SOCIAL PRODUCTIVITY VERSUS PRIVATE ACQUISITION

SUMMARY

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ATTEMPT will be made in the following pages to trace the derivation of certain central doctrines in current economic theory — doctrines which furnish the dominant issues in later theoretical controversies, doctrines, also, which in the opinion of the present writer converge to make up one stupendous error, or better perhaps, a great group or congeries of concurring errors. But, in any case, an adequate understanding of current issues will be appreciably forwarded by an examination of the derivation of the particular doctrines under consideration.

These subordinate and concurring doctrines are three in number: The first of the triad — first in importance if not in time — is the doctrine of unproductive labor and of unproductive consumption.

Barring the socialists, who still upon occasion exploit this view with propagandist fervor, it may be said that there is to-day no one to deny the productivity of the preacher or singer or actor or teacher or man servant or maid servant. If the artisan who constructs a violin is productive, so, also, is the artist who plays it. If to grow wheat or to grind it is economic production, so is baking it. If we may regard as productive the industry which furnishes the beef, so may we also the industry that cooks it; we eat the broiling on our steak as truly as we eat the steak. If a stock car is productive in transporting beeves over wide intervals of space, so likewise must be the waiter who brings the steak from the kitchen or passes it at the table. And precisely as we pay for the transportation of commodities, we pay to have ourselves transported. If a freight car is capital, so is a Pullman. One colorist with his brush fixes his fancies upon canvas; another color worker by the magic of his words paints pictures on the tablets of the mind; the fact that we pay for either shows either to be value rendering. To create matter is in truth given to none of us; we only arrange and combine and distribute. Nor, indeed, is the very existence of matter better than a hypothesis.

All this is clear enough in these latter days, tho not yet fully accepted in all its implications. But at an earlier time the case had a different seeming.

Nor even now are we entirely quit of our confusions; ever and anon the older doctrine echoes faintly into our time.

But for the point of view of that earlier day and for the purposes of its theoretical needs, the distinction in question had some basis of meaning.

Cameralistic doctrine was the economics of kingship and sovereignty. The inquiry regarded solely the prince's welfare in the administration of his private estate. The various flocks upon the plains — two-legged as well as four-legged — were to be husbanded and, in the times and manners proper to them respectively, to be shorn, the ends proposed being simply the maximum possible revenue and the highest level of dynastic prosperity. The economist was a specialist in stewardship.

Economics is always pragmatic in spirit and in method. Thus with passing time the centre of interest inevitably shifted. With this change of interest there took place in some measure a recasting and a reformulating of economic doctrine. National interests were progressively displacing dynastic interests. Attention shifted from imperial wars and bickerings, and from kings and their trumpetings, to questions of the growth of peoples and of states, and to the extension of their power in territory, in wealth, and in influence. The point of view of mercantilism, however, remained consistently national as distinguished from individualistic and personal, and competitively national as distinguished from social or cosmopolitan. How, indeed, shall any people grow in economic power as against its neighboring enemies? By piling up wealth, by goodly accumulations of munitions and moneys and credits against the time of conflict. And how shall any man or nation become wealthy, except by selling more than is bought, by keeping consumption under production? And how so well extend your personal economic dominion over your neighbor and over your neighbor's possessions — his desirable daughter included — as by getting him into debt to you? Or how so well render yourself strong, and at the same time your competitor nation weak, as by getting it into debt to you, or better yet, by getting its purchasing power into your own control, through cornering its medium of exchange? And how accomplish all or any of these things unless by selling your victim neighbor or nation more than you buy back? Thus conceived, with the nationalistic emphasis, the whole question became not primarily one of income, or of aggregate satisfactions and of total consumption, but of accumulation, and especially of growth in wealth under the form of foreign credits or other ready international purchasing power.

