AN ALPHABET OF ECONOMICS

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BY

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INTRODUCTION

THE following Alphabet grew out of an attempt to compile a glossary of economic and political terms for the use of readers of the *New Age* in general and of students of the system of National Guilds in particular. It developed, however, into a more or less systematic attempt to define economics in terms of the wage system, and, at the same time, to suggest an alternative to it. Though fragmentary, therefore, in appearance, it will be found to contain a consistent criticism of current economic theory, a consistent exposition, however inadequate, of the economic theory held by the new school of National Guildsmen, and consistent suggestions, somewhat shadowy, it is true, towards a social reconstruction.

It has long been realised that modern industry depends for its main motive upon the desire for gain ; and hence that "profiteering," or production for the sake of profit, is an accurate description of it. It has long also been realised that in thus permitting production to be carried on from an irrelevant motive we were admitting an ethical contradiction into the practices of the State. At the same time, since economists, by means of their analysis of the factors of production, found themselves unable to detect any intellectual defect in the system, the ethical defect was assumed to be either a passing phenomenon, to be remedied by education, or inherent in human nature. Nothing, they concluded, was wrong in the theory of economics ; hence nothing could be wrong in the practice unless it were due to factors outside economic control. Economic theory, in short, was assumed to be able to leave the court, where it had been charged with the crimes of modern industry without a stain upon its character.

To this, however, it was not possible that everybody always should agree; and, in fact, as the history of Socialist criticism shows, there have always been protestants and dissentients, who maintain that what is right in theory cannot be wrong in practice, and that what is wrong in practice must needs, therefore, be wrong in theory. Without attempting in this place to resume the course of such a criticism or to review the successive hypotheses upon which such criticisms have rested themselves, it may be said that the common sum of them is to be found and is assumed in the definitions herein contained. The issue turns, it will be seen, upon the original analysis of the factors of production, from which, if we accept the current conception, all the consequences of modern industry flow, and which, therefore, must be re-examined if we are to build our industry upon a new foundation.

These factors, it is well known, are three in number. They are Land, Capital, and

Labour. Assuming these to be unalterable by criticism, there is, as has been said, little to be done of a radical character in economics, which must, in fact, become more and more detailed as time goes on, and less and less, therefore, reconstructive. But the question the Socialists ask, is whether, in truth, these factors are either congruous or exhaustive. Laying the axe to the very root of the tree, we challenge the assumption on which the modern theory of economics rests, the theory, namely, which defines the factors of Land, Capital, and Labour as the true factors of production.

Of recent years, under the pressure rather of practical legislation than of pure thought, the time-honoured distinction between Land and Capital has been fast disappearing, in spite of the efforts of the older school to preserve the ancient landmarks. The involved discussions in the Press concerning land values and increments of value, and of the difference between Rent and Interest, which had their origin in the famous first

Budget of Mr. Lloyd George, have left, by reason of their confusion, little clear in the whole field save this: that the distinction between Land and Capital is impossible to make, and is not worth making. The two, in short, have now become one; and it is no longer admissible, except colloquially, to distinguish between Land and Capital or between Rent and Interest. Both Land and Capital are Capital; and all Capital consists of Tools of Production. Rent and Interest are the names respectively given to payment for the use of the tool of Land (as a rule) and of the tool of Capital. Save by custom, there is no distinction between them. Having, however, now reduced two of the terms of the classic trinity to a common term—namely, to the common term of a Tool of Production—how do we find the case stands with the third member of the trinity, the factor of Labour? If Land and Capital are alike Tools of Production, and their third partner, Labour, is of the same nature with them (as, by the classic hypothesis, it must be in order to maintain the congruity of the factors), Labour must of necessity be a Tool of Production also. But if Labour is a Tool together with Land and Capital, and these three exhaust the factors of production, pray who or what is the user of these tools and, by their means, the one and only genuine producer? A tool cannot be said to produce anything by itself; and it is obvious, in the case of the tools of Land and Capital, that the miracle is not expected of them. Nevertheless, by the interaction of the tool of Labour upon the tool of Land and Capital, it is assumed that production is brought about!

We are in this dilemma brought face to face with the cardinal error of the accepted threefold classification of the factors of production. Upon the common assumption, each of them is a tool, and they are all tools together, leading us to look in vain within the definition for the answer to the inevitable question, "Who, then, uses these tools?'

Upon the alternative assumption, on the other hand—the assumption that Labour is the real user of the tools—we are left with our original threefold classification broken to pieces in our hands.

The escape from the dilemma is to be found in the consistent doctrine underlying the following definitions that, in fact, Labour is not properly a "factor" in production, but the producer himself. What has made of Labour a mere factor in production is Capitalism.

The simplicity of this discovery is, however, liable to miss its effect by reason of the very fact of its simplicity, but it is to be hoped that its frequent repetition in the following pages will bring its truth home to every reader. For what at last emerges from the discussion of the factors above suggested is a classification at once scientific and revolutionary and at once economic and humane. Land and Capital appear as economically indistinguishable tools of production. Labour, on the other hand, appears, not as a tool but as the tool-user, whose name, moreover, should not be Labour, but Labourers. Economics at bottom reduces to two terms: Labourers and Tools, or Workmen and Stuff. These are the only factors in production.

It is unnecessary to repeat here what is so often repeated in the text; but a word may be added concerning the reconstructive proposals that will be found more or less clearly outlined in the following pages. Our case is that the existing industrial system is based upon the erroneous analysis hitherto made of the factors of production; and that with a fresh and a more accurate analysis, a new industrial synthesis is demanded. Upon the assumption that Labour is congruous with Land and Capital, and that all three are equally Tools of Production, their employment upon equal terms by a user of tools who must needs be not himself a factor in production is logical. In other words, the Capitalist is a logical consequence of an analysis that reduces

Labourers to Labour, and sets it down with Land and Capital as a mere factor of production. But following upon the analysis here set out, which denies that Labour exists except in the form of the Labourer, and affirms that in this form the Labourer is the sole producer, the conclusion is reached that the new industrial synthesis must substitute the Labourer for the Capitalist, the real user of the real tools of production for the mere owner of them. The system of National Guilds (sometimes called Guild Socialism) which is fragmentarily sketched in the course of this Alphabet, is designed to realise in practice the analysis now made in theory. Starting from the discovery that Labour is synonymous with Labourers, and that as such Labour is not a tool but a tool-user, the system of National Guilds envisages the future of industry as implying the subordination of tools to their users, hence of Capital to Labour. That the change is revolutionary cannot be denied; and not only is some such change necessary if our industrial system is to become ethical in character, but a revolutionary change in industry is implicit, we repeat, in a radical change of economic theory. Whether it be in National Guilds or in some other form of industrial organisation that the future will take shape, the present analysis is the shadow cast before it. May the synthesis be soon in coming!

A. R. O.

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Ability.—We are accustomed to hear of men of great ability—who, nevertheless, remain poor. There are men who can "make anything but money." The distinction between human ability and economic ability is, however, not necessarily to the disgrace of economics. Ability, in the economic sense, has a special meaning; and while it by no means excludes ability of other kinds, the only ability with which it is concerned is the ability to "bring things to market." What is marketable and what is actually marketed are the sole concerns of economics as the science of production: and hence the sole kind of ability that enters into its purview is economic ability. It is true that even from this point of view certain forms of ability have a legitimate ground of complaint against the world. They may truly say that they are too good for the market: meaning by this that the commodities they can produce are unmarketable on account of the absence of an intelligent demand. It is true, again, that we must all deplore the marketability of certain forms of ability, and wish that they did not exist. But the range of the market is defined by the range of society; and it is useless to complain that abilities are wasted on the one hand, or encouraged when they should not be, on the other hand—so long as supply and demand determine what shall be produced. To provide a livelihood for desirable abilities that now cannot find a market, or to starve out undesirable abilities that to-day find a ready market—we should need to revolutionise the conception of a market altogether. We should need, in fact, to abolish the market.

ABSTINENCE.—This word is met with in economics in such phrases as "the reward of abstinence"; "capital is the fruit of abstinence." To abstain is to forgo; it implies, therefore, the existence of a choice. But between what alternatives is the choice in economics exercised? It is between consuming and going without. He is thus said to practise abstinence who, having the choice before him between consuming and not-consuming, chooses not to consume. The consequence, however, of such a choice—and, hence, the first fruits of abstinence—is the saving of the commodity that has been forgone. And in so far as this saved commodity can be said to be Capital, abstinence is the mother of Capital. But there is another way of looking at the subject. Simple abstinence is not always in itself the most fruitful source of Capital. Given choice between consuming and not-consuming, the choice of not-consuming is truly more advantageous to Capital than the choice of consuming. On the other hand, given the choice between not-consuming, consuming foolishly, and consuming wisely, the advantage is no longer with abstinence, but with wise consumption. Capital, we may therefore say, is more usually the fruit of wise consumption than of abstinence. Note, however, that in any event Capital is the child of choice. No choice, no Capital. It follows that the proletariat, having only Hobson's choice to consume, cannot create Capital; for they can neither not-consume nor consume with discrimination.

Arbitration.—When the two parties to industry, namely, the Capitalists and the Labourers, fail to agree upon the price to be paid for Labour, they may submit their respective claims and pleadings to an outside and presumably disinterested party, and agree to accept his decision. Such a process of submission of evidence and submission to an outside decision upon it is called Arbitration. The materials for arbitration are the evidences and pleadings of the two sides, in the first place; and, in the second place, they are the facts of the market in general, both as regards Labour and Capital. An arbitrator may, for example, supplement the evidence produced by both sides and bring in considerations drawn from a wider field than the area covered by the particular dispute. He may say, for instance, that the wages asked for are in excess or defect of the market-price of labour in general and without reference to the conditions immediately before him. Or, again, he may say that the demands of the Capitalists are excessive, not merely in respect of the particular circumstances, but in respect of circumstances in general. As a matter of fact, however, an arbitrator is usually benevolently disposed, not only to Capital in general, but to the Capitalists before him in particular; and he therefore cites the immediate or the more general considerations, whichever shall prove to be the more favourable to his virtual clients.

BANKING. — The smelting of Capital. Capital, it is clear, exists in two forms: a real and a nominal. The real form of Capital

Douglas [illegible] to Credit

is fixed in land, buildings, machinery, commodities, and the like. The nominal form consists in claims upon these based upon the calculation of what can be produced by their means. The latter or nominal form, being chiefly paper equivalent to I.O.U.s, is easily circulable, and hence is said to be liquid or current. And it is the function of the Banks to make it and to keep it so. The essence of Banking is the nominalisation of real capital; or, again, the liquefaction of solid capital. And for this operation the Bankers charge interest, which is the rent of currency.

Blacklegs.—Members of an industry who refuse to keep the rules laid down by their fellows for their *common* good. Though usually confined to wage-earners who remain outside their union and break its rules, the term "blackleg" may be as properly applied to members of other occupations (professions, for example) who not only refuse to be bound by the rules laid down by its members for the good of the profession as a whole, but exercise their power to break them. A lawyer or a doctor, a stockbroker or a dentist, who refuses to accept and to carry out the common rules of these professions becomes guilty of unprofessional conduct, and renders himself liable to expulsion. Such a man has become a blackleg within his association. Usually, however, the blackleg, whether in professions or in the wage-industries, has never been a member of the Association or Trade Union; but breaks their rules from outside.

Capital.—If Land can be said to be the elemental tool by the proper use of which Man can produce articles of utility (for his own consumption or for exchange or as means to further production), Capital may be said to consist of man-made tools or, as we should prefer to say, of implements. A plough is an *implement* of production, while the land through which it is driven is an *instrument* of production. A plough thus belongs to the class of Capital tools, while the land is an elemental tool. A fishing-boat, again, is a man-made implement for the production of fish from the sea. It is therefore a Capital tool, while the sea itself is an elemental tool. But these simple man-made tools are only elementary forms of Capital. Man is the tool-making as well as the tool-using creature. He has made many elaborate tools for the production of wealth. Not only a plough is a tool, but the road that leads to the field in which it is used, the granary in which the corn is stored, the factory in which the plough is made, and, finally, the whole created system by means of which the plough is brought to the field and the corn to the factory, are tools. The sum total of man-made devices for producing wealth from the elemental tools—the sum total, let us say, of secondary tools, if we call Land the primary tool—constitutes the first form of Capital or what is usually called Fixed Capital. Even this, however, does not exhaust the forms of Capital. For

Capital consists not only of tools visible and tangible; but, since it is man-made, it may equally well consist of whatever man can count upon as certain to become visible. Thus a plough is a tool visible and tangible; but it is obviously of no use unless it is believed that men can and will use it and that access to the land can be found for it. But for this belief or *Credit* the plough would be useless. Capital thus consists not only of the actual tools, but of the Credit men can establish for themselves that the tools will be usable and will be used. Most capitalists deal mainly in this credit rather than in the actual tools concerning which the credit exists. This form of Capital is an I.O.U., backed by all the existing tools and endorsed by the tool-users. It is their credited promise to produce what they undertake to produce: and it may be strictly defined as the latent usability of the existing implements of production, *given* the will of the labourers to use them.

Capitalist.—A capitalist is a man who owns one or other or both of the two only tools employed in the production of wealth: elemental tools—part of the land, water, or air; or secondary tools—the implements of production: ships, machines, houses, etc., or *legal promises of them.* Now as, without access to the elemental tools or the use of the secondary tools, labourers, however skilled, can produce nothing, it follows that for permission to use them they must be prepared to pay, unless the permission is given them. But it is of the essence of the character of the Capitalist that he will not *give* permission to workmen to use the tools he possesses. He will only *sell* permission to them. And again, he will not even sell to them, if he can help it, but he will only *lend* to them. And, still again, he will not lend to them if he can help it, but he prefers that the labourers should *lend themselves to him.* This lending by labourers of their energy and skill to the capitalists who own the main tools of production is called working for wages ; and in England four men out of five belong to this class. They are slaves of the tool-owner, since without his permission—who has, be it remembered, both classes of tool in his possession—they can produce absolutely nothing. This lending by men of their energy and skill to the owners of the tools of production is disguised in the case of the clerical, managerial, and professional classes in various ways—by calling a job an appointment, or a wage a salary, or by being permitted to wear a bowler and a white collar on work-days. In fact, however, all men who do not possess one or other of the tools of production are proletariat, depending upon the sale of their energy and skill for a living.

Charity.—The spontaneous will to help neighbours and strangers in economic distress. It is, however, the spontaneity and, so to say, the undesignedness of the will, that constitutes charity proper. When design is imposed upon it, and "charity" becomes organised and falls under the control of reason, it ceases to be charity and becomes justice, more or less rude and crude. Organised charity is not usually good justice; but good justice is organised charity.

Charter. — A written grant of rights made legally enforceable by the State: a legal endowment of privileges. The historic example is that of the Great Charter of John which conferred on the people of England (excluding, however, the class of the serfs, numbering four-fifths of the whole population!) certain privileges thereafter called rights. Other examples are provided by the professions — medical, legal, clerical, accountancy, etc. — each of which possesses privileges conferred by Charter and therefore sanctioned by law, entitling them to greater or less degrees of autonomy. A charter for Labour would be an act of the State that should confer upon Trade Unions privileges corresponding to the present privileges of the professions; the privilege, for example, of defining membership, of fixing fees for service, hours and conditions of work, etc.

Collectivism.—The twin opposite of Individualism. But in each of the pair, the subdivisions should be noted. What is it that Individualism claims? Individualism claims both the ownership of Capital and the control of the Industry dependent upon that Capital. Similarly, Collectivism, as the mere opposite of Individualism, claims both rights for the State: the right, namely, of owning Capital and of controlling Industry. But, in fact, there is a difference between Capital and Industry. Industry, in short, is Capital energised by Labour. To own Capital and to control Industry are not therefore one and the same thing, but different; and the claim to control Industry is therefore not necessarily included in the claim to own Capital. To own Capital is to own Capital; but to control Industry is to control the Labour that energises Capital. Collectivism, however, makes no more distinction than

Individualism between the two operations. Like Individualism, it assumes the right of controlling Industry as a consequence of the ownership of Capital. In other words, it assumes, like Individualism, its right to control Labour by virtue of its right to own Capital. On this account Collectivism, which proposes to take over from individual Capitalists the ownership of Capital, and expects at the same time to take over the present power of Capital to control Industry, is nothing else than State Capitalism. For Capitalism is based on the assumption that the title to own Capital is the title to control Industry (that is, Labour); and this fact is not altered when the State is substituted for the present capitalist class.

