99

Wealth

INTRODUCTION

If the only questions about wealth concerned the means of getting and keeping it, the causes of its increase and decrease, the idea of wealth would be confined to economics. "The end of the medical art is health," writes Aristotle in the *Nicomachean Ethics,* and "that of economics, wealth." But as the *Ethics* indicates, the moralist and the statesman are also concerned with health and wealth—not simply as things to get and keep, but in relation to all other goods and as constituents of the good life and the good society. What is regarded as the end in economics may be only a means in ethics and politics; in which case, Aristotle suggests, the latter sciences subordinate economics, even as politics subordinates military strategy, and military strategy the making and use of armaments.

The discussion of riches in the tradition of the great books exhibits these two ways of considering wealth. The Bible, the poets, historians, and philosophers deal with wealth as a factor in the life of men and societies. They scrutinize the desire for wealth or the love of money in relation to sin and virtue. They raise questions of justice concerning the distribution of wealth, the rights of property, and fairness in exchange—in buying and selling, borrowing and lending, and in compensating the laborer. They describe the effect of poverty and prosperity or opulence upon states, and prescribe the attitude which individual men as well as societies should take toward wealth and poverty.

Throughout it seems to be assumed that wealth is merely a means, however important or indispensable. Though wealth may also be viewed as an end when the problem is one of how to acquire, produce, or increase it, the fact that, when possessed, it should be treated as a means, leads the moralist to condemn not only the miser, the hoarder, or the man who devotes his whole life to making money, but also those who elevate wealth into the sort of end which justifies any means that can advance its pursuit.

The other approach is that of the economist. Five of the great books—Adam Smith's *The Wealth of Nations,* Marx's *Capital,* Veblen's *The Theory of the Leisure Class,* Tawney's *The Acquisitive Society,* and Keynes's *General Theory of Employment, Interest and Money*—deal not with wealth as a means, but with the means to wealth. Another, though by title *On Political Economy,* is concerned with the principles of government, and with wealth only insofar as, in Rousseau's conception, government includes "the administration of property" as well as the protection of persons. "Provision for the public wants," he writes, is "the third essential duty of government."

Rousseau explains the title of his treatise by reference to the etymology of the word "economy," which "meant originally only the wise and legitimate government of the household for the common good of the whole family." It is in this sense that Aristotle employs the word and that a work sometimes attributed to him bears it as the title. "The meaning of the term," Rousseau goes on, "was then extended to the government of that great family, the State. To distinguish these two senses of the word, the latter is called *general* or *political* economy, the former domestic or particular economy."

Smith uses the term more narrowly. Not only does he limit his inquiry to the nature and causes of wealth, but by specifying "the wealth of nations," he restricts himself to political economy which, he says, has "two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services." In saying that the political economist aims "to enrich both the people and the sovereign," and that "the great object of the political economy of every country is to increase the riches and power of that country," Smith takes wealth as an end (though it may also be a means, "so far as power depends upon riches") and tries to formulate the natural laws of wealth-making.

Nowhere does he define the quantity of wealth which should satisfy a nation. The natural resources of a country, the size and industry of its population, and various unfavorable contingencies, may set certain bounds to the maximization of wealth. Within these bounds the country which adopts and follows a sound system of political economy—one which accords with the right conception of wealth and its causes—can (and deserves to) become as wealthy as possible.

Yet Smith, in treating wealth as an end and its increase without limit as a good, does not make economics absolutely autonomous. He regards political economy as a part of politics—"a branch of the science of a statesman or legislator"—and to that extent implies that other considerations than wealth may control the policies of a nation in its regulation of agriculture, industry, domestic commerce, and foreign trade.

Furthermore, the larger moral questions which accompany Smith's economic speculations in his *Lectures on Jurisprudence* and his earlier treatise *The Theory of Moral Sentiments* are not entirely absent from *The Wealth of Nations*. But to the extent that he writes purely as an economist concerned with securing "cheapness or plenty" or, what for him is the same, "wealth and abundance," he adheres to considerations of expediency and only infrequently permits himself *obiter dicta* on justice or questions of right and wrong.

