

4 ELEMENTARY ECONOMICS

FACTORS IN THE PRODUCTION OF WEALTH

The factors of production fall into three main categories: (1) natural resources, (2) human labor, and (3) inanimate instruments made by man. Each of these can be further subdivided as follows.

Natural resources include (a) agricultural and mineral land, the sea and air, and the raw (unprocessed) materials derived from them; (b) all sources of natural power, *e.g.*, water power, electrical power, solar power, atomic power, etc.; and (c) the power and skill of domesticated animals.

Human beings engaged in subsistence work contribute (a) physical power analogous to the power of animals or other sources of natural power, such as waterfalls; (b) mechanical skill, which consists in the *direction* or *control* of such power as is needed to produce wealth; and (c) creative skill, which consists in the invention or improvement of things, including the nonhuman factors in production, or in the organization and management of the productive forces derived from all the productive factors involved.

Inanimate instruments can be divided into (a) hand tools, which merely increase human productive power or skill; (b) power-driven machines, which replace men to some extent as sources of skill and which replace men and animals as sources of productive power, generally supplying more productive power than can be derived from animals and men; and (c) automatic machines, which not only replace men and animals as sources of productive power and provide vastly more power than either, but also replace men as sources of productive skill and, in addition, contribute to the productive process as a whole—skills that are entirely beyond the capacity of men and animals to develop.

The fact that power-driven machines are a source of productive power vastly in excess of the power that can be supplied by animals and men makes possible the production of goods that cannot be produced by man power and animal power. The fact that automatic machines contribute skills entirely beyond the capacity of men and animals to develop enables capital instruments to produce forms of wealth undreamed of in pre-industrial societies.

This analysis of the factors in the production of wealth calls for two further comments. The first is that all these factors can be graded on a scale from *complete passivity*, at one extreme, to *complete activity*, at the other.

Thus, mineral land and hand tools are completely passive factors in production. In contrast, agricultural land, the various natural sources of power, the power and skill of domesticated animals, and power-driven machines are more or less active factors in production. This is indicated by the fact that agricultural land produces fruit and grain without man's help, and by the fact that the farmer, as an active worker, co-operates with nature as an active factor in production. So, too, the industrial worker or machine tender co-operates with the power-driven machine, which is an active fac-

tor in production to whatever extent it contributes power and built-in skills or controls to the productive process.¹⁰

At the other extreme, man is the only completely active factor in production, whether he contributes power alone, or both power and skill. Automatic machinery, which requires the least co-operation from men, is the closest approximation to man himself as an active productive factor on the level of subsistence work that is mechanical in quality. But, while automatic machinery can replace men in almost all productive tasks that are mechanical, and can perform productive tasks that men cannot perform at all, automata cannot perform even the simplest liberal task which involves creative intelligence; and so they cannot replace men who do work that is liberal in quality, even where its purpose is the production of wealth.

Theoretically, all mechanical work can be done by fully automated machines. This is a commonplace among students of automation. But as a practical matter, there will always be millions of mechanical tasks that will be performed by men, either because they are not especially difficult or because of the inherent cost or difficulty involved in technologically eliminating them. Nevertheless, as scientists and technicians extend man's ability to make capital instruments perform the tasks of producing subsistence, the relative number of uneliminated mechanical workers will diminish.

¹⁰ In the Report on Manufactures, issued by the Secretary of the Treasury in 1791, Alexander Hamilton summarizes one of the arguments for the superior productiveness of agricultural labor as maintaining "that in the productions of soil, nature co-operates with man; and that the effect of their joint labor must be greater than that of the labor of man alone." He counters this by saying that in manufacturing, human labor co-operates with productive machinery, as in agriculture it co-operates with productive nature. Machinery, he says, "is an artificial force brought in aid of the natural force of man; and, to all the purposes of labor, is an increase of hands--an accession of strength, unencumbered, too, by the expense of maintaining the laborer." See *The People Shall Judge*, Chicago, 1953: Vol. 1, pp. 404, 406.

