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OBSERVATIONS REGARDING
ACCUMULATED CAPITAL WEALTH.

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Improper Exclusion of Man (The Wage-earner) as a Value-
earning Instrument of Production, in Estimates,
Usually Made, of Accumulated Capital
Wealth.

By the greater number of writers on economic subjects, the terms "Capital" and "Accumulated Capital Wealth" are usually restricted to man's auxiliary forces and instruments of production. This unreasonable restriction involves the introduction of serious difficulties and inconsistencies when questions arise bearing upon the production, distribution, and appropriation of the annual supply of consumable wealth necessary to sustain the life, comfort, and well-being of the people generally.

The improper restriction of the elements, which should be embraced under the term "Wealth" of a country, is well illustrated by Mr. J. A. Jobson, M.A., in his recent treatise, "The Science of Wealth." In describing the meaning attached by him to the term "Wealth," he observes:—"When we think of 'a wealthy man,' we reduce to terms of money all his saleable possessions, including not only the lands, buildings, machinery, materials, cash, he owns and employs for business purposes together with the share certificates, and other paper documents, which give him claim upon the products of the future, but also his house-furniture, pictures, books, and other private possessions which he has no intention of selling. All have their market value, and his 'wealth' is the sum of these values."

It seems, however, by this restriction that—excepting man as a slave—man, himself the most important of all wealth-earning instruments of production, has been ignored entirely.

From a true economic point of view, there can be no justification for the exclusion of man, "the wage-earner," from the category of those things "which give (valid) claim upon the products of the future."

There cannot be any doubt but that man, free, and owned by himself, should be a far more effective value-producing instrument than the average bond-slave owned by another. Yet those who take a restricted view of the elements which go to form the aggregate of "accumulated capital wealth" exclude the free "wage-earner," who, undoubtedly, is also the more effective economic producing machine, not because his life expectation value of average annual earnings would fail to afford him indisputable "claim upon the products of the future"—but, merely, because he, as a productive machine, happened not to be owned by another person, as in the case of a slave, horse, or steam-engine.

The untenability of the standpoint of those who exclude the free wage-earner as an important instrument of production is at once obvious if we could conceive of a nation suddenly overpowered, and reduced to the condition of an enslaved community. If this occurred, the nation's nominal accumulated wealth would be at once marvellously increased. At the same time, its real accumulated capital wealth would, in all probability, have shrunk in value.

The mere expenditure of a year's labour—time, energy, and skill, by man—the greatest of all economic instruments of production, no more destroys the whole of his life's capital energy value, as an economic producing instrument, than can a single year's tear and wear wholly destroy the remaining capital value of his, often shorter-lived, inanimate tools and instruments of production. If the still unexhausted producing power of the latter be assessed as having a "present capital value" based on their estimated years' life of annual revenue-yielding power, it is, surely, reasonable to infer that "man" the major revenue-yielding instrument of production—with a life-expectation practically interminable (as regards the ever-continuous State breadwinner) should also be assessed on the same basis, as an element—indeed the principal one—of the real accumulated capital wealth of a State at any point of time.

We may be assured, therefore, that when we regard real things, and real necessary services—which, in the very act of consumption, compose and satisfy all the needs and

satisfactions of human life, the conclusion is, surely, inevitable—that man himself as the chief element of instrumental production, must also be regarded as the principal element of accumulated capital value. Man's auxiliary natural forces and instruments of production (the lesser element of accumulated capital value generally composing about 19 to 25 per cent. of the whole) cannot reasonably have a better claim to be included in any estimate determining the accumulated capital value of any country.

Whether as a freeman owned by himself or whether as a slave owned by some other person, man, from an economist's point of view in the initial stage—like all other natural elementary or primary forces—is regarded as devoid of economic price or value. Yet, like all other elementary substances or forces, as soon as the cost of man's labour is incorporated in man (regarded as an economic instrument of production) he becomes an element of economic price or value like any other commodity or production machine.