Marx also writes as an economist. He details the factors which govern the production and distribution of wealth as these manifest themselves in the great historic systems of production—the slave economy, the feudal economy, and the bourgeois or capitalist economy. So far he is a scientist and, even more than Smith, a historian who describes how wealth is acquired and how it multiplies by reproducing itself. But Marx is much less content than Smith to stop there. Smith tries to describe the economic process scientifically in order to prescribe the means a nation should use to become increasingly prosperous, but Marx undertakes to describe it in order to criticize the way in which some men get richer than they need be while others become poorer than they should be.

His critical purpose makes inevitable the expression of moral judgments concerning such inequities; and by implication they are everywhere present. For example, a descriptive phrase like "surplus value" connotes "unearned increment"; an apparently neutral economic term like "profit" is given the invidious moral significance traditionally attached to "usury." Nor does Marx rest with criticism. He has an economic program to propose, a program he reveals more clearly with Engels in the *Communist Manifesto* than in *Capital*. The aim is not primarily to increase the production of wealth, but to remedy its inequitable distribution under all past economic systems. This program looks forward to the final revolution which will bring the necessary historic motion of progress to its culmination when socialism replaces capitalism.

SMITH AND MARX, IT appears, are not economists in the same sense. But it may be supposed that, in spite of their different purposes, they would as scientists agree in their description of economic phenomena. To some extent they do, yet the difference in their point of view and aim leads to a quarrel about facts, or at least about their interpretation.

Classical economists in the tradition of Smith dispute the consequences which Marx draws from the labor theory of value, especially with regard to the origin of profit from the surplus product of unpaid labor time.

Profit seems to them as much a part of the natural price of commodities as the wages paid to labor and the rent paid to the landlord.

"In exchanging the complete manufacture either for money, for labor, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something," writes Smith, "must be given for the profits of the undertaker of the work who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock."

It is precisely on this point of profit as a return for risking one's capital stock that Marx charges Smith, and after him, David Ricardo and J. S. Mill, with being apologists for the capitalistic system. He quotes Mill's statement that "the cause of profit is that labor produces more than is required for its support." The fact that Mill does not question the validity of this surplus value, which accrues as profit to the *entrepreneur;* the fact that Ricardo treats surplus value, according to Marx, "as a thing inherent in the capitalist mode of production, which mode, in his eyes, is the natural form of social production," is explicable, in Marx's view, only if we recognize that their economic theories mix special pleading with science. "These bourgeois economists instinctively saw, and rightly so," he says, "that it is very dangerous to stir too deeply the burning question of the origin of surplus value."

Though he distinguishes between its classical and vulgar forms, political economy for Marx is a bourgeois science, which "first sprang into being during the period of manufacture." Political economy "has generally been content to take, just as they were, the terms of commercial and industrial life," Engels remarks in a prefatory note to *Capital,* and so it "never went beyond the received notions of profit and rent, never examined this unpaid part of the product (called by Marx surplus-product) in its integrity as a whole, and therefore never arrived at a clear comprehension, either of its origin and nature, or of the laws that regulate the subsequent distribution of its value."

Marx's work is, in his own conception of it, at one and the same time a criticism of the capitalist economy and of the science of economics which accepts and defends that economic system. In his own preface to *Capital,* Marx tells the reader that the "volume which I now submit to the public forms the continuation" of an earlier work—*A Contribution to the Critique of Political Economy.* Within the sphere of political economy as defined by the problem of augmenting a nation's wealth, the author of *The Wealth of Nations* similarly finds a critique of prevalent economic fallacies—those of the physiocrats and the mercantilists—inseparable from the constructive statement of his own theory.

THE ANCIENTS CONCEIVE wealth as consisting in the variety of external goods which sustain life—food, clothing, and shelter. But wealth may include more than the bare necessities. When Socrates in *The Republic* outlines a simple economy which aims to satisfy only basic needs, Glaucon tells him that he is "providing for a city of pigs." More is required, he says, for "the ordinary conveniences of life. People who are to be comfortable are accustomed to lie on sofas, and dine off tables, and they should have sauces and sweets in the modern style." Socrates replies by projecting "a luxurious State"—"a State at fever heat"—which goes beyond the necessaries, "such as houses and clothes and shoes. The arts of the painter and the embroiderer," he says, "will have to be set in motion, and gold and ivory and all sorts of materials procured"; and the city will "have to fill and swell with a multitude of callings which are not required by any natural want."

