THE GREAT IDEAS ONLINE

Jun '11 — Nº 624

WEALTH AND PROPERTY

Mortimer Adler

2 of 3

How Is Wealth Produced?

To state the question more precisely: How are the goods, services, and benefits that constitute wealth produced?

I indicated earlier the two principal factors in the production of wealth. One is human labor. The other is everything else. This conglomerate of other things subdivides into beasts of burden, hand tools, man-powered machines, power-driven tools and machinery, automatons such as robots, the raw materials that nature provides in mineral and agricultural lands, the land that is improved by farming or by buildings constructed on it, and other materials that are refinements of the raw stuff that nature provides or are synthetic products of one sort or another.

The word “capital” is sometimes used in the narrowest sense for the physical instruments used in the production of wealth, both inanimate and animate. That connotation of “capital” is sometimes extended to include money, then called financial capital in contradistinction to physical capital. Calling money financial capital means that its purchasing power makes it the equivalent of physical capital. By its purchasing power, it can be converted into physical capital.

The most extensive use of the word “capital” includes all the resources that enter into the production of wealth—all the human resources (which are then called human capital) and all the physical resources, whether natural or man-made artifacts. This, it seems to me, is too broad a use of the term and one that tends to obliterate the important distinction between labor and capital.

I trust the reader will follow me in adopting another use of the word “capital” which is broader than the first use mentioned above, but narrower than the second. I wish to use it for everything involved in the production of wealth except labor.

I mentioned domesticated animals used as beasts of burden, either for their strength, as in the case of oxen or for their skill as well as strength, as in the case of elephants. I did not mention chattel-slaves, whose strength is less than that of elephants but whose skill may be greater, because they are rational, not brute, animals.

Looked at one way slaves are part of the human labor force. Looked at another way, they are like domesticated animals that someone owns as items of property and uses to produce wealth. Fortunately, one does not have to solve the problem of whether chattel-slaves are capital or labor. The problem ceases to exist for us once we acknowledge that human beings cannot be rightly owned, as beasts of burden can be.

Human beings are persons. They must be respected as ends to be served. All other animals are things, just as inanimate physical instruments of production are. They can be used as means within humane limits. To reduce human beings to the status of things violates their dignity as persons, which animals do not have.

The labor factor in the production of wealth comes in a variety of forms that differ in the degree of skill they represent, from unskilled and semiskilled labor at one extreme, to the most highly skilled labor at the other. At the latter extreme, we find the labor involved in the supervision of work, the labor of inventors and innovators who increase the efficiency of the work done by others, and the labor of the managers who operate productive enterprises.

Still another way of differentiating types of labor turns on differences among the physical instruments of production that the laborer uses or cooperates with.

In a few instances, which are the exception rather than the rule, labor is the sole factor in production.

One individual can provide the service of transportation by carrying another on his back. Pulling him in a rickshaw would be easier, but that introduces a tool. Laborers can move heavy objects by their muscle power, or with tools or devices of the simplest sort. The Great Wall of China and the Egyptian pyramids were built by the muscle power of organized labor, assisted only by ropes and other simple contrivances. Teachers receive pay for their labor in giving private lessons; so do nannies for their services in helping to rear children.

Ditches were once dug by laborers without tools, or with the most rudimentary devices, but the work done involved the raw materials nature provided. That is probably true of all other commodities that labor can produce, while not true of services produced by labor.

Apart from this one type of labor that functions without the use of any physical capital in the form of tools (but may not be able to function without some materials provided by nature), all other types of labor differ according to the physical capital they employ, as follows: (a) labor the individual productivity of which is enhanced by hand tools or beasts of burden or both; (b) labor that performs services by using hand tools of the simplest sort, such as barbers and manicurists; (c) labor working at home by operating humanly powered machinery, such as the spinning wheel and the sewing machine; (d) an organized labor force that operates much more complicated machinery in factories and other industrial plants; and (e) highly skilled labor that works with automated machinery and robots.

With all this in mind, let us examine the relation of all sorts of labor to capital of all sorts in the production of wealth.

Whenever capital and labor cooperate in the production of wealth, labor is the independent factor and capital the dependent factor. This is indicated by the fact that some wealth can be produced by labor alone, but no wealth can be produced by capital alone.

Among the commodities or services produced by the cooperation of labor and capital, some can be produced both by individuals using relatively simple hand tools and also by an organized labor force tending power-driven machinery. Shoes and furniture provide examples of this.

However, some wealth which cannot be produced without labor, cannot be produced by labor alone, as shoes and furniture can be. In the domain of commodities, petroleum is a case in point. It can be produced by labor only in cooperation with the highly intense capital of an oil refinery. The same is true of high speed transportation in the domain of services. The rickshaw and the horse and buggy will not do. What labor must work with here is highly intense capital in the shape of automobiles, railroad trains, steamships, and airplanes.