Commodities.—Goods or services susceptible of being bought and sold in a public market. Note that not all goods or all services are commodities in the economic sense. To become commodities, goods and services must be of such a nature that, for the time being, they are in continuous demand, however limited, and in continuous supply. The unique on one side or the other is excluded. A market defines a commodity, and a market cannot be made by persons whose idiosyncrasies are unique. For instance, I may have an article that only one person in the world wants and that nobody else would buy even at second-hand—that article is not a commodity. Or somebody may perform a service for me that he would perform for nobody else, and I may pay him for it—but it is not a commodity. To create an economic commodity there must be a reciprocal disposition on the part of some men to sell and of other men to buy; which reciprocal disposition, in fact, constitutes the essence of an economic market.

Communism.—Has both a Utopian and an economic meaning. In Utopia, Communism implies the community of goods and services without distinction of personal merit or desert; but everybody produces what he pleases and consumes what he likes. It assumes the existence in any given society of a normal desire on the part of its members to produce at least as much as they consume. Freedom for the natural play of human instincts is anticipated to result in a just and friendly distribution both of the labours of production and the enjoyment of consumption. In economics, Communism has a more restricted meaning; and refers to services performed by the community (under the direction of the State) which are partaken of by the members of the community freely and without payment. The service of the roads and streets, for example, is communal, since the citizen may use them as often as he pleases without being charged in proportion. Street lighting, scavenging, military, police and naval protection are likewise common services, differing from such collective services as the Post Office, tramways, etc., by the fact that the latter are restricted by payments *ad hoc*, while the former are "free."

Competition.—Competition begins when commodities, having been produced, are brought to market. The object of the buyers being to buy as cheaply as possible, and of the sellers to sell as dearly as possible, the struggle between them, which is finally terminated by a price, is called competition. The competitive system is thus, as it were, superimposed upon the productive system. Production concerns values; competition concerns prices. From production to competition is a transition from value-creating to price-fixing; and the competitive system is one in which prices are left to be decided by the play of the market.

Competition again.—Essentially Competition is sale by auction, and usually without reserve. All buyers and sellers are in effect both buyers and sellers; for the buyers when they buy are selling the liquid commodity of money for a fixed commodity; and the sellers when they sell are buying a liquid commodity for a fixed commodity. In every market operation, therefore, between buyers and sellers there is competition on both sides, each desiring to obtain as much as possible of the commodity (liquid or fixed) which he wishes to buy in return for as little as possible of the commodity (liquid or solid) which he wishes to sell. And the price at which the exchange takes place is determined, as in an ordinary auction, by the relation of the number and appetite and spending-power of the buyers to the sellers. In a number of these transactions, it is true, a reserve price is placed on the commodities offered for bidding and exchange; and these commodities are withdrawn from the market if their price falls below the reserve put upon them. But in the case of Labour and of other perishable commodities, a reserve price is impossible, since the commodities will not keep or cannot keep themselves for a later occasion. Competition is thus all in favour of non-perishable commodities (Capital in particular); but it is all against perishable commodities, and Labour in particular.

Conciliation.—Arbitration, as a rule, refers to disputes concerning wages; it is a means of arriving at the market-price of labour when the ordinary means have failed. Conciliation, on the other hand, is usually concerned with disputes as to conditions of labour, modes and rates of payment, workshop rates, and the like: disputes, in short, about procedure, etiquette and customs. The task of the conciliator is to examine the grievances of the two sides and to judge which of them is the more considerable; but always upon the assumption that both parties are equally responsible. It is this very assumption, however, that invalidates the "justice" of every act of conciliation; for, in actual fact, the two sides are not equally responsible, but one is responsible (namely, Capital), while the other is not. Even upon this footing, nevertheless, conciliation may proceed, since industry must be carried on even when one of the parties has no responsibility in the matter. Conciliation is thus a Capitalists' device for appearing to be just, and Labour's device for appearing to be reasonable.

CONSUMER.—That is, of commodities. Commodities being things produced by Labour acting upon Nature, the consumer is the person for whose consumption such things are produced. He is thus the buyer, as the producer, when he has produced, is the seller. There are, however, many points of interest in the conception of the consumer. In one aspect, he is the last link in the chain of processes that begins with Production and continues through Distribution until it ends in Consumption. From another aspect, however, he is the intermediary between Production and Production; for Production is not necessarily for the sake of Consumption; while Consumption may equally be for the sake of Production. In other words, while we do not necessarily produce in order to consume, we may consume to produce. From still another aspect, Consumption in general stands to Production in general as the processes of eating and assimilating stand to procuring and preparing food. The Consumer is one vast and multifarious appetite which the Producer is perpetually engaged in attempting to satisfy. All Nature, it seems, is to be "eaten" or consumed and assimilated by Man as Consumer; but it must first be exploited or adapted to human consumption by Man as Producer. Yet, as to the old question Do we eat to live or live to eat? the answer is Neither—but we eat because we live, and we live because we eat; so the strict answer to the question whether Production is for Consumption or Consumption for Production is Neither. We produce and consume because it is our nature to. The assumption, moreover, that we produce in order to consume is responsible for the creation of still another aspect of our subject. Assuming production to be for the sake of consumption, the consumer comes to hold a position of superiority over the producer—the latter being, as it were, the slave of the former; and this accounts for the relative degradation of the producer to our neglect of his rights and privileges. Modern industry is chiefly concerned with the consumer, whose interests, appetites, and whims constitute, in effect, commands laid upon the producer. Yet the consumer is made to pay for the subordination of the producer; for the same instrument by which the producer is enslaved is employed to enslave the consumer himself. What is this instrument? It is Capitalism: the possession of both the tools of production and of distribution. Capital stands, as it were, between the hands and the mouth; and while, by virtue of its possession of the tools of labour, it controls the hands; by virtue of its possession of the tools of distribution, it controls the mouth as well. The consumer, in short, while consenting to the tyranny of Capital over the producer consents, at the same time, to Capital's tyranny over himself.

Contract. — An agreement between equals which is legally enforceable, a reciprocal undertaking each side of which can be enforced by law. Note that a contract to be valid must be between equals. Every other form of contract is properly invalid. But equals in what respect? it should be asked. In respect of economic power. But why of economic power? Because economic power (or the ability to maintain himself) is the only guarantee the individual can offer that his pledge or undertaking is within his choice or discretion to make or to give. A contract in which one of the parties is forced to accept the terms of the other is not a valid contract, since it contradicts the spirit of contract which assumes an equality of choice in both parties. Consider now the question of contracts between Capital and Labour. The stigma of Labour is precisely its inability to make a choice between selling or not selling itself; while the stigma of Capitalism is precisely that it can exercise choice and discretion. It follows that in respect of the essential conditions of a contract (namely, the equality of choice in the two parties) Capital has it but Labour has not. In other words, the two parties are not equal. But this is to say that there can be no valid contract between Capital and Labour; and this disposes of the case for Compulsory Arbitration with legal penalties for breach of contract upon either side.

Co-operation.—To operate together and in common. Associated action may be for any purpose, good, bad, or indifferent. The association may be between producers, merchants, and consumers; between buyers or sellers. When it is between sellers, with the object of maintaining or raising the selling price of their commodities, it is called a Ring. When it is between buyers, with the object of reducing the selling price of the commodities they must purchase, it is called specifically Co-operation. The Co-operative movement in particular is a movement of retail consumers towards common action designed to enable them to buy cheap against the efforts of the producers to sell dear.

Co-Partnership. — A fancy name for profit-sharing, invented to deceive wage-labourers into believing themselves a kind of partner with Capital. Partnership, however, involves the sharing of partners in control; in exact terms, in the control of Capital. For Capital is to Industry what a spring is to a watch-wheel: it is *what makes it go.* In Co-partnership, in general, the share or part taken by workmen is, at best, a share in the industry; and, at worst and more usually, a share only in the profits. In no case does it admit the workmen to a part in the control of the Capital. It may be said, however, that under certain schemes the workmen may become shareholders even in the Capital of an industry itself. This is true; but the control is still unreal and devoid of the spirit of partnership in that the voting for the control of the whole Capital is by shares; and the major shares outvote the minor shares upon every occasion. Partners, on the other hand, are equal.

CRAFT.—Properly speaking, a craft is any complete industry that can be carried out by a single person. Tailoring, for instance, is a craft; cabinet-making, hedging and ditching, wood-carving, are crafts. With the division of labour, however, crafts tend to disappear. Industry ceases to be divided into separate crafts, and tends to become divided by *processes*. Men engaged on process-work, though skilled, are not craftsmen, but workmen; and since their numbers are always on the increase relatively to the number of craftsmen, the *direction* of modern industry is away from crafts and towards industrial workmanship. It is for this reason that industrial unionism—or the organisation of workmen by industries—is displacing craft-unionism or the organisation of men by crafts.

Credit.—Its associates and kinsmen are belief, faith, confidence. For instance, my credit is good if my promise is believed, if confidence is felt in my ability and willingness to keep my word, if faith is put in my pledge. Credit is thus in general a belief in a man's ability and will to perform what he undertakes to perform. Willingness, however, though important, is not everything. It is not even the greater of the two factors in credit, namely, willingness and ability. For assuming the ability, the will can be compelled, and Law is there to compel. Hence ability, even more than willingness, has to be looked into before credit is secure; since, unlike will, ability cannot be compelled. The usual procedure is, therefore, to require, as a condition of credit, that a reasonable ability exists to make it good. This, however, may be and often is highly speculative; but it must, at least, have a solid basis. For instance, it is speculative to give credit, as an English company recently did, on a hundred thousand acres of newly planted wheat in Canada. It is speculative to buy the cherry-yield of an orchard still in bloom. It is speculative to lend upon the prospect of the production of a mill. It is speculative to give credit upon a less amount of gold than the sum of the credit. But in each instance there is a solid basis, which may be said to be the seed of which the credit represents the developed fruit. But this seed is capital. Hence credit may be regarded as the future of capital, and as only as speculative as the future itself. By means of credit we can deal with the future as if it were present; though always at the risk that the future will not turn out as expected. It is this risk in prophecy that accounts for the delicacy of credit.

Demand.—In its personal form, Demand consists of all the buyers, potential and actual, in a given market. Note that they must be potential buyers—that is, they must have money to spend. A demand that is not accompanied by ability to pay is no more an economic demand than a man without money is a potential buyer. He may want to buy, he may need the article urgently, but if he has not the means his is not an economic demand. You have seen penniless children flattening their noses against sweet-shop windows. What a demand in the human sense is apparent there! But it is not an economic demand, since the children are not potential buyers. Economic demand thus implies two things: a will to buy and an ability to buy; a will and a power, in fact. And in the absence of either a demand is ineffective or non-existent. Now let us consider each of these two factors of economic demand. The will to buy can be both organised and stimulated; and it is to the interest of the seller that it should be. The reason is obvious. The more buyers there are, and the more intensely they wish to buy, the higher the price they are willing to pay. If you have ever had a sale of your furniture you know that the success of a sale, from the seller's point of view, depends upon the number and eagerness of the bidders present. The same is true of every market. The means by which would-be sellers stimulate demand (in other words, increase the number of bidders or intensify their desire to buy) are many, the chief nowadays being advertisement. The object of all commercial advertisement, in fact, is to stimulate demand in one or both of these two ways. But not only can demand, when once it exists, be stimulated, it can be brought into existence. Would-be sellers of an article for which at first there are no buyers may make people *wish* to buy, and so create an economic demand. A good part of modern production, indeed, is carried on to satisfy created demands, and not intense or spontaneous demands; and such demands, before they come actually into economic existence, are called potential demands. The second factor, the ability to pay, is not within the control of the seller. He cannot, that is, increase the purchasing-power of his would-be customers. No, but what he can do is to stimulate their will to pay more. Suppose, for example, a man has a sovereign to spend which ordinarily he lays out in twenty articles at a shilling a piece. The *seller* of one of these articles cannot give him more than a sovereign to spend; but he may induce him, by one or another means, to forgo one of his usual articles, and to pay two shillings for the seller's. The object of all sellers, in fact, is precisely this: to extract from the customers' purchasing-power as much as possible in return for as little as possible.

Distribution.—That is, of commodities. Production being the sum of the processes necessary to bring commodities to market —where they constitute Supply—Distribution may be taken to mean the sum of the processes by which, when produced, commodities are distributed. Upon one principle of distribution it would seem that the fairest method of distributing the commodities created by Production would be to divide them among the producers in the proportion of the contribution of each producer to the final production. This is the meaning of the phrase: the product to the producer. Upon another principle, however, it would appear that the fairest way to divide the product would be to distribute it according to the needs of the producers: and this gives us the meaning of the phrase: from each according to his means, and to each according to his needs. Still another principle of distribution is to allow the product to be divided in accordance with the respective strength of the parties that desire or need it. This is the principle of the pig-trough—without, however, a watchful sow or farmer to see that Antony does not suffer by reason of his weakness! It is also, alas, the principle of distribution that prevails in modern competitive human society. Economic power precedes and determines the distribution of commodities. He that hath shall take, and from him that hath not shall be taken away even that he hath.

Division of Labour.—Is the economic utilisation of labour. Theoretically, man is capable of many forms of labour. Practically, however, he can perfect himself only in one or two forms. Economics, therefore, suggests that for the purpose of perfect production, only those forms of labour should be employed in which a man can become perfect. That this perfection of a single ability may be at the expense of the total ability of the man himself is economically of no importance; for it is better, from an economic point of view, that a man should be perfect in one thing than imperfect in everything. In the processes of production, as viewed by the Spirit of Economics, what is sought is the ability of every contributor which can be most readily perfected; and only when every stage is performed perfectly is the whole perfectly carried through. The division of labour is thus designed to bring perfection to bear upon every part of production. It sacrifices men to things.

DUMPING.—A remainder sale outside the main market. As there cannot be two prices for the same thing in the same market, and the object of all commercial marketing is profit, it sometimes happens that in any given market, the maximum of profit can be made by selling at a price which elsewhere would not be offered. Sellers will then satisfy one market at that price, and establish another market for the remainder of their goods at another and a lower price. And this operation of selling goods cheaper in one market than in another is called dumping. The fact that nowadays every country tends to become a single market accounts for the further fact that dumping is now usually a foreign operation.

ECONOMICS.—Is the science of production. The end proposed in economics is the production of the maximum amount of goods and services with the minimum expenditure of labour. To look at production with the eyes of the economist it is necessary to set aside human considerations, except in so far as they are assumed. There is, we know, a science of strategy and tactics in warfare which is, as a science, independent of the human element. Or, rather, the human element is only one factor of the problem. When Wellington weighed his army in the Peninsula before engaging in battle he was calculating strategy as a problem of the science of dynamics. Given a certain weight of a given density moving at a given velocity, what resistance could it overcome? But this did not prevent Wellington from weeping over the loss of life involved. Similarly, it is a mistake to suppose that because Economics confines itself to the means of maximum production it is soulless. The soul of economics is politics, and it is to politics that economics relegates the control of questions such as what shall be produced, by whom, and how the results shall be distributed. There is presumably a perfect economic science in heaven; but it is ordered with perfect political art. On earth, economics is very imperfect; and politics is more imperfect still. As a science pure and simple the aim of economics is to economise more and more in the *means* of production. This economy can be brought about in several ways: for instance, by a more dexterous employment of the same means, or by the substitution of a less costly means for a more costly. An example of the first is organisation. Ten men organised are equal in productive capacity to twenty or more unorganised. An example of the second is the use of machinery instead of human labour. How far this process can be carried nobody can tell; but the direction, other things being equal, is clear. We can say that the perfect economic means of production would be natural forces that required no labour on the part of men to manipulate, and that, at the same time, did not exhaust Nature. (For there is an economy of natural resources as well as of human labour.) Hence economics progresses as it enables production to dispense with work while still maintaining output at its maximum. To satisfy all our needs and desires without work is really the aim of economic man. It is his object, in fact, to reverse the curse upon Adam. Unfortunately, politics, as we have said, does not keep pace with economics. Already any civilised community is sufficiently advanced in economics to provide all its members with most of the desired commodities and with a fair amount of leisure; but politics intervenes to forbid this distribution being made common. Instead of requiring the improvements in economics to be shared equitably, politics insists upon dividing them inequitably, so that one small class is enabled practically to lift from itself the curse of Adam (that is, it can live without working), while the large class of labourers are permitted to incur a double curse—they work, that is, without living. Economists of the baser sort or who have no political sense pretend that this distribution of the product is itself economic in that it enables the few to secrete Capital (that is, to save) and to foster arts and sciences requiring a long, leisured, and assured future. Better knowledge, however, convinces us that it is not safe to depend upon a social class for an economic function. What *necessity*, we may ask, is there for the rich to save and thus to accumulate Capital? None whatever, when once their normal appetites are reasonably satisfied. But this involves society in the difficulty that Capital may one day cease to be saved by the wealthy, in amounts, at any rate, sufficient for society's progress. Are we not already near this point, when we see the State called in to help the rich class out of their difficulties?