The existing 82,441 breadwinners of Tasmania regarded, from an economist's point of view, as the most important as well as the most costly part of the economist's instruments of production, both produce and expend upon themselves and their dependents about $7\frac{1}{2}$ million pounds sterling per year. Regarded as an interminable annuity, at 4 per cent., it represents a present value capital of £179,906,075.

But this capital value cannot altogether be set down to the credit of the existing breadwinners, for the following important reasons:—

In the independent stage—from birth to the average limit of the dependent breadwinner—say, on the average, at least a period of 15 years—antior-labour services of parents or natural guardians were expended upon the young future breadwinners, in the form of protection, shelter, food, clothing, education, etc., which (for a period of 15 years, say, at £18 per annum, at 4 per cent. interest) would accumulate to a sum of £360, as an element of capital value, which, logically, must be assumed as being incorporated in the existing 82,441 Tasmanian breadwinners, regarded in the light of economic productive instruments. In the aggregate this amounts to £29,678,760 of present capital value now incorporated in the breadwinner economic instruments of production which, logically, must be credited to "the anterior-labour service of man."

Adam Smith, in commenting on the "Errors of M. de Quesnai's System," observes:—

"The capital error of the system seems to lie in representing the class of artificers, manufacturers, and merchants, as altogether barren and unproductive.

"The following observations may serve to show the impropriety of this representation.

"First, this class, it is acknowledged, reproduces annually the value of its own annual consumption, and continues, at least, the existence of the stock or capital which maintains and employs it.

"Secondly, it seems, upon this account, altogether improper to consider artificers, manufacturers, and merchants, in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters (?) and the work which they perform is not of a nature to repay that expense."

It seems strange that an economist, so eminent as the author of "The Wealth of Nations," should have failed to see that the menial's personal service referred to was—as a product—directly absorbed and enjoyed by the masters—not in the relation of master to servant, but rather as consumers of services of a definite economic value. In the differentiated condition of the modern system of organised labour, it is rarely the case that the primary raw materials, upon which the particular worker or factory is engaged, happens to pass directly—as in the case of the menial's personal services—in a finished condition to the consumer. On the contrary, the raw material, in most cases, passes through many hands, and many stages of transport, modification, and improvement, before it attains to the completed condition of the consumer's marketable commodity.

In the latest of all the stages and processes of the commodity or personal service, is accumulated the composite cost of all its previous stages of production, transport, and modification. At this final stage, when passing over to the consumer, the latter pays the cost of the services of all the productive agencies which, stage by stage, accrued and became incorporated in the final marketable stage of the specific commodity or service.

But it is important to observe that in the act of consumption, whether of a valuable commodity or a valu-

able personal service, the consumer destroys or annihilates the commodity, per se, with its economic monetary value, transforming a costly product into one of the necessary satisfactions or enjoyments by which the life of man is sustained, and without such final absorption of costly but necessary wants, life would not be possible.

By looking at the whole question in this light, it would seem to be true that the last stage of any completed commodity is placed in the same position as the last stage in the completion of a necessary and valuable personal service, so far as Adam Smith's test of barren and unproductive services is concerned. In this aspect of the question, all the services of primary producers, artificers, manufacturers, and merchants, do not really differ, essentially, from that of "menials," nor from each other, inasmuch as all values of commodity products, in common with personal service products, cease to exist when absorbed, dissolved, or transformed, into the benefits, satisfactions, and enjoyments involved in actual consumption. The actual realisation of the enjoyment of the needs and satisfactions of life, involved in the very act of consumption of valued products, is, in itself, the alpha and omega of real wealth. All money or other values related thereto are mere measurements of this wealth of consumption.

It is the instruments of production—human labour and its auxiliary aids (kept up to pristine value, by renewals, repairs, and fresh creations)—which permanently continue to retain monetary value—not the perishable products, per se, actually appropriated and dissolved in annual or periodical consumption.

This end is, truly, the great object, as well as the motive, of all human producing effort.

The annual value of "Consumable Wealth" only represents about 4 per cent. of the nominal capital wealth of a country.

The former represents the actual wealth produced available for use or consumption within the current year; the latter represents the estimated nominal present capital value of the future productions of exchange value.