The examples of labor working with capital as well as without capital in the production of wealth reveal two things, not one. They show us not only that labor is the independent and capital the dependent factor, but also that labor and capital are quite distinct and separate factors.

The dream of a completely automated factory, in which wealth is produced by computers programmed to operate robots, without any human intervention or cooperation once the computers have been programmed and the robots have been installed, has not yet become a reality and possibly never will. Nevertheless, the technological progress with which we are acquainted and the prediction of mechanical wizardry that still belongs in the realm of science fiction indicate the increasingly augmented role of capital and the increasingly diminished role of labor in the cooperation of men and machines to produce wealth.

That the production of wealth is becoming more and more capital-intensive, less and less labor-intensive, should not surprise us. It has been that way from primitive times onward. The reason why this has been so and will continue to be so lies in the simple fact that man power (considered for the moment apart from any degree of human skill) is a relatively constant unit, just as horsepower and candlepower are. So far as any measure of brute strength is concerned, the man power now employed in the production of wealth has diminished considerably since the beginning of the industrial era. Most of the burdensome work done by human and animal muscle, aided only by the simplest tools or machines, has been taken over by power-driven tools and machinery.

In sharp contrast to the constancy of man power, the productive force of power-driven tools and machines is ever on the increase and would appear to be multipliable without foreseeable limits. Technological advances in capital do more than shift the burden of applying power from men and animals to machines. They also, in many cases, replace human skills by a more rapid and more efficient performance of the same function; as, for example, in bookkeeping. The only human skills that are on the increase are the truly creative, innovative, and judgmental ones.

Apart from these, the differences between unskilled, semiskilled, and slightly skilled labor do not alter the point that the average unit of man power (including both strength and skill) is a relatively constant unit. Hence, taking it as a whole, the labor force is a diminishing factor in the production of wealth as compared with capital. Capital tends more and more to become the major and labor the minor factor in the production of wealth.

This remains true even with the shift of labor that is now taking place from the production of industrial and agricultural products to the performance of services. To see that this is so, we need only think of dentistry, medical diagnosis, accounting, and legal services, all of which employ technological devices that make them more and more capital-intensive.

There is only one unique contribution to the production of wealth that machines will never replace human beings in making—outside of science fiction that will always remain fiction. It derives from man's creative intelligence. No machine that man can construct will ever have anything like it. Its innovative and judgmental powers are manifested not only in the invention of machines and other useful devices, not only in planning and controlling the most efficient ways to operate them, but also in the management of the productive enterprise as a whole.

Property: Its Rightful Possession

Everyone understands what property is. The difficult question is not what constitutes property, but rather by what right does anyone possess it.

We all use the words "mine" and "thine," or "yours" and "ours." By their functioning as possessive pronouns, they signify property—what belongs to me or to you, to us or to them. What, however, is the word in our vocabulary to signify the opposite of property—that which no one possesses? It is a word we use frequently for other purposes, but seldom to signify the opposite of property. Yet any student of our colonial history will remember something called the Boston Common; in fact, the park that is now there is still called that.

The original Boston Common was land and everything on it that belonged to no one. It was not the property of any individual, any group of individuals, or even the whole society. When man first came upon this earth, the whole surface of this globe was like the Boston Common. Then, as the Englishman John Locke said at the end of the seventeenth century, "all the world was America." That would have been true were it not for the resident Indian tribes who had much earlier staked out their territories on the newly discovered continent.

Some people think of property too narrowly, as that which belongs either to individuals, to families, or to associations of individuals organized as companies or corporations. They identify property with private property. When they do so, they think of land that belongs to the state, land said to be held in eminent domain, as not property at all. But whatever *belongs* is not *common*. By belonging it is property, in this case public property, collective property, or state-owned property.

Speaking only of the land itself, no common remains in America today, in contrast to the way John Locke thought of it in his day. All of it is divided up into private and public property—land in the possession of individuals or groups of individuals and land controlled and administered by the government's Department of the Interior.

What is true of land applies, with one striking exception, to other forms of wealth. Certain consumable goods constitute the exception.

The food I eat and the clothing I wear must be mine as I consume or use them. The house I live in may be public property, and so too the tools or machines I work with and the raw materials I work on. This also holds for services such as transportation, health care, and educational and amusement facilities—all these and many others may be state-owned, controlled, and operated.

With the one exception noted, the distinction between private and public property applies to all forms of wealth. Does anything on this globe still remain the common for all mankind? Yes, the waters of the ocean beyond the territorial limit and the air we breathe.

In the sphere of private ownership, one further distinction remains to be made. In the past, private property consisted of wealth that belonged wholly to one individual or wholly to an association of individuals comprising the family unit. In either case, it was wholly, not partly, owned. With the emergence in very recent time, first, of joint-stock companies and, then, of business corporations, it became possible for individuals or families to be part-owners of wealth that is private property rather than being the sole or whole owners of it. What they own are shares of it, or equities in it. The property owned by a corporation is in fact property that is divided into shares owned by individuals, groups of individuals, and even by other corporations.