Proceeding from substantially the same point of view, the physiocratic school seemed to itself to have discovered a method better yet, — accumulation truly, but accumulation rather of population than of wealth. Artisans consumed as much wealth as they produced; the social cost of their product was as great as their product. Manufacturers were regarded as, in Dr. Franklin's phrase, "subsistence metamorphosed." Agricultural laborers also consumed all that they produced or, at all events, all that they received as wages, and seemingly must always command so small a wage as to make this a permanent fact. Whatever the product of labor and land together might be, the excess in produce over the laborers' wage and necessary subsistence must go to the landowner as the equivalent and expression of the productiveness of the land. So with agricultural, also, as with artisan labor, the social cost canceled the social product; only the land was productive of *net product.* But even so, there was this difference between artisan labor and agricultural labor, that artisan labor did not increase the total population maintainable in the country, gave forth no subsistence product, no life material, while the product of agriculture may be regarded as population, expressed in the form of its raw material. And it seemed clear that national supremacy was rather a question of population than of accrued wealth.

It followed also that, inasmuch as the laborer received only enough to live upon anyway, there was small use, and some harm, in trying to tax him. The only man who, having a product net, a surplus, could pay was the landlord, the rent-gatherer. If the laborers paid taxes, it must be at the expense of their number. It followed from all this, then, that the program fundamental to national greatness was to foster agriculture as a life-maintainer, the sole source of increasing population, and to tax the land.

Adam Smith, coming into the national point of view as an inheritance from earlier thought, set himself deliberately to the investigation of the causes, and to the formulation of the rules, making for the increase of the opulence of nations, and found that while manufactures were productive, they were not so *in the same sense as agriculture,* while labor as mere service was not productive at all. The shadow of physiocratic reasoning was still over Adam Smith.

Not having arrived fully and consistently at the individual point of view in economic analysis, John Stuart Mill followed substantially in the footsteps of

Adam Smith. Unproductive consumption is consumption that does not furnish maintenance for productive labor. Productive labor is, in turn, that labor which affords an addition to the aggregate accumulated wealth possessions of society. Thereby he arrived at the distinction between material and immaterial. But this distinction between material and immaterial rested not at all upon considerations of utility, of importance for consumption in the aspect of service to human needs, nor finally and fundamentally upon some test of concrete reality, or of tangibility, or of materiality in any philosophical sense, but solely upon the aspect of permanency. For in a general way, that which is material and tangible is enduring; at any rate, that which is not material, which has no substantiality, is evanescent; in coming to be it ceases to be. Thus only material things can add to national wealth. And that some forms of material wealth are themselves very temporary in their existence, e. g. ice cream, leaves the line between the material and the immaterial none the less an actual line and, at the same time, a line which coincides practically with the line between the things that add to national accumulated riches and the things that do not add.

All of which was excellent for its purpose, and need have occasioned no perplexity or controversy, if only Mill had not fallen into the error of following his predecessors in their bad choice of terms; for the line which he was really seeking was not that between the productive and the non-productive, or between the material and the immaterial, or between the tangible and the intangible, but merely the line between the accumulatable and the non-accumulatable. Interpreting his terms *productive* and *non-productive* in this sense, no difficulty is presented, excepting, perhaps, with regard to the significance of the distinction, as seen from the point of view of a more modern analysis and of its theoretical needs.[1]

But, either by strict logic or by analogy, other things followed. If material facts only were wealth and material wealth alone were economic product, then only material goods were capital. The economic process was conceived as strictly an industrial and a technical process. The factors of production were material factors making for tangible, material, concrete results amenable to measurement by weight and tale. Thus the different factors of production fell into classes determined by their technical relations to a strictly mechanical process conceived on large and general lines. The mechanical, concrete, industrial equipment at the disposal of human energy — also mechanically regarded — was divided into two clearly defined and comprehensive classes corresponding to the large and general (and essentially vague) distinction between agricultural and non-agricultural production, or — more accurately — to the distinction between the extractive and the non-extractive industries. Hence, in part, the distinction between land and capital.

But for the purposes of any workable classification this distinction will not serve. Not the extractive industries alone but all industries employ land, precisely as all industries make, under present conditions, use of non-land equipment. And even as a distinc-

[1] See the writer's Value and Distribution; page 122, note: And it should here be said that, not only in phrase, but still more in doctrine, the present article barrows liberally from the same source. The main purpose, in truth, of the present writing has been to present, as forcibly as may be possible in short compass, a few of the heoretical positions there argued for at great length and weariness.

tion of degree it will not hold. Some of the extractive industries, mining for example, are pronouncedly, even prevailingly, capital-using in their technique; and even the most simple and primitive of extractive employments make appreciable use of non-land instruments.