This distinction between necessaries and luxuries, which has many implications for ethics and economics as well as for politics, does not draw the line between natural and artificial wealth. Nor is natural wealth identified exclusively with natural resources in their pure state, unconverted by labor for use or consumption. Wealth is generally thought to comprise all consumable goods, whether necessaries or luxuries, whether products of hunting, agriculture, or manufacture, and all the means of producing them. Only money is excluded. Only money is declared to be either not wealth at all or artificial wealth.

Yet the identification of money with wealth seems to be prevalent at all times, as repeated attempts to correct the fallacy indicate. The use of money originates, according to Aristotle, with retail trade, which is "not a natural part of the art of getting wealth"; for, he goes on, "had it been so, men would have ceased to exchange when they had enough." What Aristotle calls retail trade replaces "the barter of necessary articles." Made possible by the use of coin, retail trade, he says, comes to be thought of as "the art which produces riches and wealth.

"Indeed," Aristotle continues, "riches is assumed by many to be only a quantity of coin." But he agrees with those who maintain, to the contrary, that "coined money is a mere sham, a thing not natural, but conventional only . . . because it is not useful as a means to any of the necessities of life, and he who is rich in coin may often be in want of necessary food. But how can that be wealth of which a man may have a great abundance and yet perish with hunger, like Midas in the fable, whose insatiable prayer turned everything that was set before him into gold?"

To say that money in itself cannot satisfy any natural need does not imply that it serves no economic purpose. Plato and Aristotle, Hobbes, Locke, and Kant, as well as Smith and Marx, understand the utility of money as a medium of exchange, indispensable for "the circulation of commodities"—to use Marx's phrase—beyond the stage of barter. Money is not only a medium of exchange, according to Plato; it "reduces the inequalities and incommensurabilities of goods to equality and common measure"; and Aristotle seems to anticipate Marx's conception of money as the universal form in which all economic values can be expressed when he defines "wealth" to mean "all things whose value is measured by money."

The economic utility of money in exchange and as a measure of value, or even the fact that gold and silver coin may have some intrinsic value because of the labor involved in mining and minting the metals, does not alter the distinction between natural and artificial wealth. "Natural wealth," Aquinas explains, "is that which serves man as a remedy for his natural wants, such as food, drink, clothing, conveyances, dwellings, and things of this kind, while artificial wealth is that which is not a direct help to nature, as money, but is invented by the art of man for the convenience of exchange and as a measure of things saleable."

The same point is restated by Locke in the 17th century, but it is still necessary for Smith a century later to argue against the mercantilist theory of national prosperity, on the ground that it confuses wealth with money. "It would be too ridiculous to go about seriously to prove," Smith writes, "that wealth does not consist in money, or in gold or silver; but what money purchases, and is valuable only for purchasing . . . Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or consume; whereas he who sells, always means to buy again."

Nevertheless, that "wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value." The notion is so familiar that, Smith observes, "even they, who are convinced of its absurdity, are very apt to forget their own principles, and in the course of their reasonings to take it for granted as a certain and undeniable truth. Some of the best English writers on commerce set out with observing that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the land, houses, and consumable goods seem to slip out of their memory, and the strain of their argument frequently supposes that all wealth consists in gold and silver, and to multiply these metals is the great object of national industry and commerce."

The two principles of the mercantilist policy are, according to Smith, that "wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines only by the balance of trade, or by exporting to a greater value than it imported." A favorable balance of trade thus necessarily became the sole object of the mercantilists; and, Smith adds, "its two great engines for enriching the country, therefore, were restraints upon importation, and encouragements to exportation."

Since in his opinion the wealth of a nation consists in "the whole annual produce of its land and labor," Smith opposes all such restraints, and with them the protection of monopolies. He advocates free trade and the free competition of producers, within a country as well as between domestic and foreign producers, on the ground that "consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. But in the mercantile system," Smith claims, "the interest of the consumer is almost constantly sacrificed to that of the producer." A laissez-faire economy, he thinks, not only reverses this situation, but also, by preferring more consumable commodities to more gold and silver, tends to increase the real, not the artificial wealth of a nation.

Marx also criticizes the mercantilist error, but in terms of his theory that "since the production of surplus-value is the chief end and aim of capitalist production . . . the greatness of a man's or a nation's wealth should be measured, not by the absolute quantity produced, but by the relative magnitude of the surplus-value."