No matter how great may be the estimate of the present capital value of "claim on future productions," only about one-twenty-fifth of its value, of actual products, can be appropriated or absorbed within any one year.

The following tabular extracts from "The Statesman's Pocket Year Book of Tasmania, 1917," may better indi-

cate the comparative nominal values of present capital value of production as compared with the annual value alone available for the current year's consumption. No mere readjustment of ownership of claim or right to the existing instruments of production can increase the volume or value of the current year's wealth of production available for consumption.

TASMANIA.

THE STATE WEALTH-PRODUCING MACHINERY
AND FORCES.

Estimated Value, Year 1914.

	Annual Value.	Capital Value.	Per cent.
I.—Private Ownership*	(£1000)	(£1000)	%
Real Estate... ..	1246	31,146	14·24
Mining Plant, etc....	136	3400	1·55
Livestock	90	2259	1·03
Furniture, etc. ...	80	2000	·92
Railways and Tramways...	53	1330	·61
Factories' Machinery ...	46	1161	·53
Coin and Bullion ...	32	790	·36
Shipping	10	250	·11
TOTAL	1693	42,336	19·35
II.—Public Ownership*			
Railways and Tramways .	177	4423	2 02
Roads, Harbours, etc. ...	200	5015	2 30
Lands, Buildings, etc. ...	117	2914	1·33
TOTAL	494	12,352	5·65
III.—Human Instruments (Self-owned)			
Potential Value of Labour-time and Skill of 82,441 Breadwinners n.e.i. ...	6563	164,060	75·00
GRAND TOTAL	8750	218,750	100·00

* The somewhat misleading title "Accumulated Wealth," unfortunately, is usually restricted to the Groups I. and II.

TASMANIA.

CONSUMABLE WEALTH DISTRIBUTION, YEAR 1914.

Estimate showing approximately how the Value of Annual Wealth Produced is Appropriated and Absorbed by the various classes of Breadwinners, and by Man's Auxiliary Instruments of Production.

Description.	Breadwinners	Real Wealth Absorbed.		
		Amount.	Per cent.	Per Breadwinner per Labour Day.
(A) Breadwinners' Incomes - Class—	No.	(£1000)	%	s. d.
I. Under £80	62,144	3800	43.43	4 1
II. £80—£150	12,988	1474	16.84	7 7
III. £150—£400	6063	1223	13.98	13 5
IV. £400—£1000	1000	476	5.43	31 9
V. £1000 and over	246	223	2.56	60 4
TOTAL II.-V.	20,297	3396	38.81	11 2
Total Breadwinners	82,441	7196	82.24	5 10
(B) Man's Auxiliary Instruments of Production	1554	17.76	1 3
GRAND TOTAL	82,441	8750	100.00	7 1

TASMANIA.

CURRENT "STANDARD OF LIVING."

Estimate of the Nature and Approximate Annual Cost of the
"Standard of Living" of the People, 1914.

Description.	Total Amount	Per Head of Population.	Per cent.	Equivalent Labour Days.
A.—By Human Agents and Dependents—	(£1000)	£ s d.	%	No.†
Food	2890	14 14 11	33·03	99·1
Clothing	796	4 1 3	9·10	27·3
Dwellings	1018	5 3 10	11·63	34·9
Fuel and Light	283	1 8 10	3·23	9·7
Medical Services	206	1 1 0	2·35	7·0
Education	166	0 16 11	1·90	5·7
Protection	101	0 10 5	1·15	3·5
Charities	103	0 10 6	1·18	3·5
Spirits and Tobacco	913	4 13 2	19·44	31·3
All other	720	3 13 6	8·23	24·7
TOTAL	7196	36 14 4	82·24	246·7
B.—By Man's Auxiliary Instruments and Forces	1554	7 18 7	17·76	53·3
	8750	44 12 11*	100·00	300·00

No. of Breadwinners, 82,441. Total Number of Labour Days, 24,732,300.

* Per Breadwinner, £87 5s. 9d.

† Per Average Breadwinner.