From the social point of view, also, *tho somewhat violating the technological test*, the distinction between land and capital was reinforced by obvious differences of origin: the genetic point of view. Some part of the material productive equipment comes by natural bounty, a gift of providence, a racial heritage rather than a racial achievement. The produced facts, — products of labor set aside for further use in production, — fitted passably well into the capital category already constructed upon technological distinctions.

It is, however, clear that, for any purposes of a competitive economy, this distinction on lines of origin leads nowhere when attempt is made to apply it. From among all the changes of all the ages, who can assume to tell what environmental changes have been due to environmental processes as against human agencies? What part, for instance, of the fertility or the infertility of the land has been due to its treatment at the hands of man, to his fertilizings, his exhaustings, and his denudings; what part to fostering or wasting winds, to corals, to birds, to bugs, to worms, to microbes? What share of the value of the house traces back to the timber values of the natural forest, and what part to industrial processes? Even with the case of machinery, the typical form of capital, human wisdom would fall far short of distributing the final value between the original ore value as against the labor value, the coal value, and the timber value. Nor, for any one of these various shares, would it be possible to determine how far land rents, as expressed in warehouse and transportation charges, have counted in the case. And finally, if any one could succeed in this allotment of origin-credits, either for the land or for the warehouse, is it to be supposed that, as shares in the total hire of the machine, these remunerations would forthwith, either in the collective or in the competitive reckoning, take on a new relation to the cost of the product or to its value?

But in a larger social, historical, and philosophical view the distinction remained still valid—only that it was not valid for any purposes of competitive entrepreneur activity or for any problems of market value and price or for the analysis of the competitive distributive process. It was, however, unfortunately assumed, and still is commonly assumed, that what is true for social purposes holds for the competitive analysis.

But perhaps the most important corroboration for the distinction between land and capital, and possibly the origin of the distinction, is to be sought in the jural background of English thought. The civil law of England and in a large degree the economic, political, and social organizations trace back to feudalism, a system in which land ownership was the controlling and directing fact for almost all purposes, political and economic, theoretical and practical. The line of cleavage between real property and personal property runs deep through all English jurisprudence.

It would, then, be a most interesting investigation, if only one had the necessary learning, to trace out the manner and degree of connection between the legal distinction of realty from personalty and the economic distinction of land from capital. That the parallelism is more than merely fortuitous may be taken as beyond doubt.

It only remains, then, to inquire whether the common-law distinction between real property and personal property recommends itself as in any way essential or necessary, or can point to other than a purely historical explanation or warrant: Roman law and the derivative systems suffice for testimony to the contrary.

If the foregoing considerations are to the point, adequate explanation is presented for the classical habit of confining the field of economics to a study of the production, distribution, and consumption of wealth, wealth being taken to mean tangible material goods; for the restriction of production to the bringing about of material results; for the construction of categories of material factors based upon material items of equipment; and for the distribution of this store of equipment into material non-land equipment on the one hand as over against land equipment on the other hand.

That we, the economists of these latter days, have inherited richly and gratefully from our forebears is equally to our credit and to our good fortune. Nevertheless the best of the story is yet to tell. We have still to analyze the spiritual setting of these doctrines — their soul and heart and aspiration — before we can either estimate all that they meant to their exponents or approve of all that they have signified to us as legatees. Only so can we measure the degree of the unfealty of a few of us to the faiths of the fathers.