Economic Terms.—Generalised or abstract terms facilitate discussion among persons technically interested in the theories of economics; but at the risk (or, rather, in the certainty) of confusing the lay mind.

In these notes we are as far as possible re-concretising such terms and reducing them to their common and real meaning. The factors of industry are, after all, under the control and direction of various classes of men. As behind the abstraction Labour we find labourers: so, behind Rent, Interest and Profit, we find landowners, money-owners, and tool-owners respectively. The whole system of industry is thus seen to depend upon an association of classes of persons, each class holding some element necessary to the total production. Financiers hold the money, for the use of which they demand the price called Interest. Landlords hold the land, etc., for the use of which they demand the price called Rent. And Capitalists hold the secondary tools (machinery and the like), for the use of which they demand the price called Profit. Below this trinity of persons who derive their income from the rent paid for the *use* of their property, come the persons who actually use it, the labourers. And these we have subdivided according to the way in which they are paid into (*a*) the salariat—those, that is, upon a salary reckoned annually, as a rule; and (*b*) the proletariat—those whose payment is revisable weekly. By their manipulation of the property of the three former classes the two latter actually produce all that is produced. And without them is nothing produced.

Economy.—The production of Maximum values by Minimum means. Note that the object of Economy is the production of values—that is, of satisfactions; and that there are two parts of economy—(*a*) the increase of the values of commodities, and (*b*) the decrease of the labour spent in producing them. Whoever discovers the way to increase values without increasing the cost of producing them is a practical economist. And he is also a practical economist who discovers a way to reduce the labour spent on producing commodities without reducing their values. Economy, therefore, implies value-increasing or labour-saving.

Efficiency.—The highest efficiency consists in the extraction from a tool of production of the maximum utility by the minimum of exertion. The tools of production are (*a*) elemental—land in the economic sense; (*b*) capital—machinery, etc.; and to these have been added by social prostitution, (*c*) labourers or the proletariat. The efficiency spoken of by modern economists takes no account of the specific differences between these three classes of tools, but includes them all as tools to be exploited for their utility by means appropriate to each. The efficient use of Land, for example, requires, in some instances, intensive culture or special manuring: these are needed to bring out and to utilise its fullest powers. The economic development of Land is, in fact, the progressive efficiency of the means of production applied to it. The efficient use of Machinery, again, requires the application and maintenance and skilled use of the right kind of machinery in the right place. Not any machine anyhow used is labour-saving, but only some machinery properly used, and under proper conditions. The aim of economic efficiency is to discover these conditions, and to apply and employ the machinery to fit them. Now let it be said that the same considerations are applied to the tool of Labour as to the other tools of industry. Labour also can be more or less efficiently employed. If employed efficiently a little goes a long way—in other words, it approaches its maximum of utility. If, on the other hand, it is employed inefficiently, much of it is wasted. The capitalist employer, as an employer simply, is not in the least concerned with what becomes of the labourer from whom labour is most efficiently extracted, or with what becomes of the labourer who cannot economically be made use of any longer. It is no more a question for him, engaged, as he is, with the problem of maximum production at the minimum cost.

what happens to an obsolete or overworked labourer than is the question what happens to an obsolete machine, or an over-tapped rubber-tree. The fact that the present maximum utility has been extracted from him takes him automatically out of the purview of the employer into that of the salvage-corps, or the rag and bone merchants (called by the fancy names of Labour-exchanges and Charity). But how is Labour efficiently employed in the practice of capitalist production? As has been said, the same general rules apply to Labour as to any other tool. First, it must only be employed when a cheaper substitute cannot be found for it. Second, it must be economically used—that is, as little as can be done with must be sufficient. Third, the employer must always be on the look-out to increase its efficiency without adding to his own costs, or, on the other hand, for cheaper substitutes for it. Of these two last subdivisions, the former takes shape in such employers' devices as organisation, technical instruction, speeding up, piecework—devices rendered familiar by the methods of the Munitions Ministry. And the latter takes shape in (*a*) the current tendency to employ cheap women rather than dear men; (*b*) the world-wide tendency to exploit extensively the cheap races rather than to continue the intensive exploitation of the more civilised races; and (*c*) the universal tendency to displace men by more and more complicated machinery. Economically, all this efficiency has its good side; for it is obviously economic to do as much work as possible with as few means as possible. But since Labourers have nothing to sell but their labour; and since the less the demand for their labour, the lower its price or wage must be, every advance in economic efficiency is at the first charge of labourers. Labour and Efficiency are thus necessarily at war; and this is seen most clearly in the restrictive rules of Trade Unionism. Trade Unionism is thus undoubtedly an obstacle to Efficiency in the economic sense; but only because it opposes Humanity to Efficiency. But why should Humanity and Efficiency be opposed, when, by lifting Labourers out of the category of the tools of industry into the category of the industrialists, the two interests might be reconciled?

EMPLOYER.—One who undertakes to bring Labour to Tools and to produce profits out of their products. He is to be distinguished from the Capitalist as the landowner is to be distinguished from the practical farmer. Capitalist and Employer may, of course, be the same person; as landowner and farmer are sometimes the same person; but the fact that the two functions are separable proves their real difference. What, in effect, does the employer who is simply an employer do? He borrows Capital of the Capitalist—tools, that is, of the man who owns them—(and these include money or currency)—and he then proceeds to buy Labour to work them. Acting under his direction, Labour applied to Tools produces commodities out of the selling-price of which the employer pays the rent charged by Capital (in the form of Rent and Interest), taking the remainder in Profit for himself.

EMPLOYMENT.—This is a fancy name for the good old English word hiring. Smitten with moral qualms on finding themselves actually hiring men as if they were cattle or land, Capitalist sentimentalists choose to disguise from themselves the operation of hiring men under the title of employing men. But the fact can only be disguised, it cannot be concealed. Employment is nothing but hiring; and a man in employment is nothing more than a hired servant—a creature of much less consideration than even a prodigal son. It is true that *things* can be hired without bringing disgrace upon their owner; and it might, therefore, be supposed that Labour could be hired without lowering the status of the labourer as a man. The distinction, however, ought to be clear even to the blind A thing can be hired without its owner; but labour cannot be.

Its owner, the labourer, has to go with it. Hence, to employ or to hire labour is to employ or hire labourers. And there is no escape from this conclusion. Employment is plentiful when the hirers are many or the labourers to be hired are few. It is scarce when the hirers are few, and the labourers to be hired are many. But why are there men to be hired and men to hire them? Because there are men without the tools of industry and the men with the tools. A tool-owner is a hirer; a tool-user is a man to be hired.

Exchange.—The reciprocal transfer of commodities of equal market price in terms of a common currency. The operation of Exchange takes place in every act of buying and selling; and it assumes the existence, at the moment of exchange, of an equivalence of values. *How* either commodity comes to be present at its price and what value in use it may possess are of no immediate concern in exchange. Exchange is under the sign of the Scales or Balance. Impartially it weighs out price against price, regardless of values.

Exploitation.—There are two forms of exploitation: the exploitation of Nature by Man; and the exploitation of Man by Man. The former is wholly good; and is the work, in the largest sense, of Science. The latter is wholly bad, and is the work of Capitalists. Natural exploitation consists in the extraction by art from Nature of things useful to men as men. Capitalist exploitation consists in the extraction by artifice from labourers of their Labour-power. But it is obvious that Labour-power (including strength, skill, and intelligence) is itself the only means of exploiting Nature. Capitalist exploitation is thus not the exploitation of Nature, but the exploitation of the powers that exploit Nature. It is, in short, the robbery of the natural exploiters.

Finance.—The Money industry. As producing, exchanging, buying and selling of

Cotton constitutes the Cotton industry, the production, exchange, buying and selling of Money constitutes the Money industry or Finance. What is Money? A legal claim upon commodities, actual or prospective. Finance thus deals with claims upon commodities; in other words, with title-deeds to commodities. The creation and exchange of these title-deeds is the function of Finance.

Fiscal or Tariff Reform.—Unregulated exchange of commodities between individuals of one country and another is called Free Trade; and every proposed regulation, calculated to restrict the liberty of the individual in this respect, is advocated as Fiscal Reform or Tariff Reform. A Tariff already assumes the existence of regulations; and in this sense a Reform of the Tariff is something designed to improve the existing regulations. All Tariffs are intended to handicap certain buyers or sellers in a given market. Their object is to maintain or increase prices to the advantage of other buyers and sellers.

Free Trade.—Implies the absence of any artificial handicap on any of the buyers and sellers in the same market. If you have been to a local flower-show, you have certainly seen that various groups are classified as (*a*) open only to the locality; (*b*) open to all England; (*c*) open to the world. Of these three groups the third only is Free Trade, since it contains no restriction, within the power of the authority to impose, upon competitors anywhere. It is true, of course, that Nature imposes restrictions, even when the authority declines to do so. For instance, in the case of the show above mentioned, while so far as the authority is concerned, there is no restriction upon competitors in Group III., there is, in fact, the restriction imposed by time and space. Nevertheless, nobody can complain, since such restrictions are beyond human control;

and thus the competition, humanly speaking, is rightly said to be free. Now, what are the reasons that would lead an authority, having power to restrict competitors, actually to impose restrictions upon some? In the above-mentioned case, the object of the authority in limiting the competition in Groups I. and II. by disqualifying competitors outside the locality or England, would be to ensure that the prizes went to their own local or national people. In other words, the fear is implied that in open competition a foreigner would take the prize. Very good; but suppose that the purpose of the show were not the award of prizes, but the sale at the lowest possible price of commodities in demand by the visitors. Suppose, in fact, that the show were a market. Restrictions placed upon competitors would then clearly be intended to enable the privileged competitors to sell their goods at a higher rate than the rate at which the excluded competitors would sell theirs. In other words, the object of restricting open competition in the market is to keep up prices on behalf of privileged competitors.

Function.—There are two kinds of function in economics: a passive function and an active function. A passive function is performed by any factor in production which has no choice but to be used as it is. An active function, on the other hand, is performed by any factor which, as well as being necessary to industry, has the choice of how it will be used. To the former belong all inanimate objects, raw materials, and the like, together with animals—horses, stock, etc. These, plainly, have a use and therefore discharge a function in industry; but, as plainly, they have no choice in the matter, and hence do not discharge an active function. To the latter belongs Capital, which, being necessary in industry, and at the same time having a choice whether it shall be employed or not, exercises, by virtue of its ability and power to choose, an active function. Where, now, shall Labour be placed?

Is Labour to be classified with raw materials, cattle, etc., as being useful, and, indeed, indispensable in industry; and yet as not being free to be otherwise; and hence as not exercising an active function by definition? Or is it to be classified with Capital, as having the power to give or to withhold its services at its own discretion? There can be no doubt about the reply. From the fact that Labour is no more able to withhold its services to industry or to choose the use to which they shall be put than are horses or inanimate materials, Labour's function in industry is passive and not active. In short, the only active functions in industry are the functions discharged by Capital, since Capital alone has the power of withholding itself.

GUILD.—A Guild is a self-governing association of mutually dependent people organised for the responsible discharge of a particular function of society. Guilds organised for the function of a particular industry over the whole area of the nation are called National Industrial Guilds. Guilds organised over the same area for such functions as Medicine, the Law, Religion, etc., are called National Professional Guilds. And Guilds organised to discharge State functions are called State or Civic Guilds.

Industry. — The means of adapting Nature (including Human nature!) to human use as defined by the requirements of the market. The generalisation to bear in mind is of Nature on the one side, with its raw material; and of Man with his appetites and ingenuities on the other side. The application by Man of his active ingenuities to Nature is industry; and the resultant commodities represent Nature adapted to his use. Industry is thus Man's means of making a conquest of Nature; or, if you prefer it, it is his assimilation of Nature. Nature made assimilable by man as a result of industry becomes an economic commodity.

An Industry. In general, Industry is the organised and intelligent application of Labour to Nature for the purpose of producing human utilities. In this particular, *an* Industry is the sum of processes by means of which a particular form of exploiting Nature is carried on. An Industry thus includes every process necessary to bringïng a piece of Nature to the human market ; and its scope is therefore defined by the character of the commodity and by the character of the Nature from which it is derived. The classification of men's needs—needs, that is, that become effective demands, for needs without money in their hands are not demands in the economic sense—gives us, in general, the classification of industries. Every industry being a mode of applying Labour to Nature for the satisfaction of man's demands presupposes a human demand corresponding to its proposed supply ; and hence it follows that a classification of human psychology is at the same time a classification of industries. An organised society is one in which not only is every industry organised for the most efficient available method of exploiting Nature; but in which industries find themselves valued in the scale of the needs to which they correspond. In short, a national organisation of industry is a Man writ large and in terms of his powers over Nature.

INSTRUMENTS OF PRODUCTION.—The instruments of production are usually supposed to be three: Land, Capital, and Labour. But of this classification two important criticisms must be made. First, it is becoming clear that the functions of Land and Capital are inseparable, so that the differentiation of the two will soon cease to be even theoretically possible. And, second, there is no such thing as Labour; there are only Labourers. Land in the most recent text-books is defined as the sum total of qualities existing in Nature which can afford useful products when labourers apply their energy and skill to them. Capital, on the other hand, is ordinarily confined to the sum of those products which in turn are the means to subsequent products. Both, however, should be regarded as of one kind—namely, as tools—Land being, in general, a natural tool; and Capital being, in general, an artificial tool. The means of Production are thus seen to be two, and two only: Tools (Land and Capital) and Labourers (or Labour). All wealth is the Creation of Labourers employing tools. Man as a producer is only a tool-using animal. Only tool-users are wealth-producers.

Interest.—The question of interest on money is often confused with another, that of allowance for depreciation. A capitalist employer will sometimes assure his workmen that he must charge the business with interest on his capital (as well as with profits, of course), because the interest is to replace the capital as the latter is used up. Nothing, of course, is more sensible than to provide out of income from capital the means to replace the original capital when it has been expended. Every machine in use might fancifully demand to have a penny put into it for every minute it is used, the sum to be employed in paying for repairs or for renewal. But this allowance for depreciation with which to make a fund for renewal is very different from Interest. "Interest is the Rent of the Monopoly of Currency and has nothing to do with renewing anything. It has no more economic relation to Capital than Rent has to Land. And exactly as Rent would cease to exist if competition were made to cease between the holders of the monopoly of Land, Interest would cease to exist if either (*a*) the monopoly of currency-making were resumed by the State or (*b*) abolished altogether; for in either case the competition would cease. "

INVESTMENT.—An investment is a purchase of Capital for the sake of profit. There are two factors in production, namely, Capital and Labour. By virtue of its superior organisation (concentration) Capital, however, is able to employ Labour and hence to take its products. The surplus of products over costs of production, Capital, still by virtue of its superior organisation, takes for itself under the name of Profits, and these are distributed among the investors in the proportion of their investments. An investment thus becomes a legal claim to share in the profits which Capital makes by employing Labour.