THE ROLE OF MAN AS A FACTOR IN THE PRODUCTION OF WEALTH

We have seen that man as a factor in the production of wealth is a source of physical power and mechanical skill (*i.e.*, control). While at one extreme the use of human productive power with little or no skill (*e.g.*, the slave turning a grinding wheel or hauling ore from a mine by hand) has now become quite rare, the opposite extreme has become less rare. We can find numerous examples of the use of human skill to control productive power which is wholly derived from nonhuman sources (*e.g.*, the control skill of those who operate power-driven machines). In the middle range of tasks that are mechanical in quality, the human worker contributes some power as well as some control. These tasks vary from one extreme, at which the contribution needed is mainly power, to the other extreme, at which it is mainly control.

In the process by which technological improvements shift the burden of production from workers to capital instruments, both the power and the skills previously contributed by workers are affected.

With respect to the power employed in production, a twofold change takes place. On the one hand, the physical or muscular power demanded of workers is reduced to a minute fraction of that required in pre-industrial production.¹¹ On the other hand, enormous sources of natural power which can operate only through capital instruments are harnessed.

¹¹ It is estimated that human muscle power now accounts for approximately 1 percent of the energy used in production. See *America's Needs and Resources*, The Twentieth Century Fund, New York, 1955: p. 908.

With respect to skills, the earliest of our modern capital instruments—such as the spinning jenny, the sewing machine, and the calculating machine—eliminated certain skills. As machines became more complex, frequently through the process of coupling together several separate machines to perform related steps in a single process, the elimination of skills became more pronounced. Finally, in the application of the principles of closed-loop automation, the ultimate impact of technological advance upon human skill becomes clear. Through the use of a formidable array of devices, ranging from simple relay mechanisms to versatile analogue and digital computers, the skills contributed by workers in earlier production processes are totally eliminated; and, in addition, processes and products themselves may be redesigned to take advantage of a new order of electronic and mechanical “skills” lying far beyond the range of human competence.

We have seen one other thing that is of great significance here. In the production of wealth, men contribute some creative skills, such as those involved in the invention and improvement of machines and in the repairing of machines. Let us call these skills “technical.” In addition, there are the skills which consist in the arts of organizing and administering the productive process as a whole, involving all the factors in production, including the employment and direction of technical skills, capital instruments, and the power and skill of operating personnel. Let us call these skills “managerial.” In contradistinction to technical and managerial skills, we shall continue to use the word “mechanical” for all the noncreative skills that men contribute to the productive process.

With these distinctions in mind, we can construct a classification of all human work. It is set forth in the following table.

Character of the Work	Type Of Worker
<p>I. <i>Work that is liberal in aim and creative in quality</i></p> <p>II. <i>Subsistence work that is creative in quality</i></p>	<p>For example, pure scientists, philosophers, statesmen, clergymen, fine artists, teachers, etc.</p> <p>Technicians and managers engaged in the production of wealth; and also lawyers, physicians, etc. whose services are incidental to the production of wealth. The tasks performed here are no more mechanical than the tasks performed in the creative work that is productive of civilization rather than of subsistence.</p>
<p>III. <i>Work that is liberal in aim but mechanical in quality</i></p>	<p>For example, clerical assistants to legislators, scientists, or teachers engaged in the performance of tasks for which machines can be substituted.</p>
<p>IV. <i>Subsistence work that is mechanical in quality</i></p>	<p>Men who contribute muscular power or noncreative skills, or both, to the production of wealth, whether they do so exclusively by their own labor or work with hand tools or power-driven machines.</p>

Now let us focus our attention on all forms of mechanical work, in which noncreative skills or muscular power, or both, are the worker's predominant contribution to the production of wealth. What we are about to say applies to mechanical work that assists the production of the goods of civilization, as well as mechanical work that produces wealth; but it is of major interest to us in the sphere of the production of wealth.