We need, that is to say, to note how far a genial optimism due to a reverent faith and a reverent faith derived from a genial optimism converge to reinforce and to extend and to interpret the more strictly intellectual aspects of the classical doctrine. We need to know the inspiration and the spiritual furnishing of the classical view. Filially and uncritically, therefore — as becomes the heirs of an estate — a few words must be said of the Guiding of the Unseen Hand, of Natural Law, and of *Laissez Faire.*

There are other bases of optimism, doubtless, but the readiest is religious faith. Seen in the large and in ultimate bearings, things must be going well with the world; else what can God be about ? It is given to none of us to thwart the will of the Creator of all of us. Whatever we do we must perforce be working out the great program, treading the wine from His presses, milling out the foreordained grist. It can not be but that we are playing the part for which we have been assigned to the ends of the eternal process. However great then may be our ill of purpose, there can be nothing ill in the results. Whether or not there be, somewhere or ever, any other good than the good will, it is certain that there can be nothing ill but the ill will. Whatever wrong we may purpose, and however great the guilt of our bad intent, and however grievous the merited punishment, there can never anywhere be any guilt of accomplishment. This is a world where even all ill is good, since this is a world ruled by infinite goodness: "God's in his heaven."

This much granted, — and it is not much to grant for the truly religious man of for the truly religious age, — it forthwith becomes incredible that the best interests of any of us can antagonize the interests of the others, if only it be possible to the individual to appreciate things in their ultimate meanings and their long effects. Somehow each of us meets the faith in him that, could he see things farsightedly and clearly, self-love and fellow-love would find themselves reconciled in the moral code as it daily enacts itself in the human conscience. The right of the neighbor can hardly be wrong to us. The claims of sympathy and the demands of duty not only express our obligations to our fellow beings, but sum up in highest and truest sense our own well being. Somehow the right thing must be the best thing for each of us. It cannot do our neighbor wrong; it must be best for him as well as for us. It follows, then (as, for example, Bastiat argued) that all exchange is a mutual transfer of services. All trade is good; good from the point of view of the traders immediately concerned, and good for all the rest. International trade especially must be good for both nations. Hence further corroboration of the brave and noble faith that all individual interests, rightly seen, must harmonize; any clash must be the merest seeming, or somehow real interests have been misconceived. And even when these misconceivings are most common and most extreme, the Unseen Hand will always — or almost always, or commonly, or at all events sometimes — marvelously and providentially set things right. It was odd, no doubt, in a world like that of Adam Smith's construction, that there should turn out to be any such thing as unproductive labor; and particularly was it odd that traders and middlemen should so multiply, being mostly parasitic. But at any rate both valets and traders could be trusted to become gradually fewer — a laggardly and leisurely fulfilment of the divine will, but none the less a fulfilment. In general, surely, private gain must accord with public welfare. Consumption must take place by right of a preceding production. Private gain must trace back to social contribution. Capital must be such by furtherance of social product. Private income connotes a socially earned income. Distribution is solely and exclusively a division of a joint product among the coöperating productive factors. So runs the Great Plan.

Tenuous and unsubstantial rather than solidly theoretical, and impersonal and illusive, but none the less real and objective and effective, is this same doctrine as it presents itself under the guise and sanction of Natural Law. The Natural Law philosopy was the skeptics' way of saying substantially the same thing; it was the old faith unitarianized. Being, moreover, less naive, it was less intelligible, and thereby less open to attack. And it had the usual merit of vagueness that it might mean pretty much anything — little or much or nothing. Better than this, also, it was rational, and struck hands across the ages with Greek philosophy and with Roman jurisprudence. It sounded not a little like the Law of Nations and breathed the air of Platonic idealism. But, best of all, it recognized and proclaimed a great stream of righteous tendency and great reservoirs of compelling force making for the good. God or no God, there was — and still is — a world of law wherein truth is immortal: Thus the right is destined to ultimate triumph; and progress reigns; and things essentially improve by their own inevitable unfolding; and the soul of things is just. Evolution is thereby the last word of scientific faith, and the ameliorative trend a popular certitude.

If, indeed, all this be not easy to state, it is easy enough to feel and to know, as most economists and all good citizens do now know it and feel it. All things are coming out all right; the situation will work itself clear; the world is getting better; time will solve the perplexities and administer the remedies; things will cure themselves; destiny guides us; the long laws are with us; something will be found to replace the wasted coal; the hills will reforest themselves somehow. If God is not benevolent, trends and forces and tendencies are. Let nobody "knock." This is the day of the optimist. Whoever doubts declares his own incapacity for sane thinking.