Surplus value cannot be produced by exchange. Against the mercantilists who "derived the excess of the price over the cost of production of the product, from the act of exchange, from the product being sold above its value," Marx quotes Mill's statement that "profit arises, not from the incident of exchange, but from the productive power of labor; and the general profit of the country is always what the productive power of labor makes it, whether any exchange takes place or not."

But this is not the whole picture, according to Marx. Although it is impossible for capital or surplus value "to be produced by circulation," or the exchange of commodities, he also thinks it is "impossible that outside the sphere of circulation, a producer of commodities can, without coming into contact with other commodity owners, expand value, and consequently convert money or commodities into capital." The two sides of the picture are brought together, in Marx's view, by the treatment of labor itself as a commodity, and the buying and selling of labor power in the open market.

THE DISTINCTION BETWEEN real wealth and money and the distinction between necessities and luxuries have more than economic significance. They are basic to the moralist's strictures concerning the desire for wealth, its place in the order of goods, and the way it can be put to good use.

It is not only Saint Paul who says that "the love of money is the root of all evil." It is not only Christian theologians like Augustine and Aquinas who explain how "lust of the eyes" or covetousness is a capital sin and as such the principle of many other transgressions. As Marx points out, the Greeks also "denounced money as subversive of the economical and moral order of things." In the passage in Sophocles' *Antigone* which he quotes, Creon declares: "Nothing so evil as money ever grew to be current among men. This lays cities low, this drives men from their homes, this trains and warps honest souls till they set themselves to works of shame; this still teaches folk to practice villainies, and to know every godless deed." Dickens strikes a similar note in *Little Dorrit;* in a chapter entitled "The Progress of an Epidemic," he compares the London citizens' lust for wealth—occasioned by the success of a fraudulent entrepreneur—to a plague without a cure.

Plato condemns the oligarchic state by comparing it to the miser and money-maker among men. "Such a State," he says, "aims to become as rich as possible, a desire which is insatiable." In the *Laws,* the Athenian Stranger explains why the reasonable statesman should not aim to make "the state for the true interests of which he is advising . . . as great and as rich as possible," if he also "desires to have the city the best and happiest possible"; for though each may be possible alone, they are not possible together. It is impossible, he holds, to be "good in a high degree and rich in a high degree at the same time."

What Plato says of the oligarch, Marx says of the capitalist: "He shares with the miser the passion for wealth as wealth." But, Marx adds, "that which in the miser is a mere idiosyncrasy is, in the capitalist, the effect of the social mechanism, of which he is but one of the wheels." Involved as he is by the system in "the restless never-ending process of profit-making," the individual capitalist, like the miser, exhibits "this boundless greed after riches, this passionate chase after exchange-value."

The root of the evil in the love of money—of "gold, yellow, glittering, precious gold," which Shakespeare calls the "common whore of mankind"—is the boundlessness of the lust. The hoarding of anything springs from an insatiable desire, but because money can be converted into every sort of commodity, it is, according to Marx, the ideal object of hoarding. "The antagonism between the quantitative limits of money and its qualitative boundlessness," he writes, "continually acts as a spur to the hoarder in his Sisyphus-like labor of accumulating."

In the light of such observations, Marx cites with approval Aristotle's distinction between "economic" and "chrematistic" or what Aristotle differentiates as the two arts of wealth-getting. Considering economics as the management of a household, Aristotle says that the art of acquisition which is a natural part of it "must either find ready to hand, or itself provide, such things necessary to life, and useful for the community of the family or state, as can be stored. They are the elements of true riches; for the amount of property which is needed for a good life is not unlimited." But "there is another variety of the art of acquisition which is commonly and rightly called an art of wealth-getting, and has in fact suggested that riches and property have no limit."

The two arts tend to become confused in men's minds. "Some persons are led to believe," Aristotle observes, "that getting wealth is the object of household management, and the whole idea of their lives is that they ought either to increase their money without limit, or at any rate not to lose it. The origin of this disposition in men is that they are intent upon living only, and not upon living well; and as their desires are unlimited, they also desire that the means of gratifying them should be without limit." Even "those who do aim at a good life seek the means of obtaining bodily pleasures; and, since the enjoyment of these appears to depend upon property, they are absorbed in getting wealth; and thus there arises the second kind of wealth-getting."