There currently exists a great deal of loose talk about the increasing productivity of human labor, where by "human labor" is meant purely mechanical subsistence work. One of the basic contributions of the theory set forth in *Capitalism* consists in cutting through all this loose talk, much of which is self-serving on the part of labor, self-deceptive on the part of management, and fuzzy analysis on the part of theorists who have perpetrated or encouraged it.¹²

The truth of the matter is simply that, over the whole period of man's historic life as a producer of wealth, "human labor" (*i.e.*, men engaged in purely mechanical work) is *either a constant or a diminishing source of productive power, and a diminishing source of productive skill*. The progressive diminution of man's productive skills as a mechanical worker is correlated with the progressive increase in the productive skills embodied in machinery. The constancy or decline of man as a source of productive power is an absolute fact. It has nothing at all to do with the harnessing or development of other forms of productive power. It merely reflects the inherent limita-

¹² *Capitalism*, to be published in the coming year, contains an analysis of the "increasing productivity" of workers which shows that in fact the inherent productiveness of labor, other than managerial and technical labor, has remained stable or has declined since the beginning of the industrial revolution, and that its economic productivity is far below the level indicated by the share of the national wealth received by workers.

tions of man as a physical organism allowing, of course, for variations from the average, as men are graded individually in strength and dexterity. Looking at mankind across the centuries, we see evidence that, on the average, man is a less powerful productive force today than he was in earlier times.

But though, *absolutely speaking*, the average unit of labor power must remain a constant quantity in the production of wealth (at least so long as the human physique remains what it is), the average unit of labor power is a *relatively* diminishing quantity in the course of progressive industrialization. Let us state this fundamental truth in another way.

In the industrial production of wealth, *i.e.*, in machine production, there are, as we have seen, three main types of human workers: (1) mechanical workers; (2) technical workers; and (3) managerial workers. Of these three, the first perform purely mechanical tasks. The last two perform tasks most of which are not mechanical and cannot be mechanized.

Just as the individual productive contribution of mechanical workers accounts for less of the total wealth produced in a highly industrialized economy than it does in a nonindustrialized economy or in one which represents a primitive stage of industrialization, so the individual productive contribution of technical and managerial workers accounts for more of the total wealth produced in a highly industrialized society than it does under primitive industrial conditions. Proportionately more technical and managerial man-hours are required, and more highly developed managerial and technical skills are called for, as industrialization becomes technologically more advanced. The available evidence further indicates that the economic productivity of managerial and technical workers—at least under conditions of relatively full employment—is higher today than at any previous time in our economic history.

The primary reason for the latter fact is undoubtedly that technical and managerial skills are responsible for the invention, improvement, and efficient operation of the machinery which, rela-

tive to other factors, has become more and more productive with progressive industrialization.

It follows, therefore, that with progressive industrialization and with the increasing productiveness of the economy as a whole, the relative productiveness of mechanical work diminishes and the relative productiveness of technical and managerial work increases, as measured by the contribution each makes to the total wealth produced.¹³

A TECHNICAL NOTE ON THE PRODUCTIVITY OF LABOR

In particular cases, new highly skilled workers are frequently called upon to replace greater numbers of relatively unskilled workers. But, in proportion to the wealth produced, the aggregate of skills eliminated is invariably greater than the new skills called into existence. Concurrently, the relative expenditure of human energy, as compared with the inanimate energy employed in production, constantly diminishes. Since these are the elements which submanagerial and subtechnical workers contribute to production, the annual increase in "productivity," or output per man-hour, has consistently represented a relatively increasing physical contribution by capital instruments and a relatively decreasing physical contribution by workers to the total product.¹⁴

¹³ It is entirely possible that, in a period of extensive unemployment, the economic productivity of managerial and technical labor (*i.e.*, the market value of managerial and technical services) might decline proportionately more than the economic productivity of mechanical labor. This could result from a widespread struggle on the part of mechanical workers to upgrade their qualifications for highly coveted managerial and technical positions. The resulting increase in the number of qualified managerial and technical workers, by affecting the supply side of the equation, would lower the managerial utility of the services rendered by these types of workers, and so would lower their economic productivity or distributive share.