It must, however, be admitted that the *Laissez Faire* school of thinking was something more, and possibly something better, than a mere spontaneous religious faith or a naive natural-law metaphysics. Some measure of inductive support was commendably offered this *a priori* faith, and therewith a plausible case was established. The economists of the first half of the nineteenth century were engaged in the study of societies emerging from centuries of kingship, of government by classes, of stupid and unjust legislation. It was clear enough that the progress of society lay in the breaking down of legal barriers and limitations, in the sweeping away of the privileges of caste and class, and in the development of popular institutions under the form of local and individual initiative. The time was one of growth and advance. A wealth of achievement justified the advocates of industrial liberty as theorists and honored them as prophets. The era was a series of object lessons in the blessings of untrammelled individual activities and in the dangers of over-legislation and paternalism.

The benefits of increased freedom argued for the wider abolition of regulation, and the regime of liberty came to stand as the ideal toward which civilization seemed to tend. For most cases, it was manifest that what individuals and peoples chiefly need is to be let alone; that that part of human ill is small which kings and parliaments can cure. In the full flood of hope, economists argued learnedly that the good of each is always and inevitably bound up with the good of all; that in the marvelous divine order of things, selfishness of motive works out in altruism of results; that social ill-adjustments are due to too little liberty, too much meddling, or to ill-informed estimates by the individual of his own interests. Nothing remained but to enlighten the people in their freedom. The future could not lie with restraint, but with liberty informed with knowledge.

But all this concerns the present inquiry merely as indicating the presuppositions and as sketching the background of thought explanatory of certain important positions in current economic theory. Let these be restated. In ultimate essence competition is voluntary coöperation. Capital is wealth stored up for purposes of future production and consists solely of concrete instrumental equipment. The test by which a thing is capital is the test of technological serviceability as a factor for concrete production in the industrial process. The interests of labor demand the multiplication of capital. All incomes are derived from participation in the productive process. These incomes as distributive shares out of a jointly produced product of value are received by title of social service performed. Distribution is part and parcel of the productive process, takes place within it, and is justified by it. The point of view from which the economic life is to be studied and by which it is to be interpreted is the social point of view. Each and every gainful occupation approves itself as socially productive, else it could not normally be privately gainful.

And now it will be worth while to subject these doctrines to the test of the pitiless facts. But, at the threshold of this unwelcome task, a caution is called for. If it should have occurred to the thoughtful that the foregoing equipment of concepts and categories and doctrines is especially reminiscent of the current productivity school of distributive theory, this suggestion must be promptly dismissed. Reminiscent of the productivity school it may in some sense be — but not rightly or especially or peculiarly so; for all these are the concepts and categories and doctrines of current economics in general. They are the common property of the classical and of the modern. This equipment of terms and theories and presuppositions is the common possesssion of economic thought in the large — not of this school or the other, not of ancient or of modern, not of cost doctrinaires or of utility doctrinaires, but of the genus economist in general.

But to the test of the facts: the truth is that the essential nature of capital is not to be found in its significance as a category of machines and tools and appliances. True, these things are capital, but so also is ice in the ice house waiting for summer, cider in the cask aging to vinegar, wine in the vault acquiring bouquet and flavor. Not even for the wine or for the cider is James Mill's explanation — that *these also work* — a competent account of their capital character. Still less is it adequate for the ice, since during all the time of its keeping it is falling away in quantity. But each and all of these commodities are acquiring value with passing time; they are held for increment; thus they are capital. So the merchant's stock of goods is capital — but not as a factor of production in any industrial or technological process; and, if some one should suggest that these are merely private, not social capital, the answer must be: precisely so, — capital.

Nor is the test in the materiality of the product. Freight wagons or freight cars are surely somehow to be included within the capital category; then so, also, are passenger cars and taxicabs — despite the fact that they are rendering merely the service of transporting men. But then equally so are excursion boats or pleasure boats kept for hire. Evidently the test is neither in the technological character of the process nor in the materiality of the product.