Plato, like Aristotle, while admitting the service of retail trade in effecting the exchange of commodities, condemns the tendency of its practitioners to make "gains without limit." In the *Laws,* furthermore, he prohibits interest on loans; and in *The Republic,* he describes this form of money-making as a process in which "men of business . . . insert their sting—that is, their money—into someone else who is not on his guard against them, and recover the parent sum many times over multiplied into a family of children." This biological metaphor for making money out of money appears also in Aristotle. The term "interest," he says, "means the birth of money from money." Of all forms of money-making, this "breeding of money" is, in his opinion, the most unnatural. "Usury, which makes a gain out of money itself," Aristotle writes, violates the natural object of money—"intended to be used in exchange, but not to increase at interest."

INTEREST AND USURY are not distinguished in the Old Testament. "Take thou no usury of him, or increase," is the command in Leviticus. But this rule does not apply to the stranger. "Unto a stranger thou mayst lend upon usury," Deuteronomy says, "but unto thy brother thou shalt not lend upon usury."

A theologian like Aquinas, following both Scripture and Aristotle, condemns, for Christians, all interest as usury; and Martin Luther also appeals to pagan precept as well as to Scriptural warrant. "The heathen were able, by the light of reason, to conclude that a usurer is a double-dyed thief and murderer," Luther says in a passage which Marx quotes under the comment that the usurer is "that old-fashioned but ever renewed specimen of the capitalist." Castigating his fellow Christians for holding usurers "in such honor that we fairly worship them for the sake of their money," Luther declares that "whoever eats up, robs, and steals the nourishment of another, that man commits as great a murder (so far as in him lies) as he who starves a man or utterly undoes him. Such does a usurer."

It seems to be a later consequence of the Protestant reformation, as Weber and Tawney point out, that the exaction of interest for the loan of money or goods is defended, and only exorbitant rates of interest are denounced as usurious. The signs of the change may be seen in Pascal's diatribe against the specious casuistry which tries to exempt some forms of interest-taking from the charge of usury; and also in the fact that Montesquieu attributes to the schoolmen, "who adopted from Aristotle, a great many notions on lending upon interest," the mistake of condemning it "absolutely and in all cases." In his own opinion, "to lend money without interest is certainly an action laudable and extremely good; but it is obvious that it is only a counsel of religion, and not a civil law."

Montesquieu thinks a price for the use of money is necessary for the carrying on of trade. If a fair rate of interest is not allowed, nobody will lend money; or rather, Montesquieu says, because "the affairs of society will ever make it necessary," moneylending will inevitably take the form of usury. "Usury increases in Mohammedan countries," he points out, "in proportion to the severity of the prohibition. The lender indemnifies himself for the danger he undergoes of suffering the penalty."

Smith agrees that prohibition, "instead of preventing, has been found from experience to increase the evil of usury." A fair rate of interest is justified, he thinks, because "as something can everywhere be made by the use of money, something ought everywhere to be paid for the use of it . . . In countries where interest is permitted, the law, in order to prevent the extortion of usury, generally fixes the highest rate which can be taken without incurring a penalty. This rate ought always to be somewhat above the lowest market price, or the price which is commonly paid for the use of money by those who can give the most undoubted security." Smith offers the British practice as a good example. "Where money is lent to government at three per cent, and to private people upon good security at four, and four and a half, the present legal rate, five per cent, is perhaps as proper as any."

Interest and profit, while not the same in Smith's view, are closely connected. As the revenue from land is rent, from labor wages, and "that derived from stock, by the person who manages or employs it, is called profit," interest is "the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it; and part to the lender, who affords him an opportunity of making this profit." Conceiving interest as a derivative revenue, Smith holds it to be a maxim that "wherever a great deal can be made by the use of money, a great deal will be commonly given for the use of it," so that we may expect to find "the usual market rate of interest" to vary with "the ordinary profits of stock."

THE THEORY WHICH PLACES wealth lowest in the order of goods determines its contribution to human happiness accordingly, and leads to a disapproval of luxuries, on the part of both the individual and society.

"Riches are for the sake of the body, as the body is for the sake of the soul. The latter are good," writes Plato, "and wealth is intended by nature to be for the sake of them, and is therefore inferior to them both, and third in the order of excellence." Aristotle similarly orders wealth, or external goods, to health and other goods of the body, as these in turn are subordinate to the virtues, or goods of the soul; and Hobbes, in somewhat different terms, holds that, of all goods, "those that are dearest to a man are his own life and limbs; and in the next degree (in most men), those that concern conjugal affection; and after them riches and means of living."