¹⁴ Labor today frequently comes close to acknowledging that it is not seeking to produce more in order to increase its distributive share, but that it is merely

When we consider that this change has been going on since the first century, and has been proceeding at a rapid pace since the end of the eighteenth century, it is clear that the actual physical contribution of labor to the production of wealth is now extremely small as compared with that of capital instruments. It is, if anything, an underestimation rather than an exaggeration to say that the aggregate physical contribution to the production of wealth by workers in the United States today accounts for less than 10 percent of the wealth produced, and that the contribution by the owners of capital instruments, *through their capital instruments*, accounts in physical terms for more than 90 percent of the wealth produced. All available statistical evidence tends to show that these figures greatly overestimate the extent to which labor contributes today to the production of wealth.¹⁵

One further point remains to be mentioned. It appears that the economic productivity of labor has also declined, and that the decline is probably of the same order as the decline in inherent productiveness.

By “inherent productiveness” we mean the physical ability or capacity of a factor of production to produce goods or services. By “economic productivity” we mean the distributive share of the

seeking to share in the increased wealth produced by capital instruments. The collective bargaining agreement in effect in 1957 between General Motors and the AFL-CIO United Auto Workers, for example, recites that “to produce more *with the same amount of human effort* is a sound economic and social objective.” Nevertheless, the agreement provided for substantially increased compensation of workers over pre-existing wages and benefits.

¹⁵ From 1850 to the present, the average rate of increase in output per man-hour, measured in terms of national income per man-hour in 1950 prices, has been in excess of 2 percent per annum. (See *America's Needs and Resources*, Table 14, p. 40.) Although statistical evidence is lacking for the period prior to 1850, many of the most spectacular advances in industrialization were made prior to that date. These included the use of water power for mass production, wind power for propelling vessels and pumping water, sewing machines, the flying shuttle, steam pumping machines, the spinning jenny, the boring machine, the use of the steam engine as a prime mover, the gas engine, the cotton gin, the hydraulic press, etc.

wealth produced that goes in a free market to an owner of a particular factor of production as a direct result of his contribution to production, its magnitude being evaluated through the mechanism of supply and demand in a freely competitive market. Thus the term “economic productivity” involves not only the physical contribution of the factor in question, but also the competitively determined market value of that physical contribution.

Where the value of labor is competitively determined (even allowing for true collective bargaining, which merely establishes a balance of the power as between the employed and the employer and leaves the employer free to employ others if he believes better terms can be made), the wage determination is automatically a determination of the value of labor’s contribution to the final product. But since we live in an economy characterized by redistributive taxes, the combined power of unions and the countervailing power they receive from government, and various potent political devices that artificially stimulate consumer demand in order to provide full employment, there is no statistical evidence from which we can compute the actual economic productivity of labor in America today. We can only draw inferences from the magnitude of the means employed to prevent the competitive fixing of wages and to increase the employment of labor. We can also draw inferences of a negative sort, with regard to the relative economic productivity of capital instruments, by considering the incomes still received by the owners of capital *after* all the foregoing forces have diverted *from* the owners of capital and *to* the owners of labor a large portion of the wealth produced by capital instruments.¹⁶

¹⁶ An extensive analysis of these points is presented in *Capitalism*. That analysis explains the apparent divergence between the declining economic productivity of labor and labor’s increasing distributive share of the wealth produced. For those who mistakenly suppose that present wage levels are an accurate index of labor’s economic productivity, a brief summary of the explanation is given in the Appendix on the concealment of the declining productivity of labor in our present economy. See pp. 256-265, *infra*.

THE FORMS OF PROPERTY

By property we mean that which a man possesses, together with a right to control it, use it, derive benefits from it, or dispose of it, in any lawful manner that he wishes. With regard to property, we would like to make two distinctions.

(1) The first distinction is between innate and acquired property. Innate property is that which a man possesses as part of his own nature, together with a right to its control. So far as property having economic significance is concerned, the only form of innate property is the productiveness that is inherent in a man's bodily strength and mental skill.