Just as all of us who are accustomed to using possessive pronouns understand what property is and to whom it belongs, so all of us who use such words as “theft” and “stealing” or “stolen property” recognize the existence of property that is wrongfully, not rightfully, owned. The thief has appropriated for himself what rightfully belongs to someone else. But how did the individual from whom property has been stolen rightfully come into possession of it in the first place? If all appropriations of property are not theft, how are they to be justified as rightful possession?

The first philosopher to ponder this question, John Locke, employed his distinction between property and the common to expound what has come to be called the labor theory of property rights (which must never be confused with what later came to be called the labor theory value, as developed by Karl Marx). To explain his theory, Locke resorted to very simple models that call upon us to consider the first private appropriations when the earth and everything on it belonged to no one, and man entered the scene under the dire necessity of having to make some use of the common in order to survive.

Before he employed his mind and muscles to make use of the common that he found all around him, did he own any property at all? Yes, Locke tells us, he owned himself. His mind and body, and all their powers, were his and his alone by natural right. They were his *natural* property. All else that might become his by the use of his powers then became his *acquired* property. By what right did he acquire it?

Locke's answer is at first simple and only becomes complicated when certain other considerations enter the picture. The simple answer is as follows.

Whatever the individual takes out of the common by mixing his own labor with it becomes his private possession. This rightful acquisition or appropriation of it rested on the fact that he mixed what was his (his labor power) with what was not his and did not belong to anyone else (the common).

Thus, the fruit that he gathered in the field, the horse that he captured in the wild to tame, the land that he fenced, the crude tools that he fashioned out of materials he picked up, all these became rightfully his by dint of the work that he did, using nothing but his own labor power in the first instance. It makes no difference whether this was done by a solitary individual or by a number of individuals associated as members of a single family.

The picture becomes complicated under the following circumstances. Let us imagine a situation in which an individual has acquired fenced-in land, horses or other beasts of burden, and relatively simple tools that he fashioned with his own hands. All these means of production, or capital wealth, being rightfully his, he can use this capital to produce consumable goods that are the means of subsistence for himself or his family.

Now let us suppose that he wishes to retire from toiling for a livelihood in order to engage purely in leisure-work—to study for the sake of improving his mind or to create something for the enjoyment of it rather than for use. How can he do so?

Standing at the fence that encloses his land, he meets with another individual walking by, an individual who has not yet appropriated anything for himself but the berries and other wild foods he has picked up to satisfy his daily needs. Our landowner and owner of other forms of capital wealth offers him work on his estate, using his horse and tools to produce consumable goods, a portion of which he is willing to give the passerby as compensation for his labor.

Let us suppose that the latter accepts the offered wage-payment as fair and enters voluntarily into a contract with the capitalist (the owner of capital wealth) to work for him in recompense for the payment offered him in the form of consumable goods. Money not yet being in existence, the exchange in this primeval marketplace is barter.

In the week after this transaction has taken place, the capitalist sits in the house built with his own hands and engages in the leisure-work that his hiring of a workman or laborer enables, him to devote all his free time to. He toils not for a single hour. All the labor involved in producing the needed consumable goods are the work of another. His contribution to the wealth produced comes solely from the capital that, being his, he puts into the productive process instead of allowing it to lie idle.

At the end of the week, he gives the laborer his share of the total wealth that results from the productive power of labor and capital together—the wage-payment the capitalist and the laborer agreed upon at the start. Everything that went into that process is owned by the capitalist except the laborer and his labor power. The latter being a free laborer, not a chattel-slave, he owns himself and also his labor power. The capitalist does not own that labor power. He has merely rented it for a time and paid for it by the wages given the laborer.

Does the capitalist rightfully own all the wealth produced that week except for the portion of it paid out in wages to the laborer? The affirmative answer that Locke gives, and which I think should be accepted, means that wealth can rightly be acquired as private property by an individual who does no work for it. He can rightfully appropriate it because he rightfully owns the capital that he is willing to put to productive use by hiring a laborer to make use of it.

In this more complicated case, his rightful acquisition of wealth does not involve mixing his own labor with the raw materials to be found in the common. Instead, it involves mixing with the rented labor power of another person the capital that he has previously appropriated rightfully by his own labor power.

Let me postpone until later the complications that arise when the capital does not consist solely of agricultural land, beasts of burden, and simple hand tools, and when the capital involved is not privately possessed by the capitalist as a result of his own labor. A number of important points remain to be considered first. They emerge from the simpler model that we have just examined.

THE GREAT IDEAS ONLINE
is published weekly for its members by the
CENTER FOR THE STUDY OF THE GREAT IDEAS
Founded in 1990 by Mortimer J. Adler & Max Weismann
Max Weismann, Publisher and Editor
Ken Dzugan, Senior Fellow and Archivist

A not-for-profit (501)(c)(3) educational organization.
Donations are tax deductible as the law allows.