Nor is the line of distinction to be sought by reference to the wholesomeness or to the social service of the product. Peruna and Hop Bitters and ribbons and watch fobs and caviare and mince pie and corsets are all wealth: they are marketable at a price: they have value as consumption goods. Not a few of us, like a late friend of the writer, glance back over our lives to wonder why everything that we ever really liked "was either extravagant or immoral or indigestible." Economic productivity is not a matter of piety or merit or deserving, but only of commanding a price. Actors, teachers, preachers, lawyers, prostitutes, all do things that men are content to pay for. So wages may be earned by indicting libels against a rival candidate, or by setting fire to a competitor's refinery, or by sinking spices. The test of economic productivity in a competitive society is the fact of private gain, irrespective of any ethical criteria and unconcerned with any social accountancy.

But if, with consumption goods, neither ethical nor social standards are theoretically decisive, or even relevant, for the question of value and marketability and economic productivity, so likewise are these tests equally inappropriate for the capital question. If whisky is wealth, distilleries are capital items. If Peruna is wealth, the kettle in which it is brewed must be accepted as capital. Then so is the house rented as a dive; and if the house is productive and is therefore capital, so, also, must the inmates be producers according to their kind. The test of social welfare is invalid to stamp as unproductive any form of wealth or any kind of labor. If jimmies are capital, being productive for their purpose, so also is burglary productive; if sand bags, so highway robbery. The principle decisive for gamblers' quarters and for gambling appliances holds for gambling. If the fees which the lawyer receives for pleading and winning an unjust cause are earned, so also are the daily receipts of the beggar upon the corner. Always and everywhere, in the competitive regime, the test of productivity is competitive gain. Whatever wealth serves the acquisitive end is capital. Profits are merely one form of personal pecuniary intaking from personal pecuniary activity. Lobbyists, panders, and abortionists are producers: that they are paid is the adequate proof. This is surely not to deny the fact of parasitism in society. But parasitism is not a competitive category; it is a concept irrelevant to competitive analyses and competitive doctrine. It has its place only when the facts are to be appraised in their social significance. It belongs to the *art* of economics rather than to the *science*.

That a complete acceptance of this private and acquisitive point of view is the only procedure possible, in the analysis and classification of the phenomena of a society organized upon lines of individual activity for private gain, is abundantly proved as soon as appeal is made to the facts and the processes of the actual business world. In the computation of competitive entrepreneur costs, the capital investment and the interest charge are reckoned upon a basis quite other than that of technological capital. Entrepreneur capital — capital in the guise in which the type form of modern business, the corporation, presents it — includes not merely consumption goods in stock but banking balances, counter money, funds tied up in customers' accounts and in bills receivable of many varieties, corporate stock and securities, whether held for sale or for investment, and generally all that fund of working capital, more or less unspecialized, requisite to the successful functioning of a business. The manufacturing entrepreneur or the corporation manager would find it a novel and perplexing doctrine which should restrict the capital investment to the buildings, machinery, and raw materials of the undertaking. The corporation really possesses nothing that is not capital. All things, then, that can be traded in, or valued, or rented, or capitalized, may fall within the meaning of the capital concept. In this sense of the term capital includes, *in the price aspect,* patents, copyrights, trade-marks, business connections, reputation, good-will, privilege, government favor, franchises, royalties, rights of toll and tribute, rents, annuities, mortgage rights, personal claims. And, further, it includes monopolies of no matter how various kinds and degrees, so far as they may become the subject of invested cost in obtaining them, so far as they are bought and sold as steps in competitive-productive investment, or are vendible upon the market as capitalized dividend-paying properties. All of these are capital for our present purposes, since they get into costs in the actual competitive market production of such commodities — hats, wheat, machinery, stocks, etc. — as are actually marketed. All things which, from the entrepreneur point of view, appear as expedient expenditure for the purposes of creating either a commodity or a situation of market value are outlays of capital taking rank as costs of production. When the purchase of machinery is an advisable move in business policy, capital goes into it, as at another time into land or labor. When, in good business policy, a franchise must be had or a patent procured, capital is, in either case, so directed as to accomplish the necessary thing. When, for equally cogent business reasons, legislatures or city councils must be bought, the necessary outlays are, for cost and value purposes, precisely like expenditures for machinery or for the control of patented processes. Tramway franchises and sugar-refining tariffs, as situations business-wise obtained by the expenditure of capital, disclose in the current market values of the stock the present worth of the forecasted gains. So the expenses of stifling competition are capital outlays, invested as the costs of a monopoly to be obtained; so also the tribute paid to escape cut-throat competition is a capital cost of production.