Labour.—As said elsewhere, Labour is a pure abstraction that has no place in a concrete science like that of wealth-production. Land and Capital have a material existence apart from human beings; but, take human beings away, and where is Labour? Thus we should speak of Labourers, and not of Labour, and refer to the surplus or defect, the supply or demand, the prosperity or adversity of Labour as meaning these things of Labourers or Workmen. A surplus of Labour, for example, means a surplus of workmen. A bad time for

Labour means a bad time for workmen, and so on. Of Labourers there are two main divisions—the manual and the professional; and of each of these there are, again, two subdivisions: the first consisting of unskilled and skilled workmen, and the second of clerical and professional workmen. The former compose the proletariat and the latter the salariat. Their common characteristic is that they are tool-users, and depend wholly for their living upon what they can obtain by using the tools of production. They are to be distinguished carefully from men who in all other respects look and behave very much like them: the tool-owners or Capitalists.

Labour as a Monopoly.—Labour, being a commodity like others, tends like them to become a monopoly. The question is whose monopoly? The distinction of Labour among other commodities is that the labourer, besides being a commodity, is capable of being himself the director and controller and user of it. This makes possible, in the case of Labour, two forms of its monopoly: one, in which all Labour is owned by somebody else, and the second, in which the Labourers themselves own their own commodity, that is, possess a monopoly of it. If, for example, the Trade Unions of this country should become blackleg-proof; in other words, if they should control in each industry all the labour necessary to it, they would then be in the position towards labour that the Coats' are towards cotton-thread. And they could use their monopoly for their own advantage. If, on the other hand, by being too stupid to make a Trust of Labour on their own account they leave it to somebody else, two sets of people are ready to make a monopoly for them, and to use it for *their* advantage. One set is the State; the other set is the employing classes, or Capital. In either case, it will be seen that the *use* of the monopoly is out of the hands of Labour itself; and it has no more control over its employment than a dead commodity like cotton. State-owned the monopoly of Labour will be employed to serve the interests of those who control the State. And since these are also the capitalist classes, it makes little odds whether Labour is monopolised indirectly for the employers by the State or directly by the employers themselves. When the monopoly of Labour is in the hands of anybody but the Labourers, Labour is then called servile.

Labour Market.—A market we have defined as a general disposition to buy and sell. There need be no geographical centre. For instance, there is a market for rare stamps; but its transactions are carried on mainly through the post. The labour market similarly is everywhere. Where there exists a man disposed to sell his labour, and another man disposed to hire it, agreement between them constitutes a transaction of the universal labour market. But why do men offer their labour in the market for sale? And why, again, do buyers come and buy it?

To the first question the reply is that, save by selling their labour-power, the majority of men have no means of getting a living. Even, therefore, though the sale of their labour involves the hiring-out of their person —which is tantamount to a contractual slavery—they must needs sell their labour or starve. Necessity it is, then, that drives the workman to market himself. To the second question the reply is that the buyers of labour-power are the owners of tools which, without human labour, are useless. Having acquired possession of the tools, employers must then hire men to operate them—men being, from the employers' point of view, operating tools themselves. With what, we may now ask, does the employer pay? He pays with a credit note upon the product of his men's labour-power applied to tools. This can be clearly shown by an example. Suppose a ship containing grain stranded upon a desert island. The captain, being the proprietor too, has it in his legal power to refuse the use of the grain to his men except upon his own terms. Roughly, he may act as follows: In consideration of the men undertaking to crush and prepare the grain for food, he may give them a note entitling them to a certain share of the flour, etc., *they produce.* This note is their wage; and it is obviously paid out of their labour upon the grain. Finally, we may ask what determines the share the wage-earner receives of his own labour-production. The answer is, that his share is determined by the supply and the demand of labourers like himself. If, in the foregoing instance, the captain would himself starve but for the skill of *one* of his men, that man has an equal power with the captain and could command equal control over the product. If there are two men they are together (unless they combine) only equal to the captain. If there are three, each of the three is one-third of the captain. And so on. Without combination, in short, all the men employed by an employer are together only equal to him—and that is under the conditions just mentioned. When, as happens in society, men never combine effectively, they are not even the equal of the employer: but must take the lowest share that any man existing within reach of the employer is willing to accept. In a free labour market, the labourer's price approximates to that of the cheapest of his fellows.

LABOUR-SAVING.—In concrete terms, *Labourer*-saving. Any process, method of organisation, or other means is said to be labour-saving that has the effect of producing the same amount of commodities with fewer labourers. In the eyes of the employer whose one object is maximum profit (or greatest surplus of selling-price over cost of production) every item of cost that enters into production is a legitimate subject for reduction by every possible means. To reduce the cost of his raw materials by (*a*) buying them more cheaply; (*b*) finding cheaper substitutes for them; (*c*) using them more economically, and so on, is plainly his business. But it is no less his business to reduce the cost of the *labour* he must employ by any of the means he uses to reduce the cost of his other materials. As, for instance, he reduces the cost of his raw materials by buying them more cheaply, so he may reduce the cost of his labour by buying labour more cheaply, that is, by reducing wages, which is the market-price of labour. Again, as he saves material costs by using cheaper substitutes or by using his materials more economically, so he may save the cost of labour by using mechanical substitutes for labourers, or by training, organising and managing his labourers better. The end in view, in both cases, is the same: and, in fact, there is no difference economically between the two items of cost. The end is to reduce costs; and the common means is to save labour-material. To save labour, however, is to reduce the demand for labour. The more labour saved, the less is the demand relative to the supply. And since the price of Labour is determined by the relation of its Supply to its Demand, anything that reduces Demand while leaving Supply undiminished tends to reduce the price of Labour in general. In short, Labour-saving is Labour-cheapening; and that is its economic object.

Laisser Faire. — As applied in Economics, Laisser Faire is the doctrine that claims for the individual complete freedom, at his own risk, to make, to buy and to sell, what, where and as he can. Such a freedom, however, is incompatible with human society; and it is only fair to say that the Manchester School employed Laisser Faire rather as a direction than as the goal itself. What they demanded was as much freedom as possible, as little restriction on the individual as possible; and that every proposed restriction should be specially justified as a departure from the normal, and not taken as a matter of course. Within a certain area of *possible* economic activity, it was universally agreed that Laisser Faire should not be admitted. For instance, burglary is a means of procuring wealth—and Laisser Faire, strictly interpreted, would appear to approve of it; but no economist or practical man would push his theory to the inclusion of the burglary profession. Similarly, commonly admitted forms of unfair dealing, falsification of trade-marks, misrepresentation, etc., were by common consent ruled out of court as examples of freedom which even Laisser Faire would restrict. At the other extreme there was, however, an area of economic activity in which the Manchester School would claim really complete freedom: in the employment of labour, in the fixing of wages and conditions, in the matter of prices and markets. And between these two extremes of no liberty whatever and no restriction whatever there was a debatable area (the political playground of the nineteenth century) in which economic activities were the subject of a kind of tug-of-war—one side wishing to place them under restriction, while the other side would have them free.

(The most notable examples were the trade in human beings called slavery; and the trade in human labour called factory employment.) This area is still far from being completely marked out—as the demand for the abolition of the wage-system clearly proves. But the criterion is becoming more clear. Plainly freedom is not a criterion in itself, or we should see with every step of progress a fresh extension of freedom downwards as well as upwards. More and more economic activities would become legitimate if, in fact, freedom were the criterion of progress. But neither is restriction in itself a criterion. Restriction for the sake of restriction is no better a guide than freedom for the sake of freedom. What is, then, the proper criterion? We can see it as clearly manifested in the agreement to exclude burglary from economics as in the agreement to admit emulation: it is the spirit of the community. The conclusion is that what is or is not to be left to Laisser Faire must be judged by the spirit of the community. The welfare of Society, and neither Liberty nor Restriction, is the true criterion of the province of Laisser Faire.

LAND.—As an example of the extended use in economics of the term Land, we may point out that Land includes Water and Air. A fisherman who ploughs the sea for fish or a chemist who extracts nitrogen from the air differs in no essential respect from a farmer who tills and sows a piece of land and afterwards reaps it. It is true that neither the fisherman nor the chemist has any need, as a rule, to sow where he reaps—though, in the case of deep-sea fishers, a close-season comparable to leaving a land fallow must be observed; in the case of fresh-water fishers a crop of trout, for instance, has to be "sown," and in the case of the chemist precipitants of nitrogen must be provided. But the underlying identity of all three elements is to be seen in the fact that from all three, by the use of tools, a labourer who understands both the element (land, water, or air) and the tools for utilising it, can produce articles of use to man—corn, fish, or nitrogen. All three elements are Land in the economic use of the word.

Land Values.—A valuation is an estimate of the selling-price of any commodity. Land differs in no respect as a commodity from other commodities; and land values are, therefore, only land valuations or estimates of the selling-price of land. It is contended by the advocates of the Single-tax —a tax, namely, upon land valuations—that a unique distinction belongs to land, in that, in the case of land its estimated selling-price or "valuation" increases without any exertion on the part of its owner and by the action of society alone. And this "increment" of valuation or estimated selling-price, being due, they say, to society, is properly subject to a social tax equal in amount to the increment itself. There is no such distinction, however, to be made. *All* commodities are liable to fluctuations in selling-price due to causes over which their owners have no direct control. To-day a picture by Velasquez may be "worth" in the market a thousand pounds; to-morrow it may be worth ten thousand pounds. Its "value," of course, remains the same; but its valuation or estimated selling-price may be suddenly increased by unearned increment. Moreover, until a commodity has actually been sold its valuation is speculative. To tax land, therefore, on its annual valuation or estimate of its selling-price is to tax a speculation.

Law of Supply and Demand.—Or, as it may be abbreviated, L.S.D. We have seen that the essential feature of commercial economics is a market, and that a market exists wherever a buyer and a seller come together. The Law of Supply and Demand is therefore concerned with the relations of the Sellers and the Buyers. Demand is the abstraction of all the Buyers: Supply is the abstraction of all the Sellers. Now the object of the Seller is to sell his goods as dearly as possible; and the object of the Buyer is to buy the Seller's goods as cheaply as possible. (This is the assumption implied in market economics.) How will they come to terms? Each will measure his own needs and resources against those of the other and make adjustment of the difference until finally the difference has disappeared; and at that moment a Sale is effected. The price which registers that Sale is said to have been fixed by the Law of Supply and Demand; in other words, it is the point at which contending desires as to the same object compromise. For so long as this kind of chaffering continues, for so long will the Law of Supply and Demand regulate price. But it is scarcely necessary to say that the Law is not a real law or one that cannot as easily be broken as obeyed. Outside the market, indeed, the Law does not carry the smallest weight; it can be and is ignored with impunity and to human advantage. In all transactions between friends, between members of the same family, between Governments and their servants, in public services, and in all institutions run socially or by gentlemen, L.S.D. is kicked out of doors and the Rule of Supply and Need takes its place.

Left, Centre, and Right.—These names, originally derived from the geographical positions of the political parties as viewed from the Speaker's Chair, are now susceptible of a wider meaning. Politically they still connote the three main groups of thought from the Right (Conservative) through the Centre (the Moderate) to the Left (Radical) —each group, of course, having its own shades of the same three colours. But economically we now find them to be representative likewise of the three main factors in modern economics: Right (Land), Centre (Capital), and Left (Labour). Since economic power both precedes and dominates political power, it follows that the greatest economic power (namely, Capital) is also the greatest political power. In other words, Capital, under modern conditions, is always in the Centre; and the Centre is always the Government. Movements to the Right (in favour of fixed capital), or to the Left (in favour of Labour), occur from time to time, causing Capital to oscillate between Conservative Capitalism and Liberal Capitalism. In the main, however, while its economic predominance is maintained, Capital may always be expected to recover itself after a swing in either direction. This swing is the celebrated "swing of the pendulum" which political weather-prophets observe without understanding it.

LIBERTY, EQUALITY, FRATERNITY.—Hitherto, these watchwords of progress have been mainly confined to politics; but since political power is the projection of economic power, an economic meaning must be attached to them. Liberty, in the economic sense, is the power of choice; choice as between working in one direction and working in another; working in one industry rather than in another; working with one set of men and under one set of rules and in others. Essentially, in fact, freedom or liberty is no more than the power of choice between means of making a living. Equality, in this light, is now seen to be the equality of opportunity of choice. Liberty being the right and the power to choose at all; Equality now demands that the occupations among which the individual may exercise his freedom of choice shall be the same for everybody. It is, of course, true that not everybody is equally fitted for every occupation; in other words, the actual *power* of choice cannot, in the nature of things, be made equal, since a man cannot "choose" to do something he simply cannot do. Equality, therefore, only demands that the restriction of choice shall be made by the individual himself; but that, as regards his *right* of choice, if he is able to exercise it, all occupations that are open to anybody shall be open to everybody. Finally, Fraternity, in this interpretation, consists in maintaining Liberty and Equality for everybody where they already exist ; and in bringing them into existence where, as yet, they do not exist.

Luxury.—It cannot be too often repeated that economics, as an abstraction of certain human activities, regards man in a particular and partial way. Economically speaking, man is an instrument for the production of commodities. It follows that his consumption of commodities must, in economic thinking, be restricted to his requirements as a producer. Any consumption, therefore, that is not necessary to him as a producer of commodities, or that does not increase his productive capacity, is, in economics, a luxury. If a machine, for instance, can run efficiently on a certain amount of power, oil and repair, to give it more of any of these things would be an economic waste. And the same is true of men as economic units.

To supply them with more commodities or services than they need for the efficient discharge of their economic function of producing commodities is to lap them in luxury. Luxury is thus the leakage in the grand system of economic production. It is the waste of commodities whose sole economic purpose is more commodities.

MACHINERY.—Remembering that the object of economics is maximum production with minimum means, a machine is merely a device for saving on the cost of production. Of all forms of energy, human energy is the most costly. The aim of economics is, therefore, to economise human energy by (*a*) substituting for it, wherever possible, animal, mechanical, or natural energy; (*b*) utilising it only where its yield is greater than its cost. This, while true wholly of a small class, is partially true of society in general. Hence we see a gradual substitution of mechanical for human labour. From this point of view a machine is really a metallic competitor of the human labourer. It undertakes to do his work and to do it more cheaply than he can. No wonder, then, that workmen resisted the introduction of machinery into hand industry ; for the invention of machinery was exactly equivalent to importation of cheap labour. Economically, no doubt, the change was all to the good, since it represented an advance towards the ideal of greater production with smaller means. But as a class representing an *outmoded machine*, the workers who saw themselves superseded by machinery, and had no alternative work, naturally felt thrown upon the scrap-heap ; as, indeed, many of them were—upon the scrap-heap known as charity, the workhouse, etc. The rest, by increased exertion and the acquirement of new skill, entered occupations as yet uninvaded by machinery, there to wait, however, until machinery caught them up again. Every development of machinery has this double effect upon the proletariat : one section it leaves killed and wounded behind it as it marches along, and the other section it drives into more intense or skilled industry. The life of the labourer is a race with machinery. Machinery threatens the very existence of the proletariat.

Malthusianism.—There is no getting away from the logic of Malthusianism when we have once realised that Labour is a commodity the price of which is determined by Supply. For as a means of determining Supply, Malthusianism, if it could be generally adopted, would be decisive. Nor does it follow that, because it also happens that Capital is quite willing to see labourers displaced by machinery, the advantage to Labour from reducing the Supply of itself would not be greater than the advantage to Capital. The question is one of time. If Labour can limit its Supply faster than Capital can dispense with Labour, Labour will always be ahead of the competition of machinery, and thus always able (by the skin of its teeth, it is true) to maintain its price.

And there is no more radical means than Malthusianism. On the other hand, the objection to the logic of Malthusianism is more conclusive than the logic: it is that Malthusianism implies the adaptation of the main part of human society (namely, the wage-earning classes) to Capitalism; it is the subordination of Life to Plutocracy. Malthusianism would thus be the final triumph of Capitalism over Labour, whereas we are looking for the triumph of Life and Labour over Capitalism. Let us add, however, that a wage-slave who is not intent on abolishing Capitalism might as well be a Malthusiast.