While Aristotle admits that happiness requires some external prosperity, he always adds that only a moderate amount of external goods is needed. "Happiness, whether consisting in pleasure or virtue, or both," he writes, "is more often found with those who are most highly cultivated in their mind and in their character, and have only a moderate share of external goods, than among those who possess external goods to a useless extent, but are deficient in higher qualities." Aristotle praises Solon for telling Croesus, one of the world's wealthiest men, that happiness requires more than riches. The conversation is narrated by Herodotus.

"What, stranger of Athens," Herodotus reports Croesus as saying, "is my happiness, then, valued so little by you, that you do not even put me on a level with private men?" To which, Solon replies: "Croesus, I see that you are wonderfully rich, and the lord of many nations," but "he who possesses a great store of riches is no nearer happiness than he who has what suffices for his daily needs, unless luck attends him, and so he continue in the enjoyment of all his good things to the end of his life." Aristotle adds the further observation that "one can with but moderate possessions do what one ought" and that "a good life requires a supply of external goods in a less degree when men are in a good state and in a greater degree when they are in a lower state."

Aquinas agrees with Aristotle so far as the happiness of the active life is concerned, but he holds that wealth "does not conduce to the happiness of the contemplative life; rather is it an obstacle thereto." With regard to achieving "the happiness of heaven" in the life hereafter, Aquinas not only thinks wealth an obstacle, but he also explains why the religious orders take the vow of voluntary poverty. "Man is directed to future happiness by charity," he writes; and "in the attainment of the perfection of charity the first foundation is voluntary poverty, whereby a man lives without property of his own."

The opinion that wealth is an obstacle or that it should be sought in moderation does not seem to be universally shared. As Herodotus, Plato, and Aristotle report the prevalence in the ancient world of the notion that "external goods are the cause of happiness," so Melville reflects that in modern society "the urbane activity with which a man receives money is really marvellous, considering that we so earnestly believe money to be the root of all earthly ills, and that on no account can a monied man enter heaven. Ah! how cheerfully we consign ourselves to perdition!" Marx quotes a still more extravagant claim. In a letter from Jamaica in 1503, Christopher Columbus exclaims: "Gold is a wonderful thing! Whoever possesses it is lord of all he wants. By means of gold one can even get souls into Paradise."

Against Rousseau's attack upon opulence as the cause of civilization with all its miseries, Dr. Johnson rises in the defense of luxuries and the advantages of wealth. "Rousseau's treatise on the inequality of mankind," Boswell writes, "was at this time a fashionable topick. It gave rise to an observation by Mr. Dempster that the advantages of fortune and rank were nothing to a wise man." To this, Dr. Johnson replies: "If a man were a savage, living in the woods by himself, this might be true," but "in civilized society, external advantages make us more respected . . . Sir, you may make the experiment. Go into the street, and give one man a lecture on morality, and another a shilling, and see which will respect you the most . . .

"And, Sir," he continues, "if six hundred pounds a year procure a man more consequence, and, of course, more happiness than six pounds, the same proportion will hold as to six thousand, and so on as far as opulence can be carried. Perhaps he who has a large fortune may not be so happy as he who has a small one; but that must proceed from other causes than from his having the large fortune; for, *ceteris paribus,* he who is rich in a civilized society, must be happier than he who is poor."

On one occasion, Dr. Johnson seems to share Solon's view. When Boswell suggests that the proprietor of a great estate "must be happy," he exclaims: "Nay, Sir, all this excludes but one evil—poverty." But for the most part, his opinion is that "it is in refinement and elegance that the civilized man differs from the savage," and that it is right for every society to be as luxurious as it can be.

"Many things which are false are transmitted from book to book," he says to General Oglethorpe, "and gain credit in the world. One of these is the cry against the evil of luxury. Now the truth is that luxury produces much good. You will hear it said, very gravely, Why was not the half-guinea, thus spent in luxury, given to the poor? To how many might it have afforded a good meal. Alas! has it not gone to the *industrious* poor, whom it is better to support than the *idle* poor? You are much surer that you are doing good when you *pay* money to those who work as the recompense of their labor, than when you *give* money in charity... And as to the rout that is made about people who are ruined by extravagance, it is no matter to the nation that some individuals suffer. When so much general productive exertion is the consequence of luxury, the nation does not care though there are debtors in gaol."