All this should be easy of acceptance, but is in fact far from easy. Social appraisals are prone to disturb and to confuse all purely realistic descriptions and theoretical analyses of the facts of actual business.

What should be, gets mixed with what actually is. The case is as if the physician, because he ought to be sympathetic, were required to mix his hopes into his diagnoses and to write his sympathies into his prescriptions. One may condemn the poisoner's art, but this ought to argue that the chemist study poisons carefully rather than that he exclude them from his researches. Bacteriology would be of dubious service to human life if only beneficent bacteria were held worthy of attention. The zoölogist who could not see a snake would be a twin brother to the economist who can find capital only when there is social productivity, and who recognizes economic labor and economic wages only upon condition of social deserving. Economists will do well forthwith to recognize that rights of patent and royalty are capital; that rights of tribute through franchise privileges are capital; that police permits to rob passers-by after midnight are capital; that legislative authority to rob importers, both early and late, is capital; that royal patents for tax-farming the peasantry are capital; and that generally every property basis of private acquisition is by that very fact capital. Until Political Economy has achieved this much of wisdom, its doctrines can express nothing more than a pious and commendable aspiration; it will still be busy with picturing utopias or with analyzing hypotheses; on this basis it must continue to lack all touch with life, to make it itself a sheer farce — albeit coming as near to tragedy as comedy often gets.

The truth, then, appears to be that the grotesque unreality of current economic doctrine finds its explanation in the eighteenth century background of philosophy, religion, law, and ethical theory, under which influences, and mostly determined by them, the system of economic thought first took shape. The presuppositions of English jurisprudence, and of the feudal common-law system, reinforced by certain of the doctrines of Physiocracy, worked out into a purely technological point of view and into a purely technological — and untenable — manner of regarding, of distinguishing, and of classifying the aggregate productive equipment. Presuppositions of religion, of natural law, of philosophy, and of natural-rights ethics concurred to stamp the economic process as fundamentally rational and beneficent, to obscure and even to deny the distinction between the social and the competitive, and to assume and even to assert the necessary parallelism between the private interest and the aggregate good. And the trend of economic development lent for a time strong support to this conviction. Thus the doctrine of the economic harmonies won a many-sided support. *A priori* probability was with it, and wide inductive verification was bountifully at hand. The economic process recommended itself as an automatic system of voluntary coöperation, a providentially and beautifully adjusted method of mutual service. Each distributive share appeared to be claimed by title of contribution to a product jointly and coöperatively produced. The factors in the process were conceived as technological factors and the title of each to remuneration was attested and worked out and determined by the degree of its technological contribution.

The productivity theory of distribution, that is to say, had not several decades to wait for its emergence; in essentials and in ultimate analysis it had already appeared. It remained only to amplify it. In philosophical phrase, economics had only to become conscious of itself, to unfold its essential nature, to realize and to complete itself. Not that there was little to do. It still remained, for example, to work out its details and to emphasize the great truth that all saving is good — by the very fact that it must incorporate itself in social equipment. John Stuart Mill, it is true, was not quite certain of this, in view of the occasional happening that this saving could be detected flowing into government debts; but none the less was his accomplishment great in proving to the laborers that their employment and their wages were dependent upon the development of their employers' riches and upon the growth of the wage fund, — that the laborers' only hope of welfare was in having as few of themselves as possible and as many and as wealthy employers as possible. Perhaps no more beautiful and comforting harmony than this was ever disclosed. The interests of labor and capital have ever since been one — in the books.

But there is no need to carry the discussion further. The rest may well go without saying. Since the time that this social point of view got itself well established in economic thought and carried with it its equipment of concepts and terms and doctrines, all things indeed have remained well and harmonious — in the books. But only to the extent that economics has been inconsistent with itself, recurrently and sporadically falling away from the faith of the fathers, has it fallen into touch with life and with the things of business. Mostly, however, we can rejoice that the old faith still stands. Mostly we remain productivity theorists still.

H. J. Davenport.

University of Missouri.