We shall use the word "labor power" for a man's productive abilities in the sphere of subsistence goods, without regard to the proportions of physical strength and mental skill that are involved, and without regard to whether, in the production of such goods, it is used to do work that is mechanical or creative in quality. Though all men are innately equipped with labor power, a chattel slave is a man who has been deprived of property in his own labor power, since the right to control it is legally vested in his master and owner, not in himself. The legal rights of the master are, of course, in violation of natural law, since every man has a natural right to his own labor power as well as to life and liberty.¹⁷

¹⁷ In his second treatise *On Civil Government*, Locke uses the word "property" in a broad sense to designate all the things to which man has either a natural or an acquired right: his natural right to life and liberty, on the one hand; and his right to the estate he has acquired, on the other. The word "property" in a narrow and economic sense is more frequently restricted to a man's estate, *i.e.*, the property he has acquired by his own labor, by exchange, by gift or inheritance. When men are chattel slaves, the labor power inherent in them is a form of acquired property, owned by other men, just as the productive power of land, animals, and tools is owned. In contrast to chattel slaves, free men own their own labor power, to use and dispose of it, or its products, as they will. Hence to say that the subjection of men to slave labor is a violation of natural right is equivalent to saying that men have a natural right, not only to life and liberty, but also to the ownership of the labor power which is inherent in their bodily frame and mental competence.

Acquired property consists in all things external to a man's own person, which he not only possesses but also establishes his right to control. Writing with a pre-industrial economy in mind, John Locke enunciated the fundamental truth that it is a man's use of his own innate labor power which is the basis of his appropriation of the things which God gave to all men in common.¹⁸ Locke's labor theory of property must never be confused with Marx's labor theory of value. Locke is concerned only with explaining the origin of *acquired property rights* at that starting point in human affairs when men first appropriated the land they tilled or the tools they made.

Starting with everything in common, men rightfully appropriated those things with which they mixed their labor power or which were exclusively the fruits of their own toil. In that original appropriation, it was a man's use of the only productive property he had (*i.e.*, his innate labor power) that gave him title to acquired property in the things he used his innate property to produce. Going beyond that original appropriation, it is possible to generalize Locke's theory by saying that, apart from gift or inheritance, a man's right to acquired property derives from the productive use of such property as he already owns, whether that is his own labor power, his land, or his stock of workable materials and working instrumentalities.

(2) The second distinction involves a threefold classification of the forms of productive property, *i.e.*, the ownership and control of factors productive of wealth. It is as follows:

- (a) Property in natural resources (including mineral and agricultural land, resources reclaimed from the sea or air, raw materials, natural sources of power and domesticated animals).
- (b) Property in instruments of production (including processed materials as well as hand tools, power-driven ma-

¹⁸ See *On Civil Government*, Ch. V, "Of Property."

chines and automatic machines) and in productive organizations.

- (c) Property in human labor power (including the acquired labor power of other men who are owned as slaves, as well as one's own innately possessed labor power).

With this classification in mind, we can now say how in the following pages we shall use the words "capital" and "labor." Excluding slave labor as having no place, by need or right, in a capitalist society, we shall use the word "labor" for the third form of productive property, *i.e.*, the property each man has in his own labor power; and we shall unite the first two forms of productive property mentioned above under the head of "capital." Capital thus represents all forms of *acquired* property in productive factors; and, excluding chattel slavery, labor represents the one form of *innate* property in a factor productive of wealth.¹⁹

Both capital and labor can either be widely diffused among the members of a society or highly concentrated in the hands of a few. In the slave societies of the past, the ownership of labor as well as the ownership of capital was concentrated in the hands of a small master class. With the abolition of chattel slavery, there can be concentrated ownership of capital alone; for the ownership of labor is universally diffused—each individual having property in his own labor.

Finally, it is of the utmost importance to recognize that property is not the same as private property. By *private* property we should understand that which is owned and controlled by individu-

¹⁹ The wealth of a society includes: (1) its fund of consumable goods; (2) its stock pile of combustible or expendable implements of war; (3) the cumulative fund of productive knowledge that its people have acquired or have ready access to, and which is the common possession of all members of the society except as it may be limited by patent or copyright laws; and (4) all the materials and instruments it has available to employ in the production of consumables and combustibles. The last of these, the so-called means of production, divides into the three forms of productive property mentioned above.

als, families, or private corporations, no matter how large. By *public* property we should understand that which is owned by the State and controlled by its officers or agencies—the persons through whom the State acts. As contrasted with property, private or public, there is that which is common (*i.e.*, not *proper* to any individual or corporation, including the State).