Manchester School (The).—The theory called by this name rests upon an assumption which any thoughtless person easily makes, namely, the assumption that men do best for themselves *and others* when they aim at nothing but doing most for themselves. To buy in the cheapest market and to make that market ever cheaper; to sell in the dearest market and to make that market ever dearer, is thought by the Manchester School to be the means not only of the greatest production, but of the best distribution. Liberty, in their eyes, becomes thus the Liberty to do everything that enables them to buy cheaply and to sell dearly. Any restriction upon their efforts to keep down the price of the commodities they buy or to keep up the price of the commodities they sell is regarded as infringement of their Liberty. And since, in former days, it was the State that could restrict this liberty most effectively, the State stood in the eyes of the Manchester School for tyranny. The case is different now for several reasons; and it will now be seen that the Manchester School no longer mistrusts or opposes the State. The reasons are, first, that the State is necessary as a means of keeping the price of Labour low. Secondly, it is necessary as a means of keeping prices high at home by the instrument of Protection—which is, strange as the fact may sound, an inevitable sequel of the

Manchester doctrine. Thirdly, the State is necessary as the most effective means of enabling employers to buy raw materials cheap from abroad. In a word, from hating the State because it once hampered their efforts to buy cheap and to sell dear, the Manchester School has come to love the State because it now seconds and supports their efforts.

Management.—A complete industry is composed of a series of processes each of which is designed to contribute towards the end in view, namely, the bringing to market of commodities. It is therefore necessary that all the processes shall be adapted and timed to fit into one another; and for this purpose it is no less necessary to appoint over each a supervisor, foreman or manager who shall be in fact responsible for the completion of the process assigned to him. The sum of these offices or duties is called the Management. It is to be distinguished, on the one hand, from Labour, which consists of the labour-power under management; and, on the other hand, from Capital, which itself is the object for which Management exists. Management is thus at present midway between Labour and Capital. Controlling Labour, it is itself controlled by Capital. Labour is "responsible" to Management, Management is responsible to Capital, but Capital is responsible only to itself. Management, however, need not always be in this relation of subordination to Capital. On the other hand, Labour must always be subordinate to Management. To what, then, if Capital ceases to exercise control, must Management be responsible? To the industry.

Meliorism.—The making better of something already existing, for example, a system of production or of distribution. Meliorism differs from Revolution which, instead of making better, proposes to make *afresh*. As applied to modern problems, Meliorism is the name given to every kind of effort designed to make the existing system of Capitalism run more smoothly; and is opposed to Revolution or Economic Radicalism, whose object is not necessarily the opposite, namely, to make the existing system run *less* smoothly, but the substitution for the existing system of a different system altogether. Examples are numerous in every field. Take the political questions in Ireland or India as a type of them. Measures designed to make the present system of government easier, less oppressive and more acceptable to the native populations are meliorist. The agitation in each of these countries for Home Rule is, on the other hand, revolutionary, since it proposes, not the betterment of the existing system, but a new system altogether. In economics, meliorism consists in devising improvements calculated to render Capitalism at once more effective and less onerous; in other words, in propping up Capitalism. But the object of Revolution is to substitute for Capitalism the control of Labour by Labour. The former we may call Relative Meliorism, and the latter Absolute Meliorism.

Money.—Is a current token of Capital—which please see, if you want to understand this paragraph. The characteristic of most forms of capital (differentiating capital in one sense from commodities) is that capital is not easily portable. When a certain King threatened the London merchants that he would transfer his Court to Oxford they retorted that he could go when he pleased if he would only leave them the Thames. They affirmed thereby the non-portability of their particular capital or tool of production—the Thames. (By the way, the King would to-day have his reply: he would float the Thames as a company, make himself the chief shareholder, and live in Oxford on the dividends!) But Capital, though usually non-portable, can be treated as if it were portable by creating a portable token for it which can be exchanged as if it were what it signifies. And this significant token is Money. Now the special function of Finance is to tokenise Capital and thus to facilitate its exchange. By means of money Capital which cannot be moved can be exchanged as if it were carried in the pocket. The solid Capital becomes as light as air! This device of liquefying Capital, of making solid substances current in exchange, is both necessary and important. "The device of Money has added enormously to the productivity of the world. For this reason, and because the service is really useful, the people who undertake to "make money" deserve to be paid. Here, as elsewhere, however, the law of Supply and Demand operates. The liquefying of solid capital being necessary, men undertake the work; but they charge for the product exactly what they can get for it. And this charge or price for the use of liquid capital or money is called Interest. Two or three points may be added here. If *anybody* were entitled to liquefy Capital (that is, to tokenise it and to exchange his tokens anywhere) the price of Money would be really competitive. It would, in fact, come down to almost nothing. But, thanks to the collusion between the State and a particular class of money-makers and money-lenders, the general currency of only a *few* tokens is legal. For instance, you cannot pay your rates in pawn-tickets, though pawn-tickets are as good a token of capital as Treasury notes. You must pay in gold or in bank-notes. These, in fact, are the privileged tokens, and the makers of them have therefore a monopoly of the effective currency. Interest, it follows, is something more than payment for the service which liquid capital performs: it includes the tax to the holders of the monopoly of the legal currency. A second point: Since the *only* difference between one token and another is the credit attached thereto; and since, again, the credit attaching to the particular tokens made universally current is State credit—we can conclude that it is really to the State that the tax called Interest belongs. The State has created the monopoly we call money, and it is unjust that its monopoly should be employed for the profit of private persons. Our financiers are in the position of publicans with licensed houses and no competitors. Only they have to pay nothing for their licence, though their trade is the most lucrative in the world.

Again, Money is a legal warrant for the delivery of commodities. Man is a creature as full of desires as an egg is full of meat: and the world for the individual is a vast shop with workmen and works on the premises. Money is the recognised warrant that enables the possessor to run loose in the shop, and to procure whatever is in it, or can be brought into it. Thus, money is command, in the first instance, over commodities already in existence; and, in the second instance, it is command over that which brings commodities into existence, namely, Labour acting upon tools. It is an Open Sesame, at whose utterance not only are the ordinary shops opened, but the workshops as well. By what virtue has Money this power? By virtue of the credit attached to a symbol. For it is indifferent whether the money is itself of value: it may, we know, be merely paper. But whether paper or metal, its symbolic character resides in the fact that it is a receipt for work done, and hence (and only upon that account) a warrant for the delivery of work of the same amount in return. All money is a credit-note, given for services rendered, and entitling the owner to the equivalent in return.

Monopoly. — To possess a monopoly is to possess the whole or only source of Supply—that is, of an object in Demand. Now since Supply determines Price, the object of all those who hold any part of Supply is to obtain control of the whole of it. Owing to this fact of wild human nature, every commodity tends to become a monopoly. Some objects naturally are more susceptible of being monopolised than others; these are commodities which either are limited in nature or, owing to some circumstance, can easily be limited in Society. Others, again, resist monopolisation, and require to be very cunningly handled before submitting to it. In such cases, however, the tendency towards monopoly which all commodities show is assisted deliberately by the efforts of those who hold parts of the Supply. Take, for example, sewing-thread —a commodity which for a long time resisted monopolisation, a commodity, too, which it might seem could not well be monopolised. Cunning holders of the Supply have, nevertheless, succeeded in making a monopoly of it in this country, and have, by their annual profits of several million pounds upon this simple household commodity, proved to the world how valuable to its possessors a monopoly can be. Queen Elizabeth gave a monopoly of gold-thread to a man who was afterwards executed for using it. In our own day, the Coats family have made a monopoly of cotton-thread for themselves, have used it and have been knighted, among other things, for it.

Nation.—A nation is a group of people owning allegiance to a common sovereignty. Mark the abstractness of the word sovereignty. What is implied in sovereignty is not necessarily a particular sovereign or even a particular form of Government; for a nation may continue to be a nation not only while changing its sovereign but while changing its form of Government. Sovereignty is the abstract idea of which one man, several, many, or none at all may be the temporary embodiment. As a swarm of bees is constituted by the common will of the bees to be associated under a single Queen—and for this purpose a Queen will be made if one is not found born—a nation or a swarm of people is constituted by the common will of the people to be associated in a sovereignty under a symbol of that sovereignty. The symbol may change; it may be changed; it may even disappear for years together; but that sovereignty of which it is the symbol remains as long as the nation lives; and the nation lives as long as the idea of sovereignty remains. Socially, as distinct from politically, on the other hand, sovereignty is not the essential characteristic of a nation. The social nation may be defined as the common will of the members of a group to intermarry. And economically, again, the definition of a nation differs from its political definition. A nation is in economics a group of economic groups.

National Debt.—Represents the liabilities of the State to individuals, corporations, or to foreign States which are its creditors. Upon what security, however, does the State raise loans? The reply is that it raises loans on the actual and prospective taxability of its citizens. A National Debt is thus a mortgage on future taxation; or, again, it is debenture-shares with future taxation as their security. The reason that a National Debt is said to be an insurance against social disorder—especially when the Debt is widely held, or, in other words, when the State's creditors are numerous—is this: that every creditor has an interest in maintaining the credit of the State, since the State's insolvency would involve his own loss. It is, at the same time, a nice problem in arithmetic, for every creditor, whether he will gain more by an increase in taxation which enables the State to pay off its liabilities, or by opposing any increase on the ground that a part of such increased taxation must fall upon himself. In practice the matter is settled by the weight of economic power. The taxation is made to fall upon those least economically able to bear it. In short, a National Debt falls most heavily upon the proletariat.

Nationalisation.—To the production of commodities (that is, to Industry in general) two factors are necessary: (*a*) Capital or Tools; (*b*) Labour. Capitalism consists in the private ownership of Capital; and, by virtue of this ownership, in the consequent control of Labour. Nationalisation is now proposed as a means of superseding the private ownership of Capital and replacing it by State-ownership. But the question arises whether this transfer of the ownership of Capital from private individuals to the State must carry with it the control of Labour, which private individuals have hitherto possessed. If it should do so, the system then inaugurated under the name of Nationalisation is really State-Capitalism, since it implies the assumption by the State of all the present powers of private Capitalism. Nationalisation, however, is not of necessity State-Capitalism: for we can distinguish between the nationalisation of the ownership of Capital; and the control of Labour. The control of Labour, in short, may be elsewhere than in the hands of the State even when the State owns (or has nationalised) Capital. Such a division of function as would leave to the State the ownership of

Capital, while conferring by Charter on Labour the control of Labour, would result in a form of Nationalisation which is not State-Capitalism (or Collectivism). A National Guild is an organisation within an industry for the control of Labour by Labour, with the ownership of the capital vested in the State by nationalisation.

Output.—There are two kinds of output as there are two kinds of ability and utility. One is the output of goods and services given by people to each other out of love and human fellowship. It is by far the most precious. But the other is alone the economic output, for it consists only of those goods and services that are brought to market. Economically the output of a nation over a given period is the sum of the goods and services actually marketed or put on to the market in that period; and they are "valued" or their value is "estimated" at the total sum they would fetch if actually sold. It is said that the annual output of this country is 2,500 millions. This means that the annual marketable production of the country would fetch so much in the market.

Over-Production.—Arises when goods produced are left "over" after demand has been satisfied; a Glut in the market; an excess of Supply over Demand; more sellers than buyers. However, it is necessary to observe that supply and demand are here used in their economic sense only. Of a good thing there cannot very well be over-production or an excess of supply; and the non-existence of an economic or market demand by no means implies the non-existence of a human need or actual demand. Over-production, therefore, assumes an excess of supply over an effective or market demand only; in other words, over a demand that comes to market with money in its hand. It may, in consequence, be regarded from the other side as an absence of spending-power, on the part of the would-be buyers.

Give the latter more spending-power, and over-production would cease to exist; a glut in the market usually means only a poverty in the pocket of demand. Over-production is thus always possible and imminent in societies where spending-power is inferior to producing-power. It means simply that we can, and occasionally do, produce more of this or that commodity than people in general can afford or have the spending-power to buy or effectively demand. The remedy is a better distribution of spending-power.

PAUPERISM.—It is commonly supposed (and commonly maintained by economists who know better) that wages tend to the level of subsistence, but never fall below it. On the contrary, wages have no relation whatever to the level of subsistence; and are in no way fixed by the needs of labourers. Wages are fixed by the supply and demand of Labour, and by no other consideration, save in special and fancy cases. It therefore sometimes happens that owing to an excess of the Supply of Labour over Demand, the wages offered to some Labour are less than the sum necessary to keep such labourers alive; and in such instances the labourers become paupers. A pauper is merely a wage-labourer who, having no other resources but his labour, finds himself unable to sell it for enough to keep himself alive; or, indeed, to sell it at all. Or, again, a pauper is a member of the proletariat who has no labour-power to sell.

Political Power.—The political power of the individual is his power of self-direction; but since it is obvious that the power of self-direction presupposes the power to keep oneself alive, the condition of political power is economic power. Assuming, however, the possession of economic power (the power of keeping oneself alive), the power of self-direction (or political power) that depends upon it, cannot always be best employed by the individual himself. He may find it advantageous at times to surrender temporarily his power of directing himself, and to confide his direction to somebody else or to a group. This act of transferring a portion of one's own right and power of self-direction is accomplished in a modern democratic State by the process called voting, which, in essence, consists in concentrating upon the Executive (empowering, as it is called) the powers hitherto dispersed among the individuals voting. By electing, in fact, we empower, for we surrender in voting a portion of the power we possess of directing ourselves, and transfer it to an executive representative. Or we may look upon the matter under a different image. Suppose that a thousand individuals each possess a sovereign: this is their spending-power to the same amount. And suppose that they each agree to transfer their sovereign to a single one of their number who in return agrees to spend the £1,000 in a certain way. The advantages that may accrue are obvious; for every individual of them has a sovereign's worth of control over the sum of £1,000 which, from its concentration, is of greater value than one thousand sovereigns scattered in one thousand pockets. It has, in fact, all the increased value that concentration possesses over dispersion; and thus enables each individual to draw more from the sum than he put into it. Political power is exactly analogous. In consequence of the deposit with an executive representative of a portion of their power of self-direction, each of the electors is entitled to share in the proceeds arising from the superior value of concentrated over scattered power. It is true that each has surrendered or placed on deposit a portion of his power of self-direction; but in return for the surrender he obtains the advantage of controlling a larger measure of self-direction than before. The assumption we have been making, however, is that the individuals who thus surrender a portion of their power of self-direction have equal powers of self-direction upon which to draw. In other words, we have been assuming that the economic powers of the individuals are equal in amount. But such, in fact, is not the case. Men's ability to keep themselves alive differs in consequence of their possession of varying means of economic support. And it is obvious that the power of self-direction is proportioned to the economic power of self-maintenance. Now suppose that of a thousand voters, ten only have the power of keeping themselves alive. It follows that only these ten have any power of self-direction to transfer. All that the 990 voters in such a case do, when voting, is to transfer a symbol of power, but not the substance. Being economically dependent, the power of self-direction, which itself implies economic independence, does not exist in them ; and their political power is thus empty. The point can be seen even more clearly if we inquire how the representative himself must look at the matter. He finds himself entrusted with a mandate empowered by the promises of a thousand electors to submit to his direction in the articles of the mandate. But among the thousand promises he finds nine hundred and ninety signed by men who have no economic power, and only ten by men who have the means to be as good as their word. What else can he do—being the depository of power—but ignore the wishes of the nine hundred and ninety and attend only to the wishes of the ten men of substance?

POVERTY.—A man is poor who has not, or cannot by exertion obtain, the material means to enable him to discharge the duties of a man in the nation to which he belongs. What are these duties? They are to be a good son, brother, lover, husband, father, friend, citizen, citizen of the world and soul—if he wishes. (Man, of course, is here used in the common gender.) Depending upon the will of the tool-owners, and, hence, incapable by his own exertions of securing the means to a complete life himself, every wage-earner is essentially a poor man. To be a wage-earner is, humanly speaking, to live in poverty.

Producer.—One who by the application of Labour to Material creates commodities for the market. The phrase "application of Labour" must, however, be interpreted in a wide sense. Strictly, no doubt, he only is the producer who applies his own labour, whether with or without tools, to materials and creates commodities by that means; but in actual fact the producer includes also all persons necessary to production, whether directly or only indirectly engaged. A Guild of Producers is thus an association of labourers each of whose services is necessary to the final product; and these labourers may therefore include not only workmen, but foremen, managers and directors. Considered in the aggregate, in short, the producer must be held to connote all the persons necessary for both actually creating a commodity and bringing it to market; for until a commodity has been brought to market it has not in the economic sense been completely produced.

