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POLITICAL ECONOMY.

INTRODUCTORY CHAPTER.

DEFINITIONS AND PRELIMINARY STATEMENTS.

1. SOCIAL SCIENCE treats of the natural laws which govern men in their relations to each other. Political economy is the application of that portion of these laws which pertain to the production and distribution of wealth.

2. It is important to understand what is meant by *wealth*. Writers differ greatly concerning its definition; but they all agree, by implication at least, in making *value* an essential characteristic of the objects symbolized by this term. It will, then, be necessary, before going on to a final determination of the signification of wealth, to ascertain the meaning of value.

3. As this is, in some respects, the most important word in political economy, it is desirable to get a clear apprehension of what it implies. Value is a *relative* term, having reference to the quantity of one commodity which may be equitably exchanged for a given quantity of another. Thus a bushel of wheat may be given for two bushels of oats, or a cord of wood for twenty yards of cotton cloth. But,

in every instance of relationship, there must be some ground of the relation. The determination of this is essential to an adequate definition.

4. The chief element in the value of any thing, and that which constitutes its original standard, is the *cost of its production*; and by *cost*, we mean the *labor* involved. Labor may be defined as *the voluntary effort put forth by man to secure some desired object*. But when we say that value is estimated by the amount of labor necessary to produce an article, some care is required lest the statement mislead. It is not the amount of labor actually expended in the production which measures the value. A yard of cotton cloth made a hundred years ago involved the labor, perhaps, of several days; but its value, if now in the market, would be less than that of the same commodity of the present day, which involves the labor of not a tenth part as much time. It is, then, the labor which would be required to *reproduce* or replace an article, which determines its value.

5. But when we speak of labor as the principal ground of the relation which we denominate value, it is not labor in the form of immediate exertion alone that is meant. A large part of the labor which creates value is implied in the existence of tools and implements, and other contrivances. These constitute *capital*. This has sometimes been called "pre-existent labor." It will be sufficient for our present purpose to define it as *the result of previous labor, employed in further production*.

The design of all labor is to secure objects for the gratification of desire. Now, this gratification may be immediate, or it may be postponed for the sake of some greater gratification. In other words, the objects secured by labor may be consumed at once, or they may be wholly or partly reserved for use in securing other objects. All that is thus

reserved is of the nature of capital. It is the result of labor; but the point to be observed is, that its existence is due, not to labor alone, but to *abstinence* as well. We thus arrive at a modified form of our statement concerning value; namely, that it is estimated by the amount of *sacrifice* involved in the production of a commodity; and that this sacrifice is of two kinds, — *exertion* and *abstinence*.

6. But there is another essential characteristic of value, which involves a further modification of our definition; this is *utility*. It has sometimes been confounded with value, and some writers speak of it as *value in use*. But it is clearly a distinct element. It may be defined as comprising *all those qualities in objects which make them desirable*. It will be readily seen that there are some things which have the greatest utility, and at the same time have little or no value: they are such objects as cost nothing; that is, such as involve no labor in their production. Thus air and sunshine, and, to a great extent, water, ordinarily cost nothing; and yet they are of the highest utility. It is often the case, that the utility of articles is almost inversely as their value. Iron is of very small *value* as compared with gold, and gold is of equally small *utility* as compared with iron. That utility is essential to value, is evident from the fact that no one would make any sacrifice for an object which would gratify no desire. Yet the prominence of this element in the determination of value varies widely: sometimes it is paramount, at other times its influence is so feeble as to be scarcely perceptible. When a man buys a barrel of flour, he expects, under ordinary circumstances, to pay a price somewhere nearly corresponding to the cost of its production. The utility, though maintaining an essential influence, is not palpably considered. But suppose some extraordinary conditions, by means of which there is not more than flour

enough in the market to supply one-third of the demand, and that no more can be had for several weeks, or perhaps months. Those who have plenty of means will offer prices which are far out of proportion to the cost of production, and which will be measured almost wholly by the intensity of desire for the article. A man of means will pay several times the natural value of the commodity, rather than let his family suffer. It is obvious, that, in such a case, *utility*, and not *labor*, becomes the paramount element in the determination of value.

7. But it is, after all, doubtful if utility is a radical element in the measurement of value. It unquestionably has much to do in its temporary modification, through various disturbing influences operating upon the market. But it can hardly be regarded as in any proper sense a standard by which to estimate value.

Value and utility are often found in the inverse ratio of each other; that is, as value increases, utility diminishes, and *vice versa*. But it is not correct to say that this is *always* the case. If it were, infinitude of value would imply zero of utility. But, as we have seen, an object destitute of utility can have no value. Mr. Carey's description of the two is, that "the utility of things is the measure of man's power over nature;" while value is "the measure of nature's power over man," or of "the resistance which nature makes to man." These statements, while not altogether adequate as definitions, imply profound philosophical truths.

