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Mr. Haig Babian, Executive Director
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Dear Mr. Babian:

Permit me to thank you again for the definitions that you sent to me some time ago. After receiving your letter, I was laid up with a bad cold or flu, but have given serious thought to the paper and take the liberty of suggesting a simplified form, taking the words from your definitions as follows:

ORIGINAL DEFINITION

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PROFIT that which remains to an entrepreneur after all payments have been made for the cost of an enterprise, including interest payments, rent, labor, raw materials, transportation, etc. Broadly defined, a profit indicates an increase in wealth resulting from the operation of an enterprise. The term gross profit usually indicates the difference between the selling price and the cost price, such items as selling expenses and operating expenses and operating expenses being customarily deducted from the gross profits in order to arrive at the net profit or NET INCOME. Federal taxes are applied to the net profit, since it represents that part of income which truly represents an increase in wealth due to the operation of an enterprise.

CONDENSED DEFINITION

PROFIT that which remains after all payments have been made for cost.

ORIGINAL DEFINITION

CAPITAL from the Latin word caput (head), referring to the Biblical measurement of wealth by the number of heads of sheep possessed. CAPITAL is one of the major factors of production consisting of property from which an income is derived - expressed in terms of money. A distinction is made sometimes between money capital, or that part of capital held in the form of money and bank deposits, and property capital, or that part of the capital held in the form of stocks, bonds and mortgages representing ownership of property, machinery, tools or other goods which are a part of the production of wealth. In business practice the terms CAPITAL may refer merely to the net worth of an enterprise or to the total assets of an enterprise.

CONDENSED DEFINITION

In this definition I have added three words - "used", "in", "and".

CAPITAL Capital is one of the major factors of production, machines, tools and other goods used in the production of wealth.

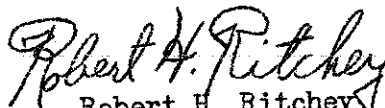
ORIGINAL DEFINITION

CAPITALISM a term of reference to an economic system based upon the private ownership of all kinds of property and the freedom of the individual to contract with others and to engage in economic activities of his choice and for his own profit. The word CAPITALISM is a derivation of the word CAPITAL.

You say, "the word capitalism is a derivation of the word capital." Capital is specifically a form of wealth, not a form of government. "Machines, tools, and other goods which are a part of the production of wealth" work equally well either under communist, or republican form of government, all other factors being equal. The two different forms of government are free enterprise or controlled enterprise.

Yes, Mr. Babian, your attempt to define the terms that I inquired about are very satisfactory; that is why I am submitting the condensed definitions for your consideration.

Sincerely yours,



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