PRODUCTION.—The word is one of the most fascinating in economics; and months of study could profitably be spent upon it. Simply, however, Production is the creation of market values, reckoned in price. There are thus two main kinds of production—the production of value and the production of price. For the most part, manufacturers are people engaged in the production of values—in other words, they produce things that are actually in market demand; while, for the most part, merchants are people who are engaged in manipulating price to their own advantage. The former make, the latter sell; the former actually produce, the latter only exchange. The former create value, the latter determine price. A conclusion that follows from this simple analysis is that by no means the whole of Society is engaged in the production of values. The supposition is pathetically common that

Society wishes to produce as much as possible. The very opposite, however, is true: it wishes to produce as little as possible of actual value and to obtain for it as high as possible a price. Surely, if this were not the case, we should produce more than we do; nor would there ever be a man unemployed who could produce even enough to satisfy himself. With the greatest of ease, if the maximum production were really the first desire of Society, we could produce four times as much as we do, and with a quarter of the trouble. No, it is not the production of values—that is, of things in demand—that the bulk of Society are after: but the manipulation of prices. A certain amount of real value is necessary to the game of manipulating prices; in other words, a manufacturer is necessary in a certain measure to the merchant. But as little as possible. As it is, about every second person in the nation lives by manipulating the prices of the real values which the first person creates. They are both lumped together, however, as producers, though the second is really a parasite upon the first.

PRODUCTION FOR USE AND FOR SALE.—The reason for the discrepancy between the common and the economic sense of words lies in the discrepancy between the common and the commercial meaning of economics itself. Properly speaking (speaking, that is, as sensible people like Ruskin and Carlyle, and you and I speak), Economics is the science of the employment of human abilities in the production of human utilities, and its object as an applied science is to produce the maximum real utilities with the expenditure of the minimum of human abilities. But economics in the hands of commercial men is not the same. Its object is to produce the maximum number of marketable utilities at the minimum cost to the persons who bring them to market. It is, in short, the science of production for profit, not the science of production for use. This distortion of common words and common sense is responsible for all the double entendre of economics; and it completely confuses almost everybody who deals in the science. The poor things are under the impression that when they are discussing economics they are discussing production for use; and all the time they are really discussing marketing and swindling. The latter is, indeed, a "dismal science"; it is the black shadow cast by the real science; and men who grope about in it without knowing that the real science exists are lost.

Productive and Unproductive Labour.—Economics being strictly the science of producing commodities which are saleable in the market, labour is productive or unproductive as it does or does not bring something to market. Commodities, however, differ in value, that is, in their ability to satisfy human demand. And hence that labour is also productive which, though it does not actually produce commodities, adds a value to them. Again, it is not everybody who is employed either in making or in improving commodities. Labour may also be employed in serving the people who are making or improving commodities; and when labour is thus engaged it is productive, since by assisting the creator of commodities, it indirectly produces commodities itself. Within this definition it will be seen that a great deal of Labour is included. When, in fact, we have accounted for labour spent in producing or improving commodities and for labour spent in serving the labour so engaged, there only remains to be regarded as unproductive labour that labour which neither creates commodities, nor adds to their value, nor facilitates their production. Productive Labour is Labour that in any way increases production. Unproductive Labour is Labour that in no way increases production. There is, however, another distinction to be drawn, between relatively productive and relatively unproductive labour. For instance, if it is a choice, in determining how labour shall be employed, between devoting it to greater or to lesser production, the choice of the second is the choice of relatively unproductive labour. Economics, in short, reserves the name of Productive Labour for Labour employed in the greatest production possible at any given moment.

Profession.—A Profession is a voluntary association of men who profess or undertake to administer a social function efficiently and responsibly without consideration of reward. The elements of this definition are worth examination. Note, in the first place, that the association must be voluntary; for it is contrary to the spirit of any profession that the men who make the profession should have been forced to do so; a profession must be a voluntary act. Note, in the second place, that the nature of the profession must be that of a social function, in other words, a necessity of society; and, in the third place, that the professing members of the profession undertake on their own responsibility to discharge the function efficiently. Note finally, that the consideration for the services rendered by a profession is not reward or pay, but the satisfaction of a duty discharged and of a function performed. It is true, of course, that professional men do, in fact, charge for their services; are, in fact, paid; and actually live by the exercise of their professional skill. The claim, however, of a profession as distinct from a trade is that the pay or reward is incidental and not primary; and that the efficiency of professional service is not measured or determined by the amount or prospect of the material reward. It is this characteristic of claim, if not of fact, that secures to a profession a socially higher status than belongs to a trade in which services are measured out on a cash-basis.

Profit.—There are, it is clear, two kinds of buyers—those who buy to consume and those who buy in order to sell again. The former have the satisfaction of their immediate desire more or less completely; but the latter have a remoter desire which is to sell what they have bought for more than they have paid for it. All profit is the difference between the purchase price and the selling price; and the object of the profiteer—his sole object as a profiteer—is to make this difference in his own favour as large as possible. It will be seen that the profiteer is thus necessarily the enemy of two sorts of people: the people from whom he buys, to whom he wishes to pay as little as he can; and the people to whom he sells, whom he will make pay as much as he can. He is a swindler (though usually within the law—which, however, he makes himself!) in each process: for he adopts tricks of many kinds to persuade the seller to sell cheap and the buyer to buy dear. In general, however, there is a limit to his depredations, fixed by the shrewdness of the sellers and buyers, and, again, by the competition of profiteers amongst themselves. These are the only means yet discovered of checking his villainies. If a nation were composed mainly of Christians or of simpletons, there is no limit on that side to the profits profiteers would do them out of. They would have their coat and their cloak also. Again, if profiteers were only united they could extract profits *ad libitum.* Otherwise, they must do as they do now, strike a bargain and call it the just market price. Actually, however, the just market price is no less than the maximum profit a profiteer can obtain when all his tricks have been played.

PROFITEERING.—Production for the sake of profit; or profit-making. Profits are made by no other means than by buying or producing or bringing to market *cheap* and by selling dear. And maximum profits (the aim of business) are made by buying as cheaply as possible and selling as dearly as possible. The question of the value or amount or quality of the commodity on which profit is sought does not, it will be seen, enter as a prime factor into the operation of profiteering. It may be that by producing much and selling much the maximum profit is made. But it may just as well happen that the maximum profit is made by producing little and selling it all. Profiteering, in short, is not concerned with the production of values (that is, of human utilities), but with prices. The consumer alone thinks of values; the profiteer thinks wholly of prices and profits.

PROFIT-SHARING.—Or sharing its tail with the dog. This consists in employing men for personal profit and returning a share to keep them at it. But of two things one: either the employer is entitled to the whole of the profits or he is entitled to none. If the former, his sharing of the profits with his workmen is (*a*) charity; or (*b*) conscience-money; or (*c*) bribery; or (*d*) an insurance against strikes, etc. If the latter, the men are as wrong to accept a part as the employers are to reserve a part. Let us discriminate, however, between profits and, on the one hand, the salary of management, and, on the other, the wages of labour. Profit is something over and above the market-rate (that is, the economic value) of both; it is in the nature of a windfall—or shall we say that the tree is shaken? The legitimate return to employers consists of (*a*) the salaries of the managing staff; and (*b*) renewal and improvement of plant—and nothing else. All the rest is the property in equity of Labour. Where, then, is there any Profit as such? Profit, in short, is robbery; and profit-sharing is the sharing of stolen property with the people from whom it was stolen!

Progress.—In economics progress means the advance towards the ideal of production without labour. But actually, as we have seen, it can take place in one class at the expense of another. Suppose, for instance, that in a community numbering a hundred adult workers, ten should discover a means to dispense with the labour of ten. Either now, among other courses, the ten can dispense themselves from work, or they can pool the whole gain and dispense the hundred from labour equivalent to ten men's work. In the latter case the progress of economics is common to all: all share alike in the relief of labour and, consequently, in the march towards the economic goal. In the former case, however, ten men are lifted into the economic paradise of living without working, while the ninety remain where they were before. Progress in the accepted sense to-day is largely of the kind just described. It is confined, that is, to a small class. For this reason men of the greatest intelligence laugh when they hear the word mentioned.

Proletariat.—The working-classes in general; or the wage-earning classes. Includes all persons who depend for their means of living upon wages. Wages being the price of Labour bought and sold as a commodity, the proletariat are the class that must live by selling their labour. They are thus the class that has nothing but its labour-power to live by. But this labour-power, being inseparable from the labourers themselves, involves in its sale the sale or hiring of the labourers who exercise it. The proletariat are thus said to be wage-slaves.

Protection.—When a class of capitalists has succeeded in establishing a monopoly of any commodity within their own country, they are still short of a full monopoly if foreign producers are allowed to sell within the same market. The doctrine of Protection is, therefore, preached by capitalists with the object of conserving and protecting the monopoly within the nation which they already enjoy. Their preaching is, of course, inconsistent with their appeals to Labour, since to Labour they recommend keen competition as the spice of life, while, as regards the foreign capitalist, they wish to be protected against his prices! From another point of view, however, they are not inconsistent: for just as it is the object of any holder of a commodity to make a monopoly *of that commodity*, it is equally his object to prevent a monopoly being made of any other commodity, and particularly of any commodity which is useful to himself. Thus, the same man will advocate protection for his own commodity with a view to monopolising it; and free competition in every other commodity with a view to preventing a monopoly of it, and both with the same ulterior purpose, that of making the highest profit. In the market in which he sells he wants a monopoly; but in the market in which he *buys* he wants to see no monopoly whatever. Under these circumstances it might, of course, be thought that all these desires would cancel out, and that nobody in relation to foreign competition would be allowed to obtain a monopoly by Protection at all. And while, in fact, a nation's industrial capitalists are separate in interests, Free Trade (in other words, the prevention of an absolute monopoly) is usually in force. But when, as now, by means of the stock and share market, all capitalists are interdependent, and no industrial capital is selfcontained, capitalists, as a class, are interested in the monopoly of every kind of commodity, and would gladly Protect every commodity, the home supply of which is within their joint control. And thus it happens that Protection as a policy is now popular among the same class of people who, in the days before joint-stock banking, limited companies, and the share-market, were ardent Free Traders. At whose expense, however, is a monopoly thus protected? The answer is that it is at the expense of the consumer, that is, in general, the wage-population. Protection thus becomes a means of extracting from the wage population higher prices for the protected commodities than they would have to pay if there were no protection. It is, in short, a licence given to capitalists to keep up prices. This was clearly brought out when, after a war in which a Tsar of Russia had had to depend upon certain manufactures in his country, he rewarded them by protecting their industry from foreign competition. He granted them a tariff which enabled them to extract from Russian consumers far more money than the Tsar had borrowed of them. Look out that the same course is not followed in England after this war. Look out that, as a reward for their services, our English capitalists are not granted a Tariff for the purpose of taxing our consumers.

Quality and Quantity.—It is assumed that all commodities that make a market contain value or ability to satisfy human desire. What, then, is the economic distinction between Quality and Quantity? It is this: that Quality is concentrated satisfaction, while Quantity is diffused or diluted satisfaction. It will be observed that the element common to both is the ability to satisfy; and that the only difference between them is that qualitative goods satisfy intensely or for a long time, while quantitative goods satisfy only moderately or for a short time. But we know that the latter can in some cases be converted into the former: in other words, Quantity can be converted into Quality by the means of putting more work or labour into a commodity. Similarly Quality can be diluted into Quantity by skimping the work that is ordinarily put into it. This convertibility of the one into the other is the symbol of the convertibility of Society into a better from being a worse, or into a worse from being a better. Commodities show the direction of the movement; and are, as it were, the index of the state of Society. If, for example, we find that the majority of commodities in any given Society are becoming qualitative in value, that is, contain more and more concentrated satisfaction, we know that Society is itself becoming more qualitative in character, more value-producing, better organised, and therefore better. And if the reverse, then the worse. A tree is known by its fruit; Columbus knew the social condition of America by the wood-carvings he found adrift off its coasts; and a Society is known by its commodities. Or the argument can be reversed. We can say that if a Society becomes better organised, its products will tend away from Quantity—or diffused and unorganised value—and towards Quality—or organised value. It is not that Society need be organised for qualitative production directly; for that is to subordinate human to economic values. It is simply that, as a consequence of a right ordering of Society, economic values reach their maximum. Economics as a test of social virtue! Applying this to National Guilds, we may say that the object of National Guilds ought not to be the production of Economic Quality, however necessary Quality is at this period in our history. The object of National Guilds, on the contrary, is economic justice. But as a consequence of economic justice, Economic Quality will infallibly be produced. As the tree, so the fruit.

Note

Recognition.—To recognise is to acknowledge the existence of. But that is only the embryonic form of the Recognition spoken of in Trade Union matters. For it is obvious that an Employers' Federation that refuses to "recognise" a Trade Union cannot fail to recognise that a Trade Union exists. Something more than the recognition of its existence is required to bring about the "recognition" required by a Trade Union; and this something more is the acknowledgment of its right to speak and act on behalf, not only of its immediate members, but of the whole of Labour represented by the Union. A parallel may be drawn from constitutional history. It occasionally happens that a Government, hitherto recognised as entitled to act on behalf of a nation, is suddenly subverted and transformed. A Tsar, for instance, may be exchanged for a Duma; a Kaiser for a President. When such a transformation has taken place, the question arises for foreign Governments whether the new Government has the right and the power to act on behalf of the nation it professes to represent. While the matter is in doubt—in other words, until the new Government has shown signs of being able in fact to speak and act for its nation—the recognition by foreign nations of its members is delayed But when no doubt exists that the new Government is representative, recognition is then accorded. Similarly in Trade Union affairs, a Trade Union wins recognition—the recognition, that is, of its sovereign right over its labour—when it can prove its power to control its labour. But until a Trade Union can give or withhold its own labour, its right to recognition is illusory.

Relations of Capital and Labour.—Between Capital, which is the sum of the concrete tools of production, and Labour, which is the abstraction of the energy and skill of Labourers or Workmen, there can be no relations whatever. Things can be related to things, men can be related to men, men and things can be related ; but the *thing* Capital cannot be related to the *notion*

Labour. So let us say, the relation of Capital and Labourers. But the relation of Capital to Labourers is that the latter use the former as tools—when they get permission to do so. Given the access of Labourers to tools (both man-made and elemental), Labourers very soon establish the proper relation of men to things—they use them. It is obvious, therefore, that all the talk of the *difficulty* of the relations of Capital and Labourers does not mean any difficulty in the relations of Capital and Labourers. What does the phrase mean, then? It means the relations between the Capitalists or *owners* of the tools of production, and the Labourers or the *users* of the tools of production; and the difficulty spoken of refers to the difficulty of arranging as between these two parties what share of the product they shall each have. Each party, it cannot be denied, wants, if it can be got, the whole of the product. There is no end to desire. But of these two parties it is clear that the tool-owners have less right to any of the product than the tool-users to all of the product. On the other hand, right without power is only a moral satisfaction; and it is power that determines the distribution of the product between the owners and the users. What kind of power? On the side of the owners the power they wield is that of the legal monopoly of the capital and elemental tools of production: the power, supported by the State, to refuse permission to any workman to use their tools except upon their own terms. On the side of the workmen, the only power they have so far wielded is that of their desirability in production. Without tool-users the tool-owners cannot become wealthy. A landowner of a thousand acres would be no better off than a small allotment-holder unless he could obtain tool-users to work for him. He therefore wants tool-users to work for him with just so much intensity as he desires to be better off than a small-holder. Note, however, that even without tool-users he can manage as *well as a small-holder*. He has the land, and he can, at a pinch, himself supply the labour. But without the land the mere labourer is absolutely helpless. His need of the tool-owner is, therefore, imperative and vital, while that of the tool-owner for him is only intense and economic. Since, however, we may assume that economic motives will continue to operate, there appears to be in prospect a new form of power for the tool-users: a monopoly of the skill to use tools, commonly called a monopoly of labour. If the capitalist class possess all the tools of production, and the working-class possess all the skill to use the tools, each party has an equal monopoly of which both are necessary to economic production. Under these circumstances, an equal division of the product would seem to be dictated by the equal division of the power to command it. Capitalists and Labourers would each take half of the total product of industry. But this, as we have seen, is still not a fair division; for *qua* tool-owners, the capitalists have no share in production, but only in distribution. If therefore, it is fair that the product should be at the disposal of the producers alone, the share of the capitalists should be determined at the discretion of the workmen. The producers, in short, must be the distributors as well. The relation so established between Capital and Labour would be proper; but it would involve, of necessity, the abolition of the capitalists. Only when the capitalist has been abolished will the war between capital and labour cease.