Dr. Johnson's pronouncements may silence Mr. Dempster and General Oglethorpe, but not Smith or Marx. To Smith, spendthrift extravagance squanders wealth which might have been capitalized for productive purposes; to Marx, the multiplication of luxury products diverts labor power that is socially necessary for producing the means of subsistence into what Veblen later calls "conspicuous consumption" and "conspicuous waste." Not only, in Marx's view, can the capitalistic system be charged with indifference as to whether its profits are made out of the production of luxuries or necessities; but the workers on starvation wages engaged in the luxury trades constitute a signal indictment of the inequitable distribution of wealth.

As THE NEEDS OF THE individual are thought to set a natural limit to his acquisition of wealth, or at least to provide him with a rational standard for stopping short of wanton luxuries when he seeks the decencies or amenities of life, so the needs of society as a whole are thought to establish a criterion of justice in the distribution of wealth.

"God gave the world to men in common," says Locke, and "the measure of property nature has well set by the extent of man's labor and the convenience of life... No man's labor could subdue or appropriate all; nor could his enjoyment consume more than a small part; so that it was impossible for any man, this way, to intrench upon the right of another, who would still have room for as good and as large a possession (after the other had taken out his) as before it was appropriated. Which measure did confine every man's possession to a very moderate proportion, and such as he might appropriate to himself without injury to anybody, in the first age of the world."

This rule of property—"that every man should have as much as he could make use of" without prejudice or injury to others—worked well in the beginning when, as Locke puts it, "all the world was America." It "would still hold in the world without straitening anybody," Locke thinks, "since there is land enough in the world to suffice double the inhabitants, had not the invention of money... introduced (by consent) larger possessions and a right to them"; for gold and silver being relatively imperishable, men can hoard excesses of them without appearing to waste them, as they would if they amassed perishable commodities which they could not consume or use.

It is not money but property itself which Rousseau claims to be the origin of inequality among men and of the inequitable distribution of wealth. "The first man who, having enclosed a piece of ground, bethought himself of saying *This is mine,* and found people simple enough to believe him, was the real founder of civil society." Once established as a right, property tends to expand. The larger proprietors avoid the question, "Do you not know that numbers of your fellow-creatures are starving, for want of what you have too much of?" Instead, according to Rousseau, they conceive "the profoundest plan that ever entered the mind of man" to protect their possessions against invasion or plunder. They institute civil government, ostensibly for the security of all, but really to secure for themselves their property and power.

"Such was, or may well have been," Rousseau writes, "the origin of society and law, which bound new fetters on the poor, and gave new powers to the rich; which irretrievably destroyed natural liberty, eternally fixed the law of property and inequality, converted clever usurpation into unalterable right, and, for the advantage of a few ambitious individuals, subjected all mankind to perpetual labor, slavery, and wretchedness." Smith seems to agree. "Where there is no property," he says, "or at least none that exceeds the value of two or three days labor, civil government is not so necessary . . . Civil government, so far as it is instituted for the security of property, is in reality for the defense of the rich against the poor, or of those who have some property against those who have none at all."

But, unlike Smith, Rousseau has an alternative to propose. "Since it is plainly contrary to the law of nature . . . that the privileged few should gorge themselves with superfluities while the starving multitude are in want of the bare necessities of life," he thinks it is "one of the most important functions of government to prevent extreme inequalities of fortunes; not by taking away wealth from its possessors, but by depriving all men of means to accumulate it; not by building asylums for the poor, but by securing the citizens from becoming poor."

THIS STATES AN END, but not the means for achieving it. The problem of poverty is not so easily solved, if it can be solved at all, once the right of property is admitted. Rousseau, for example, no less than Locke and others before him, affirms this right which, for Kant and Hegel later, is almost the whole substance of private or abstract right. "The right of property," says Rousseau, "is the most sacred of all the rights of citizenship, and even more important in some respects than liberty itself." Yet it is difficult, he admits, "to secure the property of individuals on one side, without attacking it on another; and it is impossible that all the regulations which govern the order of succession, wills, contracts, etc., should not lay individuals under some constraint as to the disposition of their goods, and should not consequently restrict the right of property."