This, then, I would present as a proper and final definition of value: *Man's estimate of the amount of sacrifice requisite to the attainment of a desired object.*

8. We may now return to the subject of *wealth*. If we regard wealth as comprising all things that have value, we shall not be far out of the way. But at this point we meet a

conflict of opinions among economists. Many, and perhaps a majority, of writers limit the term to *material* things. They make no account, in this respect, of those mental and moral acquisitions which constitute so large a proportion of the means of enjoyment and prosperity to humanity. The maker of a violin is in possession of an article which is to him a portion of wealth. But the skill and talent of Paganini, or Ole Bull, or any inferior musician who can so use the instrument as to gratify the popular taste, are not, on that account, reckoned by these writers as of any value in an economical sense; nor do these abilities constitute any part of the wealth of the community. Yet without this competence residing in some person, the violin could have no value. The same may be said concerning the abilities of various other classes who have acquired power to minister to the gratification of human desires. These are conditioned on labor, just as any kind of wealth is; and their utilities are not only just as real as those of material objects, but they are vastly more extensive. Without them, there would be no wealth worthy the name.

These considerations lead to the following definition: *Wealth comprises all those useful things and qualities, the attainment of which involves sacrifice on the part of man.* As value implies a certain degree of resistance to man on the part of nature, so wealth implies in man a certain degree of power over nature. Hence Mr. Carey's statement, that wealth is "the power to command the always gratuitous services of nature." When man is at his weakest, socially or individually, nature does little for him. Every infant, if dependent on nature alone, would inevitably perish. In the infancy of society, it is only by the most strenuous exertion that a precarious subsistence is secured. But, with every increment of power in man, nature multiplies her services.

They are not bought, but freely given, and given as soon as man is able to command them. In the most advanced civilization, the forces of nature have become so subservient to man, that, in thousands of cases, one can accomplish what a score, or sometimes even a hundred, could not formerly have done. It is this increase of power, more than that of material commodities, which constitutes the real wealth of the world.

9. It is easy to see, from what has already been said, that the proper subject of political economy is *man*. The laws pertaining to the underlying science are found in the character of man, — his tastes, his desires, the motives influencing him, and the limitations to which he is subject. The results arrived at are, his happiness and prosperity, his freedom, and his mastery over nature. This view differs from that entertained by many writers. With them it is regarded as the science of material wealth, and man is treated only as an important incident. Yet social science, of which political economy is a branch, if it exists at all, is a science of *man*, and not of his accidents or appurtenances.

10. The word *economy* is from a Greek compound, and is nearly equivalent to our Saxon word *husbandry*. It has reference to the prudent management, by a householder, of his means, so as to secure the largest possible advantage for himself and his family. It is hardly necessary to remark, that economy is not the same as parsimony or frugality. It does not consist in mere abstinence for the sake of saving. It is rather a wise use of means and forces, so as to make them productive of the largest desired results.

Political economy, as the name implies, has reference to man in society, and not as an individual. One of man's greatest needs — perhaps his very greatest — is that of *association*. The solitary individual is only a minute constituent

of man, in man's relation to the great purposes of life. Separated from his fellows, he would be, even in his individual capacity, but a small fraction of what he is when associated with them. No man is complete in himself. Each individual must be supplemented by others, generally by many others, and find a large part of his own competence in this association. Each has something that another lacks, and we are made to be sources of mutual supply to our several wants.

But not only is association essential to man, but *individuality* is equally essential. A superficial thinker might regard these two characteristics as antagonistic. The fact is so far otherwise, that each of them is actually dependent on the other. No man would associate with another unless the one had something which the other wanted. But for this, there would be no commerce. Two hatters making the same kind of hats would neither of them have any thing which the other would want. Men of the same mental habits and requirements could not benefit one another. Men must *differ*, or they will not associate; and the greater the difference, the greater the association.

On the other hand, it is only by association that the individual advances, and the highest development takes place. By such advancement and development, and by such only, the differences among men become great and numerous. In the lower grades of humanity, there is comparatively little difference between individuals; and there, too, the association is very slight. It is only in an advanced civilization that a strongly marked individuality exists, and that there are those numerous differences which make the mutual dependence the greatest.

11. Having given this brief general view of the subject, and defined some of its principal terms, we may now pro-

ceed with an examination of the principles involved in it. The subject is divided into four great branches, as follows:—

- I. PRODUCTION, which treats of the creation of wealth.
- II. CONSUMPTION, which treats of the destruction of wealth, and the laws which govern it.
- III. EXCHANGE, which comprises the forms of commerce, or the transfer of commodities between different parties.
- IV. DISTRIBUTION, which has reference to the apportionment of wealth among the parties who produce it.

BOOK FIRST.

PRODUCTION.