Rent.—Is the price paid for the use of land or any other tool of industry. Attempts have been made to differentiate land from every other tool necessary or useful in industry, and hence to discriminate between rent and other prices, and to consecrate a special law of Rent. There is no such special law. The rule determining the price of the use of land is precisely the same as the rule determining the price of the use of any other commodity: it is the relation between the Supply and the Demand. In a theatre, for instance, the operation of the so-called law of rent can be seen quite as plainly as economists profess to see it in the case of land. The nearer to the stage and the more luxuriously upholstered the seats the higher is the price charged for them. We can diagrammatise the theatre, in fact, in the same way in which the Fabians have diagrammatised Ricardo. Extending outward from the stage are concentric zones of relatively diminishing productivity (pleasure being the product sought in this instance), ending finally in standing-room only; and the rent of the seats diminishes directly with the distance from the maximum of advantage. What, however, beyond the submission of the seats to competition determines the operation of the "law"? Absolutely nothing. The "law" can be suspended and kept suspended for as long as the proprietors please. For instance, a theatre proprietor may, if he chooses, charge a uniform price for every seat in his house. In a democracy he would have to do so or nobody would patronise his snobbish show. Or he may reserve a few convenient seats at double the price of all the rest. In fact, within the limits of the actual demand for his accommodation, he can fix the price as he pleases. It is only when he chooses to put up the seats to auction and to sell them at what people are willing to pay for them that the so-called law of Rent comes into existence. But observe, once again, that the same phenomenon occurs in every other competitive selling. The law of Rent, in short, is identical with the rule of competitive prices in general. What, on the other hand, has made a law of Rent as applied specially to Land appear plausible is the fancied uniqueness of Land as a tool of production. Land is the original tool of which all subsequent tools are derivatives. But this distinction is metaphysical and has no economic value. Original and derivative tools are all alike subject to Supply and Demand when they become subject to competitive selling; and only convention distinguishes between the price paid for land and the price paid for hay. It is all the more strange that the Fabians should cling to the law of Rent since they have had the sense to repudiate the Single-taxers. The Single-taxers do indeed follow Ricardo blindly and imagine Land and its Rent to differ radically from, let us say, house-property and its rent; and of their blindness the Fabians have been good critics. The Fabians, however, themselves fall into error by admitting the unique Law of Rent even though they add to it another unique Law of Interest. The simple truth is that neither of these laws is either a law or unique. The operations of the market in respect of land and capital are identical with the operations of the competitive market in respect of every other commodity.

Responsibility.—As the word implies, to be responsible means to be answerable for. But to be, in fact, answerable for anything implies an undertaking to hold oneself in readiness to give an account of oneself. Responsibility or answerability cannot, thus, be thrust upon the individual; it must be assumed or, at least, accepted by him at a moment when another choice than to accept is open to him. Responsibility implies a choice made; an act of will; a resolution or undertaking to be answerable for a task or function. When, therefore, Labour finds itself in the position of having to work by the sale of its labour-power and with no alternative but starvation (which is no alternative at all); and when, having been thus thrust without any will of its own into industry, Capital holds Labour "responsible," and the Press preaches on the text of the "responsibility of Labour," the situation of Labour is wholly false. No choice, no responsibility. No responsibility, no answerability. No answerability, no obligation and no duty. Capital alone is responsible for industry, since Capital alone exercises choice. Only when Labour is given a choice and becomes self-directive can any responsibility attach to it.

Revolution.—A revolution is a turning-point and change of direction. It is to be contrasted with Evolution or continuous transformation. A simple example of continuous evolution is provided by the history of the locomotive. It is true that locomotion by steam has been succeeded by locomotion by petrol and by electricity; and that locomotion on land has been followed by locomotion on and under the water and locomotion in air. But the transformations from steam to petrol and electricity and of the medium from land to water and air are not revolutions, since they involve no new principle of power, but arise from adaptations of the already known principles. On the other hand, the introduction of steam itself *was* a revolution, since it brought into practical use a form of power before unutilised. In social organisation the same distinctions may be traced. Between chattel and wage-slavery, for instance, there was a revolutionary turning-point. Wage-slavery was an entirely new direction. Again, between the wage-system and the system of National Guilds there must be a revolution. While the wage-system remains any transformation within it is a process of evolution. Only action designed to end it is revolutionary.

Right to Work.—This phrase, which became popular in consequence of the Bill drafted by the Labour Party, is terrible in its implications. They are two. It implies, in the first place, that the object of modern industry is *not* production; since, if production were the object of industry, it would be rather the Right *not* to work than the Right to Work that would be heard of as a demand. And, in the second place, it implies that there are men able to work yet unable to find an employer, in whose absence they can do nothing. The Right to Work is a screen for the Right to Live. It is the Right to Live modestly affirmed. The Labour Party, that created the phrase, asserted the right of a workman to live, but conceded at the same time his duty of work. The wage-system, in short, is assumed in it.

Risk.—To undertake a risk is to expend Capital in the hope without the certainty of profit. Risk is attached in general to capital expenditures in (*a*) new businesses ; (*b*) new inventions ; (*c*) any departure from familiar routine. It is a necessary element, therefore, in progress and development. Capitalists, however, claim a special compensation for taking risks ; and almost make it appear that risk-taking is itself a capital expenditure. But without denying that the taking of risk is an essential factor in progress, it must be denied that a risk taken and lost is entitled to any compensation whatever. A risk, after all, is a carefully calculated gamble ; it differs from a pure gamble in containing many calculable elements; it is, therefore, less of a gamble than a gamble proper. If, then, men do not expect to be compensated for losing in a pure gamble, their title to compensation in the case of a risk which is less than a gamble is less than nothing. Commercial risks are taken usually for high stakes or profits. Such profits, when made, are the prize of risk. The question, however, is sometimes asked whether, since the taking of risk is essential, the maintenance of the prospect of high profits is not equally essential to the provocation of the risk-taking action. The answer is twofold. Taking risks is temperamental in many people; and to such people the provocation is not in the amount of the prize but in the satisfaction of an instinct. In other words, these are gamblers by nature. And, in the second place, if risks must be taken, and no individual will take them except in the hope of exorbitant reward, the function of risk-taking must be assumed collectively.

Salariat.—The section of the proletariat that sells its labour for a month or a year or so at a stretch. Observe that the salariat does not differ at bottom from the proletariat, since the salariat, like the proletariat, lives only by selling its labour-power. On the other hand, it differs by reason of the psychology of time. A man employed for a day at a time is a casual labourer; a man employed for a week at a time (who can, that is, be dismissed at a week's notice) is a workman; a man, however, who is employed by the month is in the first grade of the salariat; a man employed by the year is in the second grade of the salariat; and a man employed on a lease of years is in the highest grade. This element of time, though not fundamentally differentiating one class of wage-labour from another—wages, in fact, are called salaries in France—accounts for the practical fact that, on the whole, the tendency of the salariat is to be divided against the proletariat. And the reason is plain. The day-labourer has a day's interest in his industry ; a weekly wage earner has a week's interest ; but the salariat have an interest ranging from a month to a term of years. The salariat is thus, relatively to the proletariat, permanent ; and hence tend to side with the really permanent element in industry, namely, the capitalists. A revolution would be wrought if either all labourers were engaged by the year, or the present salariat were engaged by the week only. Note, finally, the difference introduced by an engagement for life—when such an engagement occurs. It differs from any defined term of engagement as marriage differs from any other form of contract. It constitutes, in short, status as distinct from contract.

Saving.—As a consequence of "earning" money, that is, of putting Society under a debt equivalent to the services rendered, the earner becomes entitled to draw upon Society to the extent of his credit. Suppose that instead of so drawing—by the simple means of "spending" his money—he refrains, and leaves the commodities or services he *might* have consumed, still in Society's reserve—he is then said to save. Saving is thus forgoing the present demand for commodities, and postponing their consumption for a later date. In the case of commodities that either will not "keep," or acquire no new value by keeping, the act of individual saving may be in the sum a loss, or, at any rate, no gain. But, in general, what is spared early consumption is itself productive during its reprieve, and, hence, the longer the reprieve the more advantageous is the sparing or saving to Society at large. Saving on a large scale implies that the population, as a whole, is consuming less than it produces; hence, that it is accumulating a full cupboard of commodities for use in emergency, for exchange abroad, or for lending. It is, in fact, comparable with the storing of honey by bees in summer, who, while gathering it, eat much less than they bring home. On the other hand, not all saving is necessarily as economic as it appears. A man may, for example, consume less than he produces, and thus be storing up in Society's cupboard a store for himself against a rainy day; and yet *not* be doing the best for himself or for Society. If it should happen that by consuming twice as much he could produce three times as much, his original act of saving would be, though genuine saving, an economic mistake. Economic saving consists in consuming as much as is necessary for the production of as much as possible.

Social Reform.—The impulses of Social Reform are two: Humanitarian-commercial and commercial-humanitarian. In the first the humanitarian motive is predominant; in the second the commercial motive is predominant.

(*a*) The first includes every provision made for wage-slaves who break down in health, become too old to work, or are unable to command a wage sufficient to support them. The humanitarian motive in it is the distress of society at the spectacle of the suffering poor. The commercial motive in it is the desire of capitalists to transfer the cost of keeping their useless wage-slaves from themselves to society in general. Better charity out of the rates, they say, than out of our pockets exclusively !

(*b*) The second includes all the forms of popular education. Its prime object is commercial, being to catch wage-slaves young and to dwarf and train them to become skilled yet docile labourers. The secondary motive is the desire of society to become intelligent.

Solidarity.—One of the show-words ot the Socialist movement, though not to be despised upon that account, for it represents a real discovery in economics, namely, of the existence of communities of economic interest. The jungle of economics is inhabited by various species, preying usually upon one another, but each friendly (more or less) within its own kind. The landowning classes have the solidarity of their economic interest in land; the capitalist classes have a solidarity in capital; and the wage-earning classes have a solidarity in Labour. Such solidarity, however, can be either conscious or unconscious. In the former case, it is obviously more powerful, seeing that one individual of the species then readily recognises other individuals of the same species wherever he meets them; and dog when it knows dog does not eat dog. Both the landowning and the capitalist classes are consciously solidarist, and maintain their sense of solidarity by education. The wage-earning classes, on the other hand, need to be awakened to the fact of their economic solidarity. Hence the existence among them of a propaganda of solidarity that would be superfluous in the other classes. In the meanwhile, being unaware of their actual solidarity (unaware, that is, that they are all in the same economic box), they behave as if each little group were a separate species. *How* many Trade Unions are there?

Spending.—To spend money is to demand commodities; and to demand commodities is to call for their production. The economic system may be compared to a vast magical machine, operated by labour, and capable of turning out on demand anything that is within the capacity of man. Theoretically, it is a matter of indifference to the machine whether the demand is for cathedrals or shirt-buttons, ships or sealing-wax. You pays your money and you takes your choice. The demand determines the product and the spending defines the demand. Thus it comes about that actually the spending of money is at the same time the direction of labour. Labour stands, as it were, outside the economic machine waiting for demand to set it to work; and spending is the indication of the direction in which labour will be employed. The people, in short, have the commodities they ask for! Labour can be controlled by spending. The power of the purse confers the right of controlling labour. Note that it has been said that the economic system is indifferent to the nature of its output. But this is only as the stomach is indifferent to the food it assimilates. At bottom, an economic system works well only when the demands made upon it by spenders are *right* demands. It will produce anything, you understand. But demand the wrong things of it, and it will deny satisfaction from them while yielding the form of satisfaction.

State Capitalism. — When the State both owns the Capital or Tools of industry and controls (or employs) the Labour to work it, the system is properly named State-Capitalism, since it differs from private Capitalism only in this: that instead of many capitalists—employers—there is but one, namely, the State. The test, however, is the existence of Profit; in other words, the surplus of the selling price of the output over the cost in Labour of the production. In the case of the Army and Navy, the Civil Service, etc., since no profits are made, but the services are for use only, it is not State-Capitalism that prevails, but State-service. But in the case of the Post Office, the Mines and Railways, etc., since over and above the services rendered, *profits* are aimed at, the system under which they are run is certainly State-Capitalism.

STATUS.—A legally enforceable claim to position : in other words, a right sanctioned by law. Assuming Society to be composed of categories, strata, or groups of individuals, membership of one of these groups defines the status or "station" of the individual. Status, in short, is the station in society occupied by the person or class in question. In the economic classification, status is defined by economic ability ; and since, as has been shown elsewhere, the economic ability or power of self-maintenance possessed by the proletariat is nil (in the absence, at any rate, of a labour-monopoly of the Trade Union), the proletariat, economically considered, have a status definitely inferior to the status of the capitalist classes. Politically, on the other hand, the status of the two classes is the same. Both classes, that is to say, are equally enfranchised politically. The economic status being different, however ; and the economic status being, moreover, determinant of political power ; the equality of political status is useless in the absence of an equality of economic status. The condition, in fact, of real as distinct from nominal political equality is economic equality. But economic equality is only possible by the raising of the present status of the proletariat from that of a commodity to that of a partner in industry. When Labour may not be legally hired any more for wages or for salary, its status as a commodity is raised and merged in the status of partnership.

Strikes and Lock-Outs. — When an employer dismisses a single workman, he is said to give him the sack. When a workman leaves an employer, he is said to hand in his checks. In each operation there is a definite termination of a virtual contract; and nobody denies the right of one or the other party to end it. What is called a strike occurs when a body of men, whether few or many, collectively terminate their engagement with an employer; and what is called a lock-out occurs when an employer terminates his engagement with a number of men collectively. The difference between getting the sack and a Lock-out, and between handing in your checks and a Strike, is thus wholly the difference between individual and collective action. And, though more serious in its effects, the latter cannot be said to differ from the former in essence. If it is within the right of an employer or a workman individually to terminate his contract with the other party, it is no less within the right of the workmen to terminate their engagement collectively.

Supply.—The question of Supply is not only fundamental in actual life, it is fundamental in economic theory. Whoever would understand economics must grasp the nature of Supply. It is much more important than Rent or Interest, or any other favourite subject of petty reform societies; in short, it is *the* economic problem, both in fact and in theory. We have said elsewhere of it that Supply determines Price as Demand creates Value. We have now to see what determines Supply. There are two determinants of Supply: (*a*) the limitations of natural or of human productivity; and (*b*) the limitations imposed by those who control Supply. As to the first it is naturally in the interest of the world at large that these limitations should be progressively removed. We *cannot* have too much of a good thing. If everything needed or wished for by mankind could be got everywhere and always for nothing or for next to nothing the economic problem of humanity would be settled for ever. We could then set our affections on things above exclusively. From this point of view whoever makes two ears of corn grow where only one grew before is a benefactor of the race. The increase of the total supply of the world is, in fact, a proper object of man. But now let us consider the second restriction. It is possible to have an enormous actual Supply and a still greater potential Supply—and yet to find real Supply, that is, the supply upon the Market, restricted. For instance, it is not uncommon to hear of tons of good fish being thrown into the sea, bushels of fruit being left to rot upon the ground, and *not* because it would not pay to sell the stuff, but because too great a Supply might bring down the price all round. This operation is the opposite of Dumping, and though quite as immoral is much more common. Its purpose is to keep up prices in general. The point can be illustrated by a fancy picture. Let us suppose that a reservoir of water (the only supply in the neighbourhood) exists near a town and is served to the inhabitants by pipes. The citizens are dependent upon two limitations for their supply: in the first place, upon the *natural* supply of the reservoir itself; and, in the second place, upon the *artificial* supply as regulated by the owners of the conducting pipes. In the event of the determination of these owners to withhold supply, the inhabitants have no means of obtaining it. It is undeniable that the supply exists—in other words, there is no shortage of water—but the *economic* supply or the supply upon the market has ceased to exist. This phenomenon is one of the commonest in commercial life: and it goes by a variety of names. The object of a trust, a combine, a monopoly, a pool, a cartel, a corner, rigging the market and Protection is the same: it is to obtain control of the *market* supply of the *natural* supply. For whoever controls what comes to market controls Supply in general. It will be seen now *why* capitalists aim at obtaining control of supply. The more nearly they obtain a monopoly of any article the more certainly they can regulate the amount that comes to market. And it will also be seen *why* Supply determines Price, or more concretely, why the monopolists of Supply are able to fix price. They do so by virtue of being able to hold up Supply, and, hence, of obtaining the maximum price before releasing it. The determination of this price is arrived at by what is called the higgling of the market: in other words, by the operation of the Law of Supply and Demand. By trial the sellers of Supply discover just how much the buyers will pay rather than go without; and this extreme price is called the full market price. There is much more to be said; but we hope we have shown that the question of Supply is the most important in Economics.