Common pasture land—as the Boston Common, for example—was owned by no one; no one had any right of control. The *common* represents the opposite of *property* (*i.e.*, that which is appropriated by someone who then exercises *exclusive control* over it), just as, within the sphere of the *proper*, *public* property represents the opposite of *private* property.

The Marxist program for the abolition of private property calls for the State ownership of capital (*i.e.*, all means of production other than labor power). It does not call for the abolition of property or for the diffusion of the ownership of capital, but rather for the transformation of private capital into public property and for the abolition of private property in everything except labor power and consumable goods in the hands of the consumer.

PRIMARY AND SECONDARY DISTRIBUTION

By “primary distribution of wealth” we understand the distribution of wealth to those who have produced it. In the simplest case of the solitary producer (*e.g.*, the Robinson Crusoe economy), this means that the individual directly and automatically acquires the wealth he has produced by his labor and by the use of whatever capital instruments he possesses. In the normal case of the economy of a complex society, in which large numbers of men are associated in the production of wealth and in which they exchange one kind of product for another, usually through the medium of money, the income each individual receives as a result of his participation in production represents his share of the primary distri-

bution of wealth in that society. In a market economy in which the value of each contribution to production, whether in the form of land or raw materials, capital or labor, is evaluated objectively and impartially through the processes of supply and demand in freely competitive markets, primary distribution awards to each participant precisely the equivalent of what he would have received as a solitary producer: *the wealth which his participation in production created.*

As distinguished from primary distribution so conceived, we understand “secondary distribution of wealth” to include all transfers of wealth other than those which result from participation in production and the exchanges consequent thereto that take place in free markets. Secondary distribution, therefore, covers transfers of wealth within families or between friends by gift or by inheritance or by will, transfers through losing or finding, transfers from the public domain, transfers of previously produced property after it has come into the hands of an ultimate consumer, eleemosynary distributions of all sorts, etc.

To the extent that any of the contributions to production are not evaluated through the operation of supply and demand in a freely competitive market, the distribution which results from participation in production may be (1) less than the value of the contribution made, or (2) more than its value. In either case, the difference between the competitively determined value of the contribution and what is received for it (in wages, dividends, payments for materials, etc.) represents a secondary distribution of wealth in favor of the party who gets *more* than the value his contribution would have been determined to have in a freely competitive market.

The importance of this distinction between primary and secondary distribution will be seen in the next chapter where we shall set forth three principles of justice applicable to the production and distribution of wealth. None of these principles applies to secondary distribution. The only questions of justice with which we shall be concerned relate to the primary distribution of wealth—

the distribution that is integrally connected with participation in the production of wealth."²⁰

Before we turn to these questions of justice, one problem about the distribution of wealth remains to be considered. It has to do with the distribution of wealth to those members of society who are engaged in what we have called liberal work rather than subsistence work. We pointed out in Chapter Two that statesmen, fine artists, pure scientists, philosophers, members of the clergy, some lawyers, some physicians, some teachers, some journalists, etc., do not directly contribute to the production of wealth, *i.e.*, the goods of subsistence. The creative work they do is productive of the goods of civilization and of the human spirit—the liberal arts and sciences, the institutions of the state and of religion.

There are hundreds of thousands of such persons in our society and the great majority of them support themselves and their families by the incomes they receive in the form of honoraria, fees, and other payments for their services or for what they produce.

Is such income a part of the primary distribution of wealth in our society in spite of the fact that, in the light of our distinction between subsistence work and liberal work, these persons are not participating in the production of wealth?

At first glance, it would appear either (1) that we were in error in classifying the creative work of statesmen, fine artists, pure scientists, philosophers, etc., as something totally apart from the production of wealth, or (2) that the incomes received by a large number of liberal workers in our economy are not part of the primary distribution of our society's wealth, but fall rather under its secondary distribution. In the second alternative, the three principles of economic justice with which we are concerned would not seem to apply to their activities.

