrangements of matter as will enable us to avail ourselves of these laws for some useful purpose. The one may be called the labor of discovery, and the other the labor of invention. Thus, having discovered that combustible matter requires, in order to burn freely, a plentiful supply of oxygen or air, it becomes necessary, in order to

turn this law to any useful account, to conceive such a combination of matter as shall secure such a supply, and at the same time render the heat produced by the fire available; which is effected by a chimney terminating at the lower extremity in a fire-place or a stove. And the same is true of the laws of steam, of electricity, and all the other agents and powers of nature. Their laws and modes of action, as well as the means of availing ourselves of them for various purposes, have all cost much profound and laborious study. The mind having thus discovered the law, and conceived a mode of rendering it available for any purpose, it only remains for the hand to give form and substance to this conception by the actual construction of the machine or other combination of matter which embodies it. Indeed, all hand-labor is but realizing by some external change a conception of the mind. The planting and cultivation of grain or of fruit-trees is as much a realization, in external acts, of a knowledge of the laws of nature which pertain to vegetable growth, as the construction of a machine is the realization of certain mechanical laws of nature.

3. Of Professional Labor.—The labor of the different learned professions, as of the lawyer, the doctor, and the clergyman, is chiefly mental, and of that form of mental labor which has been designated as the labor of discovery. The lawyer and the clergyman, to be sure, exercise their function chiefly in announcing the results of their investigations before audiences. But this is a mere publication of their views or doctrines, such as any mere philosopher might make. It is true, they always have a practical end in view, but that end does not require any particular external combinations in order to render the principles available. They are required merely to discover and announce the *particular* laws which apply to the case in hand. The clergyman is supposed to have studied the Scriptures so thoroughly and carefully as to be able to proclaim to all men generally, or to any one under particular circumstances, "what they must do to be saved;" while the lawyer is required simply to bring forward the particular principles and laws which bear upon the case before the court. The exernal contrivances, or arrangements,

as far as there are any, to enable men to avail themselves of the doctrines or laws announced, are to be found in the organizations of the church and the court. The labor of the doctor, indeed, is not so wholly that of discovery. He is required not only to know the laws of health and disease, and of the action of medicines upon the system, but often to invent mechanical contrivances to render them effective, and with his own hand to prepare and administer his remedies. These two latter kinds of labor, however, are rather incidental than essential to his profession. Indeed, the philosopher may not only discover a law of nature, but invent the contrivance for rendering it available to man, and even make the contrivance with his own hand, as has often been done. Still, the first kind of labor is his proper function, and the same is true of the learned professions.

4. The Results of Labor.—The result of labor is always some change, either mental or physical. The man who studies, always produces thereby some change in the state of his mind. His mind is

changed by the addition of the knowledge which he has acquired. He is made wiser thereby; he has truer conceptions of things. And as these conceptions can be of no use to any one unless embodied or realized in some book or useful invention, it is customary in all civilized countries to encourage their embodiment by those who possess them, by securing to them for a term of years the exclusive control of the manufacture and sale of their books and inventions. As to the physical changes produced in objects by labor, they are as numerous as the forms and processes of production and exchange. The farmer, by means of cultivation and the co-operation of the agencies of nature, changes his seeds and manures into vegetables and grain, and the miller changes the grain into flour; the manufacturer changes his cotton and wool into cloth, and the trader changes off the cloth for teas, sugars, etc. Thus, every form of circulating capital is perpetually changing under the hand of labor.

But all these multiplied changes must be, either a change in the *visible* form of objects, a change in their *elementary* form, or a change of their

place. The mechanic, the artisan, and ordinary manufacturer change only the visible form of objects. They don't attempt to separate their elements, but, by enlarging, reducing, attenuating, or otherwise modifying them, simply change their shape. The farmer and the chemist, on the contrary, change the elementary form of objects. In the processes of cultivation the farmer decomposes earths, manures, and extracts gases from the air, which are combined again into vegetables and grain. So, too, the chemist disengages elements from one substance and combines them with those of another, and thus forms new compounds; and by the various modes of transportation employed by the merchant or trader, the place of articles is continually undergoing change. As each man can conveniently produce but a small number of articles, but wants many, and these widely scattered over the world, there must always be a ceaseless change of place in all articles of use. Hence transportation must always be one of the most extensive branches of business, increasing as the wants of civilized man increase.