

twelve penny postage stamps, become a creditor of the State to that amount.

Inference :—Since wealth cannot exist without the combination of every one of these three factors—viz., land, labour, and capital—it follows that they are each of equal indispensability, and that all disquisitions as to their comparative importance in the production of wealth are idle and aimless, since their relative potency is indefinable.

CHAPTER II.

Classification of Obstacles and Aids to Wealth-Creation—Division of Labour—Free Commercial Intercourse—Loss Inflicted by the Opposite Policy.

WE now come to the 4th proposition laid down at page 2, and we contend that

ALL OBSTACLES AND AIDS TO WEALTH-CREATION SHOULD BE IDENTIFIED, CLASSED, AND DISCUSSED, WITH A VIEW TO THEIR RESPECTIVE REMOVAL OR ADOPTION.

We fancy that this proposition will meet with ready assent. If it be true that the more of wealth there is created, the greater is the benefit to the human race, it necessarily follows that it is essential to trace the causes that either promote or impede wealth-creation. We shall first proceed to consider the chief aids to the creation of wealth, which we may classify as follows :—

- A 1. Division of labour,
- A 2. Free commercial intercourse,

- A 3. Capital intelligently employed,
- A 4. Machinery and labour-saving processes,
- A 5. Facilities of inter-communication,
- A 6. Scientific discoveries,
- A 7. Education and morality.

We shall then proceed to consider the chief impediments to wealth-creation, which may be classified as follows :—

- B 1. Insecurity of person or property,
- B 2. Superfluity of unproductive consumers,
- B 3. Wars and international rivalries,
- B 4. Commercial isolation,
- B 5. Ignorance and immorality.

On the peculiar position of land in regard to its limitation of extent and its immovability, as compared with the unlimitable growth and universal adaptation of labour and capital, we shall remark farther on.

A 1. DIVISION OF LABOUR.—It is curious as well as instructive to compare the fecundity of a man's labour, when he is working in intelligent combination with others, with the sterility of the same man's labour when he is working isolatedly. A hive of men, harmoniously co-operating, can, without overstrain, produce indefinitely more than their joint requirements; whereas, all the efforts of a solitary individual can scarcely supply his most pressing wants. To say that in the one case man is a giant, in the other case a child, is a feeble expression of the relative power which the two positions confer on him of producing wealth. It would be nearer the mark to say that in the one case man can do everything, and in the other nothing.

What is the source of this enormous increase of the wealth-creating powers of men when acting in concert? If this co-operation of man with man to effect a common purpose were confined to the mere combination of their physical forces, but little would be gained. A heavier weight might be lifted, or a more bulky obstacle might be removed, or the ferocity of wild animals might be more easily subdued—results of no great importance.

It is a far more subtle and potent influence that comes into play—the reasoning faculty. Through its promptings, the work to be done is distributed into a variety of parts, each of which is assigned to a distinct set of labourers, whose labour is confined to that part. It is this distribution of certain work among certain workers—this division of labour—that renders human exertions a thousand-fold more productive than they otherwise would be. It operates in a multiplicity of ways: by perfecting, through early education and constant practice in one direction, the manual dexterity of each worker; by training the worker to deftness in the rapid and effective handling of tools; by stimulating the inventive faculty to devise special labour-saving machines; by ensuring continuity of effort on one object, thus avoiding waste of time in passing from one task to another; by concentrating the maximum of attention and energy on each separate and subordinate process; by affording the freest scope for the development of natural aptitudes; and, generally, by making the efforts of each individual harmoniously subservient to the common benefit of all; so that Nature's peculiar gifts to each part

shall be enjoyed by man in every part of the globe.