SYNDICALISM.—Derived from the French word "syndicat," meaning a Trade Union. Syndicalism claims for the Trade Union in every industry (the industrial union, that is) the exclusive right to own the Capital and to control the industry of its function, and without the intervention, or, in fact, the existence of the State. Syndicalism envisages the community as composed wholly of workers or producers grouped in their several industries; and conceives of no function outside industry for a State to perform. + National Guilds, on the other hand—a conception of English thought acting upon Syndicalism and English history—postulates the continued existence and active partnership of the State in industry; and supplements the "syndicalism" of every industrial union (or Guild) by the common factor of the State representing the nation. Even as a Guild of Guilds, or Syndicate of Syndicats, the State is, in the opinion of National Guildsmen, necessary; and Guildsmen are even disposed to confine to State control certain State Guilds, *e.g.*, the Navy, the Army, the Civil Service, etc., whose function is collective and general, rather than confined and particular. It is of interest to note that French Syndicalists are now inclined to admit in both practice and theory the reality and co-responsibilty of the State in every

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industry. As a reaction against State Capitalism, Syndicalism was driven to deny the State; but in practical thought, both the State and the Syndicat are now recognised. This, in effect, brings recent French Syndicalism into line with English National Guild doctrines.

Trade Unionism.—A Trade Union is a rudimentary organ for the ultimate overthrow of Capitalism, and Trade Unionism is its activity. It has been said that Capitalism bears within it the seed of its own destruction; but the question should be asked: What is the nature of that seed? Marx and others have presumed that Capitalism would come to an end with the final exploitation of the world-market. But they forget that there is no end to human demand. The seed, in fact, of the destruction of Capitalism is not a reaction from Capitalism; but the rise into power, consequent upon Capitalism, of the hostile organism of the Trade Union. Trade Unionism was the egg which Liberty laid in Capitalism to destroy the wage-system. It is of no importance that the early Trade Unionists were unaware of the function Trade Unionism was actually created to perform. We do not expect an egg to crow. And it is of not much more importance that Trade Unionists even to-day are unaware of their real mission. Their mission to destroy the wage-system is, we may say, independent of their realisation of it: it is in the nature of things; and the absence of realisation can only delay the success of the mission, it cannot frustrate it. Industry must be carried on. That is the first law of Society. But as Trade Unionism becomes more and more powerful, the satisfaction of its demands becomes more and more incompatible with the maintenance of capitalist industry, which must finally surrender to give place to the control of Labour. The purpose of Trade Unionism is thus not to assist capitalist industry; but by increasing its demands to destroy Capitalism. The destruction of the wage-system is the end of Trade Unionism. Both will fall together.

Trade Union Restrictions.—Putting aside irrelevant considerations, such as humanity, common sense and the like, the purely economic object of Trade Union restrictions is to restrict the Supply of Labour, without diminishing the Demand for Labour. Wages being fixed by the relation of Supply of Labour to Demand, it follows that, if either Supply is diminished or Demand increased while the other factor remains the same, wages, or the price of Labour, will tend to rise. Now, the perpetual object of the employer (whether he is conscious of it or not) is to reduce his Demand for Labour while increasing its Supply, as a means of reducing wages or the cost of labour in production. And, on the other hand, the perpetual object of the Trade Unions (which collectively live by selling their Labour) is to reduce the Supply while raising the Demand, as a means to increasing their wages or the selling price of their labour. The opposition is complete; for it is to the immediate interest of the employer to reduce the cost or wages of Labour—which he does by labour-saving—by every means in his power; and it is to the immediate interest of the Trade Unions to increase the cost or wages of Labour—which they do by restricting the Supply of Labour. Trade Union restrictions, in a word, are the counterpart of Labour-saving. Their object is to increase the amount of labour that must be employed, as it is the object of the labour-saving devices of employers to reduce the amount.

Unearned Increment.—The name given to an increase in the selling price of any commodity which is not brought about by the owner himself. From one point of view the distinction between earned and unearned increment is a split hair. All owners of commodities endeavour by various means to increase the selling price of their goods, this being, in fact, the essence of good business. And when, instead of by their own devices, the selling price is raised by accidental means, the result to the consumer is no different. In both cases he pays the increase. On the other hand, the difference to the owner himself is real. An unearned increment being in the nature of a windfall, and due to luck, it is not to be counted upon in advance. Consequently, its pursuit is not a motive in ordinary business. Ordinary business depends upon the motive of profit operating within calculable factors. Unearned profits do not enter into calculation.

Unemployment.—The state of a labourer who, having nothing else than his labour to sell, cannot sell his labour. Unemployment in general arises when the supply of labour exceeds the demand. Upon such occasions, the demand for Labour being satisfied, there remains over a surplus of supply which nobody wants; and this surplus, being a supply without a demand, is left unemployed.

Use.—Means in economics "use towards making profit." When Goldsmith's young Moses bought with good money of a pedlar some green spectacles that could not be used, he nevertheless purchased an economic commodity at the market-rate; which commodity had therefore an economic if not a human use. Capitalist production is production for use only incidentally. Its object is profit. The minimum of human use is often compatible with the maximum of economic use. A revolution in economics would be effected by exchanging a system of production for capitalist profit for a system of production for human use.

Utility.—Much the same as has been said of ability can be said of utility, when it is employed in economics. Utility would appear in ordinary conversation to mean something useful—or, rather, anything useful: just as ability would appear to mean any capacity whatever. Once again, however, we must remember the limitations that economics imposes upon the words in its employment; it reduces them to the wage-system! Utility thus means that which fetches a price in a market—simply this and nothing more. Useful for any other purpose a utility need not be in order to enter the region of economics. It may be embodied in an article that is not worth the carriage home from market; it may be, and often is, designed to sell and to do nothing else; it may even be a danger as well as a nuisance to the purchaser—the fact that it is marketable makes it an economic utility, and its production an economic activity.

Utopia.—The effect upon language of the division of Society into the two nations of the Capitalist and the Proletariat is to establish a double entendre proper. This phenomenon is well worth the attention of literary critics; they would find it even more amusing than the study of the double entendre improper. The word Utopia, for example, turns out to have quite a progeny of meanings. Utopias may be divided into two classes: the possible and the impossible; and each of these may be further subdivided —the impossible into the plausible and the fantastic, and the possible into the undesirable from the capitalist point of view, and the undesirable from the proletarian point of view. Of the impossible class of Utopias the literary examples are many, and range between Plato and Mr. H. G. Wells. Of the possible, on the other hand, not much is said. Here, however, we may say that the Servile State is the Utopia of Capitalism, as Communism is the Utopia of Proletarianism. The former is desired by Capitalists, but will be forbidden by Labour; the latter is desired by Labour, but will be forbidden by Capitalists. National Guilds represent the habitable space between two conflicting Utopias.

Value and Price.—These two terms are the objects of a great deal of jugglery in economic discussions; and a considerable mystery has been created about them. The truth, however, can be simply expressed : Demand creates *Value ;* Supply determines Price. Let us look at them separately. The Value of a thing is the *Use* it is to me ; and the amount of value it possesses is determined by the degree of its use to me, and consequently by the intensity of my demand for it. The scale of my needs and wants is, therefore, the determinant of the scale of values ; the greater my need the greater the value of the article that alone can satisfy it, the less the less. For example, water is a need, bread is a need, fire is a need. Without them we should die. Water, bread, and fire have, therefore, the highest values of all things. Beer is only a want, truffles are only a desire, and a pagoda is only a luxury. Hence beer, truffles, and a pagoda have a less *value* than water, bread, and fire. And note that, in general, values do not change. Water, bread, and fire are always and everywhere of the same value

demand
Value

because they are prime necessities. Values, in short, are as fixed as human needs and wants. They are the register of our demands. Coming now to Price, the first difference from Value it presents is its variability. It is, moreover, true that, though no article has a Price that has not also a Value, the Price has no relation to the Value. For instance, we have seen that water is a permanent value for mankind: its value (that is, its utility) is the same everywhere and always. But its price varies from nothing to rubies. Where it can be got for the taking, its price is nothing. Where it can be procured from a main, its price is something. In a desert its price may be a King's ransom. What accounts for these variations of price since the value of water is constant? Not Demand, but Supply. In the first case the Supply is unlimited, and hence the price is nothing. In the second, the Supply is not unlimited, and, therefore, the price is something. In the third, the Supply is very limited, and hence the price is a great deal.

Given, we may say, an unlimited Supply of everything, nothing would have a price whatever its value. The *degree* of the Supply determines Price. Taking advantage of this double phenomenon that the greater the supply the lower the price, and the less the supply the greater the price, the object of the *consumer* of objects of value is to increase the supply; and the object of the *producer* is to limit the supply. Values remain constant; but the consumer and the producer each seek out many inventions, the one to make Supply without price and the other to make Supply priceless.

Wage and Chattel Slavery.—An outcry was raised when somebody first called the proletariat wage-slaves and their condition one of wage-slavery. On the contrary, the wage-slaves profess to be free men, and regard their state as a great advance upon chattel-slavery or serfdom. But let us note that it was not by their exertions that the change from chatteldom to wagedom was brought about. If, therefore, it was progress for them, the motive was not theirs, nor do they deserve any credit for it. As for the advantages, let us see. In general, commercial men have discovered that for some forms of tool-labour hiring is cheaper than purchase. For instance, many printers prefer hiring their expensive type-setting machines to buying them outright. By this means, and for a comparatively small additional cost, they have the use of the machines without the real responsibility. Even amongst the old slave communities the axiom prevailed that it is cheaper to buy than to breed. This meant that it was less trouble and expense for a slave-owner to buy slaves already prepared for the market than to prepare them himself. A step further, and we are at the point in relation to men that printers are in relation to machines. The axiom, in short, of commercialism is that it is cheaper to hire labour than to own it. Why? For two reasons: In the first place, a man who owns labour and can hire no other is tied down to the skill his slaves happen to possess. He has not the free choice that an open market for labour gives him. And, in the second place, the privileges that were demanded by slaves grew to be excessive: they actually expected to be reared and educated, to have leisure while they were working, and provision made for illness and old age, as if they were human! The trouble alone was great, and the cost was terrible. How much better it would be to set the slaves at liberty and to throw upon themselves the burden of breeding, provision for sickness, and so on. Then the employers would have only their working years to consider. They could go into the proletariat quarters and select only the fit, leaving the unfit to die or to become fit at the expense of the rest. Is it not obvious from this consideration that if the substitution of wage-slavery for chattel-slavery, hiring for owning, was one step forward for labour, it was at least two for capital? And the proof is that capital has immensely increased its wealth, while the wages of labour are much the same as they were when labourers were chattels.

Wages.—Wages are paid in money ; but money is worth only what it can buy. In other words, money wages may vary in value even while their nominal value remains the same. Before the war a money-wage of a sovereign could purchase 80 loaves. To-day it purchases only about 45 loaves. If nominal wages are to-day what they were two years ago, their real value is only a little more than half what it was. Nominal wages are fixed by the Supply and Demand of labourers. Their amount thus has no relation with the prices of goods, which are fixed by the Supply and Demand of goods. If prices fixed wages, the nominal amount of wages would rise with the price of goods. But they obviously do not. No, wages, being the price of labourers, their amount is determined by the supply and demand of labourers. Why are wages comparatively high during the war? Because labourers available for ordinary industry are few. Why will wages be low after the war? Because labourers will be in numbers far exceeding the demand. It might be thought that legislation or sentiment could fix the price of labourers. But only the power that holds a monopoly of any commodity can fix its price. If, for example, the Imperial Tobacco Trust had a complete monopoly of tobacco in this country (as it has very nearly), and could forbid any other company to import tobacco, the Trust could fix the price of tobacco as it pleased; and we may be sure that it would charge to the last farthing what we could pay for it. Being as yet, however, an incomplete monopoly, the Trust cannot fix prices. Now, as neither sentiment nor Parliament has a monopoly of labourers, cannot compel labourers to refuse lower wages, cannot make employers pay high wages, and cannot forbid the importation of labourers or (what is the same thing) the exportation of capital, neither sentiment nor Parliament can fix wages. The only method of fixing wages is to obtain a monopoly of labourers; and the only means of obtaining a monopoly of labourers is to create a national trade union which is blackleg-proof. In another note it was said that wages are much the same to-day as they were in the days of chattel-slavery. The proof is obvious. Somehow or other chattel-slaves got food, shelter, and clothing sufficient to keep them fit for work and to enable them to reproduce and multiply themselves. The slave population of Greece actually waxed fat and kicked. Some slaves saved and bought their freedom. Well, to-day, somehow or other, wage-slaves do no more than obtain food, clothing and shelter, sufficient to keep them fit for work (and nothing else), and to enable them to reproduce and multiply themselves. Out of their wages, however, they can *save* no more than chattel-slaves could. In short, "wages" are much the same as the "keep" of serfs.

Wage System (The).—The first condition of the wage-system is that there shall be propertyless men—men, that is, with no access to the tools of production. This state is brought about by divers means in various times and places. In native communities our exploiting governors contrive it by robbing natives of their land or herds or trees, or, alternatively, by requiring payment in specie that can only be obtained by wage-labour. In civilised countries the method is better concealed. Usually, however, the distinguishing feature is the enclosure of the common lands. Thus shut out of the use of the necessary tools of production, the propertyless man, now become proletarian, must go and ask an alms. But charity without work is demoralising, so they must work. Upon what? Upon and with the tools belonging to the more fortunate few who have retained their property. But there are so many of the workers—who among them shall find an owner to hire them? Why, the cheapest—those, in fact, who can shift on least wages. Wages thus tend to a minimum owing to the numbers of the proletariat. What, however, if they combine in unions and by all co-operating with each and each with all, fix a minimum price for their labour? Why, even then the resources of capitalist civilisation are not exhausted. If English workmen, let us say, can no longer be got cheap, foreign workmen of a cheap pattern can be imported. But public opinion will not allow much of this alien importation. Very well, Mahomet will go to the mountain. In other words, capitalist tools are sent where cheap labour abounds; and this is called foreign investment.

WEALTH.—As the index of the prosperity of a hive of bees is the amount of honey the hive is capable of accumulating, Economics looks upon society as a hive the measure of whose well-being is its wealth. Other sciences and philosophies measure the well-being of society by other standards: the happiness of the greatest number, numbers themselves, the state of religion, the state of art, etc. With these criteria Economics has no quarrel; nor need they have any quarrel with Economics. As an artistic or religious view of society must needs set up an artistic or religious standard: and neither is of necessity antagonistic to the other—that is to say, religion and art may well flourish together—so an economic view of society properly sets up for itself an economic standard with which, again, other standards are not necessarily inconsistent. An efficient economic society, that is to say, may be at the same time an artistic and a religious society. For it is not the fault of economics that it dominates, if it does, other aspects of society: but *their* fault. The predominance of economics, in short, is due to the poverty of spirit of the religious, the artistic, the humane, and so on. Wealth in the economic sense exists in two forms: actually existing goods and the capacity for making goods. Of these, the former is less important than the latter; since by means of the latter the former can be reproduced. Suppose, for example, that a savage tribe were by chance to become possessed of a whole year's output of English industry—the wealth of the tribe would be considerable; but since capacity to produce would not be included in the windfall of produce, the tribe would sink back into poverty as fast as the goods were consumed. Another example is possibly that of the neutral countries now benefiting by the war. They are in one sense getting rich very quickly; but, in another sense, unless at the same time they are accumulating capacity, they are actually becoming no richer permanently. The main question for economics is, therefore, capacity of wealth-production; and in this are included many things—the skill and content of the people, its power of organisation, its character, its geographical situation, etc. All these compose that ground of national wealth of which the visible wealth is the seasonal crop.

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