

The Language of Freedom



LESSON I—SCIENCE OF MAKING A LIVING

WE FIND THAT much of the misunderstanding of economic principles is the result, not entirely of a lack of knowledge of economics, but rather of disagreement as to the meanings of certain words or expressions used in the discussion of economics.

We believe that, in our failure to use a common economic language, we court disaster just as research chemists would if, in the laboratory, they failed to recognize that certain words refer at all times to the same chemical elements or formulas.

The chemist does not apply the name of one of the elements to a combination of elements. Hydrogen is one thing—oxygen is another. A combination of two parts of hydrogen and one part of oxygen is neither hydrogen nor oxygen; it is H_2O —good old water.

Similarly, in viewing the economic panorama we find two basic elements: *Man*, and the *resources of nature*. Nature is the passive and man the active agent in production. Man applies his energies to the resources of nature for the satisfaction of his desires, and makes a product. This product—whether a rude hoe, an intricate piece of machinery, or a whole

River Rouge Plant, is a combination of the two elements, *nature and man*.

Furthermore, by agreeing on the meanings of certain words, people all over the world will be enabled to understand discussions in which those words are used. Chinese, French, German, English and Russian scientists, for example, exchange ideas and understand one another's reports because the language of science is universal; a meter to a German is a meter to an Englishman, to a Russian, and to a Chinese; liters, grams, and degrees Centigrade are international symbols. By such agreement on the meanings of terms, these scientists, though widely separated geographically and of divergent local customs, dress and speech, can, nevertheless, check and supplement the work of their fellows all over the world.

Since the *language of freedom* is made up of the terms of economics, a people cannot long remain free who do not know and understand its words.

Take, for example, the words *money* and *wealth*.

What two more important words are there in the everyday life of John Q. Public, Mrs. Public and all the little Publics!

We all want money—and more

money. We want money, not only for food, clothes and rent, but for our educational and cultural development. We use money in the many business transactions of the day, from little Johnny Public's purchase of a stick of gum to John Q's down-payment on a house and lot.

In the February issue, PROGRESS GUIDE introduced the first of a series of lessons on fundamental economics and social philosophy. This treatise emphasized the necessity for widespread knowledge of economic principles. In making available this opportunity to study economics in a way that can be understood by all, a great contribution is being made to the solution of the economic and social problems that face our country and the world.

One of the questions asked last month in PROGRESS GUIDE's economic I. Q. test, was: *Is money wealth?* Seventy-four per cent of the executives, professional men and workers polled say money *is* wealth; 6 per cent are in doubt; 20 per cent are sure money is *not* wealth.

Thus in the use of common economic terms, radical disagreements were found. Polls of other groups reveal the same divergence of opinion. Men and women with college degrees are little better agreed on the meaning of economic terms than are those with less formal education.

In the use of other economic expressions, our Economics Editor finds no more accord. Forty-eight per cent of those polled say a pleasure car is

capital. Fifty per cent say it is not; two per cent are in doubt. "Down with capital," cries the soap-boxer. *But who knows what he means?*

THE GRAVEST post-war problems center around labor. But when we discuss the rights of labor, whose rights are we talking about? A business executive is a laborer in the opinion of sixty per cent of those polled. Thirty-six per cent do not regard him as a laborer, while four per cent wonder whether he is a laborer or not. Eighty-three per cent of the executives polled consider themselves laborers, and according to twenty per cent of those questioned, neither a salesman nor a storekeeper is a laborer.

Gasoline and houses are products of man's effort. Unmined coal is not. Yet over three-fourths of our poll placed gasoline, houses and unmined coal in the same category—wealth.

If the reader has already tabulated the words of the table opposite the first page of this article he has seen how easy it is to classify things of an economic character. And he has found that certain words, from common usage, apply naturally to these classifications.

Consider the first three items in the list:

A *house* is not supplied freely by nature. It is a material product of human exertion on natural materials, such as ore and trees. It is the result of man's union with nature. This term belongs in Column III.

But the *lot* on which the house

stands was not made by man, however hard the home-owner may have worked to buy it. Land is nature's gift. Man can but use it. The lot, therefore, does not belong in the same economic category as the house but in a new division—Column I. One is given us by nature. The other is man-made.

The *lumber-jack* is a man whose exertions, attributes and powers are directed toward producing a material thing—lumber—for the gratification of human desires. He belongs in II.

LAND

When we group natural materials, forces and opportunities supplied freely by nature into Column I of the foregoing table we get a list like this:

lot
Niagara Falls
air
Lake Michigan
virgin forest
ore deposits

The term *land* is used to apply to all this material universe outside of man and his products. Unmined coal, untapped oil in the ground, wild ducks flying in the air, fish in the ocean, even the ocean itself, are classified as land in the economic sense. They all are unaltered by the hand of man.

LABOR

Grouping together man, his exertions, attributes and powers, directed toward the production of material things, we classify them all in Column II:

lumber-jack
carpenter
commercial air pilot
toolmaker's skill
designing a bridge
lumber executive
auto salesman

In fundamental economics all human exertion, whether mental or physical, aimed at producing material things for trade, is called *labor*. The skill of the toolmaker is an attribute of the laborer. Designing a bridge requires mental as well as physical exertion and is therefore labor. The lumber executive aids production, by co-ordinating the efforts of all in his corporation toward getting lumber into the hands of consumers. Though his work is different, he is no less a laborer than the lumber-jack. The auto salesman is a laborer because he aids production by helping to get a product to the consumer.