Even that simplest of implements, a spade, is not the work of one man, but of some half-dozen distinct sets of workers. The lumberer furnishes the timber, the carpenter shapes it, the miner (perhaps hundreds of miles away) digs the ore, the iron-founder smelts it and beats the metal into shape, the nailer contributes the means of binding the iron to the wood, and the carrier conveys the materials or the articles to their destinations. During the time that it would take an isolated man to make a single spade (and if he could do it at all, it would be a very clumsy and imperfect specimen), one hundred men, by dividing their labour, would probably make one hundred thousand or more. But if such be the striking results of the division of labour in the production of so simple an article, imagine its marvellous potency in the case of a complex form of human industry. Let us take as an instance one of those magnificent steamers that act as movable bridges between New York and Liverpool. Here, instead of half-a-dozen sets of workers, the labour of building and equipping that steamer has been divided among, not scores, not hundreds, but thousands of distinct sets of producers. Such is the limitless variety of objects which the construction and outfit of this floating palace embrace, that there is hardly a section of human industry that has not been made available for, hardly a region of the globe which has not contributed to, and scarcely a science within human ken which has not been pressed into the

service of, that glorious creation of man's brains, labour, and capital. It is to the division of labour that we chiefly owe this wonderful achievement. Without it, man's constructive power would hardly go beyond the canoe or the coracle.

It may be said that the world freely admits the advantages that flow from the division of labour, and that our advocacy is superfluous. We reply that it is not so. The principle of the division of labour is at present violated, and its benefits discarded by the fiscal ordinances of almost every civilised Government. Whenever the division of labour (whether assisted by other circumstances or not) produces an article more cheaply in one country than in others, the latter refuse to admit such article; and thus ignore and reject the benefits conferred by the division of labour. If its quickening influence on the creation of wealth be "freely admitted," how is it that statesmen circumscribe its operation within the narrow limits of a single country, and forcibly repress its beneficial action by proscribing international division of labour? Let us briefly examine into this.

The amount of benefit derivable from the division of labour is in direct proportion to the magnitude of the area and the number of people over which its operations extend. The greater the diversity of the climate and soil, as well as of the aptitudes and personal peculiarities of the populations, the greater is the scope for the profitable operation of the division of labour. In isolated and thinly populated regions, in which families live far apart from each other, and the

means of communication are scanty, each household provides for most of its own wants by its own labour; and we are reminded of those old primitive times when men "delted" and women "span." Under such conditions, no organisation for the division of labour can take place. Isolation of the region itself from the rest of the world, and isolation of the members of the community from each other, form a double obstacle.

It is obvious that the full development of the principle of division of labour can only be reached when there is no isolation, and when there is free and unrestricted intercourse and interchange between all men of all nations all the world over. Then does this great wealth-creating agent put forth its full power and efficacy. It has then the greatest possible diversity of elements to work upon, and these give it the greatest possible scope for its operations. Its completeness and perfection depend on its universality. Whatever is short of international—that is, universal—division of labour, cripples its action, and renders it partial, stunted, and proportionately feeble.

And yet what is the policy adopted in regard to it by almost every country in the world? A policy of commercial isolation directly opposed to the development of the division of labour. True that the latter principle is recognised and adopted by each country within the limits of its own territory, but, under the so-called protective system, it is ignored and scouted in its relations with the rest of the world. Instead of an international or universal, we have an intra-national or sectional

scheme of division of labour. Instead of that prolific agency for maximising the productiveness of human toil being allowed a full sweep over the entire industrial world, the surface of the globe is cut up into patches of territory, larger or smaller, each of which is commercially isolated from the rest, and none of which will allow free ingress to the cheap productions of the others. Thus the cheapness achieved by the division of labour in one country is counteracted and rendered unavailable to the rest by means of import duties, prohibitions, &c., enacted for the purpose of raising the cost or prohibiting the admission of cheap goods from foreign countries. Vainly indeed does the division of labour diminish the cost of production as long as statesmen proclaim that cheapness is an iniquity which has to be repressed by legislative enactments.

Under what mistaken notions statesmen adopt that view, we shall take another opportunity of inquiring; but meanwhile it must be clear to all that if the benefits which the division of labour confers are great and undeniable, it must be quite as great and undeniable an evil to counteract and nullify them. To intercept the beneficent operations of so powerful a factor in the creation of wealth as the division of labour, is an act as potent for evil as it would be to intercept the quickening action of the sun's rays on the soil, and, so to create artificial sterility. It is fortunate that statesmen have not the same power to effect the latter as they have to effect the former purpose, as otherwise, no doubt, some pretexts of State

policy would be invented to justify both. To sum up, the division of labour promotes in an eminent degree the creation of wealth, but its operation is sadly checked and counteracted by the commercial isolation of one country from another.