Neither of these alternatives leads us to the correct solution of the problem. In essence, those activities which we have called lib-

²⁰ There are, of course, other principles of justice that are applicable to the secondary distribution of wealth.

eral, or forms of leisure work, do lie totally outside the field of the production of wealth. A society is conceivable in which such activities would be carried on for the inherent satisfactions or intrinsic rewards to which they give rise, and without any need or desire for extrinsic compensation of the kind that must be given those who engage in the production of wealth, especially in such activities connected with it as are intrinsically unrewarding because they are in no sense creative. But for the most part our society does not operate in this manner, though the technological advances which are now foreseeable make it possible for it to become a society in which a great deal of the leisure work that is the work of civilization will be done without need for extrinsic compensation. The realization of that possibility is, as we shall see, one of the primary goals of the capitalist revolution.

In a free society, such as ours, wealth is anything that is regarded as wealth by a significant number of persons. Anything which is prized for its exchange value and which is bought, sold, exchanged, or systematically collected and exchanged among collectors, is thereby empirically determined to be wealth. This is true whether those who so treat the goods or services involved are motivated by the inherent qualities of these goods or services, their usefulness or ability to satisfy needs, their ability to produce wealth, or their ability to satisfy sentimental interests.

It is market demand which gives items of wealth their market value. It is the free play of the forces of demand upon the sources of supply that objectively and impartially determines the exchange value of whatever things are regarded as items of exchangeable wealth. But something further than a demand for particular goods or services is necessary for it to be regarded as an item of wealth rather than one of the goods of civilization which lies totally outside the sphere of wealth. It must be something which, by the common consent of those who own or furnish it and those who seek it, is regarded and treated as subject to purchase and sale, or exchange.

Let us illustrate this point. The charms of a virtuous woman are not an item of wealth, for no matter how highly and widely they are prized, they will not be sold and so they cannot be bought. The same holds true of works of art, scientific discoveries, the services of teachers, physicians, statesmen, etc., to whatever extent those who create such things or render such services refuse to *sell* them at any price. Under such conditions, they are not only in essence goods of civilization, but they are also kept from becoming items of wealth.

However, under other conditions, goods or services that are essentially goods of the spirit or of civilization and not at all goods of subsistence, do become items of wealth. Such things are bought and sold in our society for the simple reason that the creation of such goods or the rendering of such services is generally the sole or principal source of income for those engaged in these creative, liberal activities of leisure work.

However, there are a sufficient number of exceptions to confirm the fundamental insight that the goods produced or the services rendered by those engaged in liberal work are properly regarded as no part of wealth and, therefore, cannot be bought because they will not be sold. There are, for example, some artists, scientists, and philosophers who have enough income from their capital estates to enable them to engage in liberal work for satisfactions that are wholly above monetary compensation. There are men who are financially able to serve their country in political office without any compensation beyond the nominal pay of a dollar a year. There are teachers, physicians and lawyers who render services of various kinds to their society solely for the creative satisfaction it gives them, even where they might have sought pay and might have treated their creative work as if it were productive of wealth.

At the opposite extreme, we must recognize the fact that there are many men who possess adequate capital estates and who take such compensation as they can get for the liberal work they do as educators, scientists, criminal lawyers, physicians, highly paid pub-

lic officials, etc. In addition, it is often the case that these men are able to retain little or nothing of such compensation because of their already being in a high income tax bracket. These men represent the ultimate in failure or refusal to distinguish between (1) items of wealth which are property subject to purchase and sale, and (2) the goods of civilization which should be entirely above the market place.

Therefore, the solution of this problem is not to be found in obliterating the essentially sound distinction between the goods of subsistence and the goods of civilization, nor in excluding the payments made to men who do essentially liberal work from the primary distribution of wealth, thereby making certain principles of economic justice inapplicable to liberal work that is extrinsically compensated. The ultimate solution lies rather in the transformation of our society that the capitalist revolution aims to bring about—a transformation that will enable an ever increasing part of the liberal work which creates civilization to be done without any extrinsic compensation for it.