WEALTH

When we group together the material products of human exertion, such as

house
student's typewriter
✓Walt Disney's typewriter
your hat
family sewing machine
✓loom in textile mill
✓orchard
✓food at store
food at home
✓Pan-American Clipper
Empire State Building

we find that none of these came into

existence without the effort of human beings. Even the orchard, although the trees grow through natural forces, must be laid out and tended by man to be more productive than wild fruit trees. All such material products of man, having exchange value, are, in economic study, called *wealth*.

CAPITAL

But the reader will quickly see that some of this wealth (checked ✓) is used to aid in the production of more wealth, not for consumption. Walt Disney's typewriter, when used in his business, is aiding in the production of a motion picture film. The loom in the textile mill is aiding in the weaving of cloth for sale. Most orchards are planted and tended for producing fruit, not for the farmer's own consumption but for sale. The food in the store, unlike the food at home, is for trade and as such provides the storekeeper with his means of making a living. The Pan-American Clipper and the Empire State Building are not used to gratify the immediate personal desires of their owners but to make a living for their owners through rendering commercial service to others.

Wealth so used in industry or commerce is called *capital*, to distinguish it from wealth used for personal or family purposes. The house lived in by its owner, the student's typewriter, the family sewing machine, the food at home, are wealth but not capital. They are not used in making a living, but in living. They are not engaged

in the production of material things for commercial purposes.

Some things that are NOT wealth are:

Natural resources before they have been worked by man. They are a primary source of wealth but, in the economic sense, they are not wealth. They are land.

Education and *skill* are highly desirable, but they are inseparable from the individual who has them. They are attributes of labor if the individual uses them in production.

Money, mortgages, bonds, stocks are not wealth in themselves except as to the value of the paper or metal of which they are made. They simply represent claims upon wealth. If money were wealth we could have all the wealth we wished merely by printing more "money." But wealth consists of tangible, usable products, not in pieces of paper that indicate ownership or claims upon goods.

Capital is wealth—material products of labor—used to produce more wealth. Since natural resources, skill, and money, are not wealth, neither are they capital.

AFTER WEALTH IS produced it is shared in three ways: as *rent* to the landholder, *wages* to labor (whether mental or physical), and *interest* to the owners of capital. The income of an individual may arise from one, two, or all three of these sources. An independent storekeeper, for example, who owns his store and lot, derives his income from his land, his capital, and

his labor—rent, wages, and interest. The ordinary rent for an apartment includes rent for the land on which the building stands, interest on the investment in the building and wages for those who service it.

Here then are the seven basic terms in the study of fundamental economics:

<i>Production</i>	<i>Product</i>	<i>Distribution</i>
Labor	Wealth	Wages
Land		Rent
Capital		Interest

Of the three sources of incomes—rent, wages, and interest—we find the great bulk of people dependent on wages for their living. Few hold enough land or own enough capital to get along without working for wages. Therefore, in seeking an answer to the problem of poverty in the midst of our unbounded natural resources and inventive achievements, we must look for the cause that keeps wages from rising in proportion to our increasing productive power.

Are low wages caused by over-production? Or over-population? Do employers pay labor out of their capital? These are questions we shall examine in our next lesson, in the April issue of *PROGRESS GUIDE*. Watch for it. Get your friends into this study with you. Copies of the February issue, presenting the first lesson, are still available.

Questionnaires and lesson assignments may be obtained in quantity for *PROGRESS GUIDE* Study Groups. Write for your set, stating how many are in your group. No charge is made for this educational service.

A limited number of beautiful book-marks printed in color, covering the main points of *this* lesson, with definitions clearly outlined and briefly stated, are available free on request. Write for yours today.

The second assigned lesson, with questions based on the textbook, *Progress and Poverty* by Henry George, appears on the next page.

Up-To-The-Minute Fashions

Let us think of the possible linking of air express with another post-war progression—television. A woman in Waterloo, Iowa, can sit in a local store at three o'clock in the afternoon, watch a fashion show in a Fifth Avenue store in New York by television, order by telegraph the latest frock displayed and have it delivered to her door the next morning.

The history of governmental expenditures indicates that the major cost of any war begins when the fighting is finished.

PROGRESS GUIDE'S COURSE IN
 FUNDAMENTAL ECONOMICS AND SOCIAL PHILOSOPHY

LESSON II

Wages and Capital

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Reading Assignment

Progress and Poverty by Henry George, Book I, Chapter I, Pages 17-30

Questions for Discussion

1. What is the problem of poverty? (17)
2. What is the "wages fund theory" advanced to explain this problem? (17)
3. If the wages fund theory were correct, how would wages and interest act in relation to each other? (19)
4. Does it seem to be a fact that wages and interest rise and fall together or conversely? (19)
5. Do we find wages higher in old countries where capital is abundant or in new countries where capital is scarce? (19)
6. What is the relation between wages and interest in "good times" and in "hard times"? (21)
7. Judging from this relationship is there any real conflict between laborers and capitalists as a whole? (21-22)
8. What is the assumption upon which the wages fund theory is based? (22)
9. Must capital be accumulated before labor is employed? (26)
10. Is our complex, modern economic society different from earlier, more primitive society in kind, or only in degree? (27)
11. When a man produces one form of wealth does he not in effect produce all the forms of wealth for which he wishes to exchange his product? (28)
12. Do these considerations support the theory that wages are paid from the advances of capital? (28-30)

Numbers refer to pages in *Progress and Poverty*

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Specially printed copies of this and the previous lesson assignments, with space for inserting answers, may be had free on request to the Economics Editor, PROGRESS GUIDE, 545 Federal St., Chicago 5, Illinois. Answers to questions from reader-students on the subject of this lesson will be published in the next issue.

» *The old formula of live and let live is no longer sufficient to meet the requirements of the era that is ahead. Now it is live and help live.*

EDUARD BENES IN TIME