A 2. FREE COMMERCIAL INTERCOURSE is the second of those aids to wealth-creation which we propose to review. We have just seen that this freedom of commerce is an indispensable condition in order to ensure the full development, and reap the full benefits, of the division of labour. It largely increases the wealth of the world by securing the rich results of well-applied labour and capital, instead of the poor results of misapplied capital and labour, and by obtaining for the use of each habitable zone the peculiar products which the diversity of climate, soil, geological formations, &c., make special to other habitable zones. It enable all men in all countries to devote themselves to that particular work for which they have special opportunities or aptitudes. This they are, at present, prevented from doing. Governments, at an enormous expense to the community, compel producers to take their labour and capital away from the work which they are doing better than foreigners can, and to apply the labour and capital so diverted to work which foreigners can do better than they can. By this misdirection of power much of it is wasted. Instead of large results cheaply obtained, we have smaller results obtained at a greater cost. The wealth-creating power of the world is proportionately impaired. It loses the maximum productive force of labour and capital

employed at their best, and in return only gets the feeble productive agency of the same labour and capital directed to objects for which they are less fitted, or under circumstances which tend to hamper their efforts.

The immense difference between the results respectively obtained by these two opposite modes of applying labour and capital has not, we think, been carefully considered or adequately appreciated. If it be for the benefit of man that the greatest possible abundance of the objects of human desire be created, and, as a consequence, distributed, it must be essential to inquire into the reality and the extent of the "immense difference" referred to. The difficulty is to assess that difference. It would be easy enough in isolated cases. For instance, a carpenter and a bookbinder are both earning five shillings a day: what would be the market value of their labour, supposing that a paternal Government were to enact that they should exchange occupations? Would that value be even one-fourth of what it is now? Under this supposition, the loss occasioned by the act of the "paternal Government" is obvious enough, and may be measured and computed. But the task is not so easy when it has for subject-matter all the complex conditions of an entire community. Let us make a rough and rude attempt.

Given that combined labour and capital, under present conditions, are earning an average remuneration both as to wages and profits, and are yielding an average volume of wealth-production, what would then be the effect of Government pro-

hibiting the admission of some article hitherto imported from abroad, and thus seducing a certain portion of labour and capital from their present employment into the service, more lucrative for a short time, of a native monopoly for that article? What would follow?

(a) There can be no export without a corresponding value of import. Whatever be the amount which you cease importing from abroad, in consequence of producing the prohibited article at home, to that same amount will your exports be diminished of other articles. This prohibition is, therefore, "a heavy blow and great discouragement" to your staple industries. To the extent of that diminution of your exports, it throws native labour out of employment and deprives capital of its remuneration. To that extent your foreign trade is cut off, and all the interests connected with it, whether it be working men, manufacturers, merchants, or ship-owners, are proportionately injured. It was probably the intention of the paternal Government to benefit its native industries; but a paternal Government sometimes make mistakes, and, in this instance, it has, by curtailing imports, curtailed to the same extent those sales to the foreigner by which native industries benefited, and has therefore inflicted on those industries positive and substantial injury. Now, what is there to set off against these evils? It is merely that the labour and capital thus thrown out of employment are gradually, more or less, absorbed in the new establishments created to supply the prohibited article. The new industry is not a field for the investment of fresh labour and

capital, but an inadequate refuge for the old labour and capital that have been displaced ; and the conditions under which that displacement has been effected are these. You have diverted labour and capital from the production of commodities at so cheap a cost that foreigners bought them of you, to the production of an article at so dear a cost that a prohibitory law is necessary to prevent your people from buying it of the foreigner. Is there much to boast of in this result ?

(b) The higher wages and larger profits which had lured labour and capital away from their old channels into the new monopoly, would prove very transitory and short-lived. For, by the inevitable operation of internal competition, they would rapidly subside into their normal and average scale, while the evils which the change had entailed would prove permanent and cumulative.

(c) Let us suppose that 40 per cent. be the rate of prohibitory import duty requisite to prevent imports from abroad of the article in question, and to give a monopoly of it to the native producers, then it follows, as a necessary consequence, that the consumers in that country will have to pay 40 per cent. more for that article than they paid before. Otherwise, why should a 40 per cent. duty be requisite to keep out the foreign goods ? Note that this estimated percentage is decidedly below the average, for in numerous instances those duties reach 100 per cent. and more.

(d) This artificial dearness of even the single article in question banefully influences the cost of other productions. For instance, the dearness of

iron cripples and checks ship-building, and largely increases railway fares. The dearness of clothing either presses heavily on the working man, or if his wages are raised in exact proportion, he is no better off than before, while the increased cost of labour enhances the cost of every production in the country.

(e) To take a wider view of the subject, let us inquire what the result would be of such fiscal restrictions on the aggregate substantial wealth of the world. In respect to those articles in every country on which import duties are imposed for other than revenue purposes, whether those duties be prohibitory, or protective, or incidentally protective, such duties afford a fair measure of the extra price which the consumers pay for those articles beyond what they would pay if such duties did not exist. Assuming that 40 per cent. *ad valorem* be the average of such duties (and that percentage is certainly below the reality), it follows that consumers of the protected articles pay 40 pieces of money (whether £'s, or dollars, or francs, &c.) for the same quantity and quality as could be purchased elsewhere for 100. Under prohibitory duties, the whole of these additional 40 coins go to the native producers of these articles, and none to the revenue of the State. Under protective duties, some portion of the 40 coins goes, in the shape of customs' duties on imports, to the national revenue, and the rest to the native producers. When those duties are high, the State receives less, because the imports are smaller. The lower the duties, the larger is the portion which accrues to the State.

The more effective the protection, the worse for the revenue, and the nearer protection approaches to prohibition.

But whether foreign goods be wholly or partially excluded, the percentage of duties necessary to enforce such exclusion is evidently the measure of the extra price which consumers have to pay for such goods. If the native producers could produce as cheaply as the foreigner, they would sell as cheaply, and no import duties would be requisite to keep foreign goods away. But taking at 40 per cent. the average duties necessary to effect that purpose, it clearly follows that the native producers must expend 140 coins' worth of labour, &c., to achieve what the foreign producers accomplish by the expenditure of 100 coins' worth of labour, &c. The difference, which in the aggregate amounts to an enormous sum, is simply waste and misdirection of energy. It is a thriftless application of power to the wrong object, just as it would be to set a carpenter to make a coat, and a tailor to make a table. It is easy to infer the enormous loss which hence accrues to the wealth-producing power of the country and of the world at large.

We shall, however, have occasion to recur to this subject when we come to consider commercial isolation as one of the impediments to wealth-creation; and we therefore confine ourselves here to showing how largely free commercial intercourse contributes to the goodly work of promoting the creation, and consequently the distribution, of "all such objects of human desire as are obtained or produced by human exertions."

CHAPTER III.

Capital Intelligently Employed—Capital and its Earnings go to the Payment of Labour—Machinery and Labour-saving Processes—Their Influence on the Production of Wealth and on the Welfare of the Labour-sellers.

A 3. "CAPITAL INTELLIGENTLY APPLIED" is not merely an aid, but indeed a positive necessity, to wealth-creation. At p. 12 we have shown that the three factors of all wealth are land, labour, and capital. The two former—land and labour—are present in greater or smaller proportions, at all times and in all places, but the latter—capital—is the work of human hands, and owes its existence to man's industry, foresight, and self-denial. Let us frame a clear notion of what we mean by "capital," and then inquire into its functions and use.

In the first place, we shall find that, although all capital is wealth, all wealth is not capital—far from it. The wealth which human exertions have obtained or created is used by its possessors in a variety of ways, which we may classify under the following four divisions. Wealth may be devoted

1. To reproductive purposes; that is, to the creation of fresh wealth.
2. To purposes which are not reproductive, but are necessary or useful; for instance, to social arrangements for the security of person and property, to the reasonable enjoyment of material comforts, to education,