To Hegel, poverty seems to be an inevitable consequence of property, as war is an inevitable consequence of sovereignty, and in neither case can the cause be abolished. "When the masses begin to decline into poverty," as they must, they can be supported from public funds and private charities, thus receiving "subsistence directly, not by means of their work," or as an alternative, "they might be given subsistence indirectly through being given work." But, Hegel adds, "in this event the volume of production would be increased, but the evil consists precisely in an excess of production and in the lack of a proportionate number of consumers who are themselves also producers, and thus it is simply intensified by both of the methods by which it is sought to alleviate it." Hence, Hegel concludes, it "becomes apparent that despite an excess of wealth civil society is not rich enough . . . to check excessive poverty and the creation of a penurious rabble. This inner dialectic of civil society thus drives it—or at any rate a specific civil society—to push beyond its own limits and seek markets, and . . . its necessary means of subsistence, in other lands which are either deficient in the goods it has over-produced, or else generally backward in industry."

Imperialism, according to Marx, will not long work as a cure for what Tawney later calls "the sickness of an acquisitive society"—the inner frustration which Marx sees manifested in recurring economic crises and depressions of greater and greater magnitude. Nor does he propose the abolition of all private property as the remedy for poverty, when he calls for "the expropriation of the expropriators." On the contrary, only the possession by each individual of an adequate supply of consumer's goods can abolish poverty. Differentiating between individual and capitalist property, according as its owners are or are not laborers, and according as it consists in consumable goods or the means of production, Marx would transfer the latter from private property to public ownership.

The socialist economy he outlines with Engels also includes "abolition of property in land, and application of all rents of land to public purposes; a heavy progressive or graduated income tax; abolition of all right of inheritance." It includes "centralization of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly," and also "centralization of the means of communication and transport." Last but not least, it includes "equal liability of all to labor."

More radical than Marx's socialism is the communism Plato proposes in *The Republic.* Plato's aim is not to solve the problem of poverty or economic injustice. By abolishing for his guardian class *all* private property, he hopes that his guardians through sharing common possessions (including wives and children) will have no cause for rivalry, dissension, or personal ambition. Common possessions should mold them into a fraternity and free them from private interests to work for the common good. In this matter of property, the condition of Plato's imagined guardians was not so different from that of Jesus' disciples as recounted in the Book of Acts, or of the monastic orders whose vows include that of voluntary poverty.

Aristotle's criticisms of the arrangements for the guardian class in *The Republic* are largely directed against the community of women and children and the elimination of private property. "Property," he says, "should be in a certain sense common, but as a general rule private; for, when everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attending to his own business." He thinks "it is clearly better that property should be private, but the use of it common," in the sense that its use have the common welfare in mind.

Not only does Aristotle defend private property on many counts, but he objects to schemes for equalizing it, such as Plato sets forth in the *Laws*. For one thing, "the legislator ought not only to aim at the equalization of properties, but at moderation in their amount." Yet if the legislator "prescribe this moderate amount equally to all, he will be no nearer the mark; for it is not the possessions but the desires of mankind which need to be equalized, and this is impossible unless a sufficient education is provided by the laws."

Whether or not communism is desirable, there are those who think it is impossible, not so much on the level of the economic, as on the level of the moral, revolution for which Aristotle looks to education. The skeptic thinks human nature cannot be so transformed. It may be only in the 20th century that the world is divided into two camps on this subject, but the issue is as old as the western tradition. At its beginning Aristophanes expresses the skeptical position in a form that is still current. *The Assemblywomen* simply laughs at the idea that inequalities of property can ever be done away with—by law or by education.

When one comes to more recent writing on wealth, the book most centrally concerned is Tawney's *The Acquisitive Society.* Tawney sees wealth as the result of the release of all men to pursue without social conscience or inhibition their personal self-interests. Thus are all relieved by the system "of the necessity of discriminating between different types of economic activity and different sources of wealth, between enterprise and avarice, energy and unscrupulous greed, property which is legitimate and property which is theft, the just enjoyment of the fruits of labor and the idle parasitism of birth and fortune."

These being the diverse sources of wealth, it is evident that Tawney does not have a highly favorable view either of riches or of those who possess them. Under the impulse to possession, "men do not become religious or wise or artistic; for religion and wisdom and art imply the acceptance of limitations. But they become powerful and rich. They inherit the earth and change the face of nature, if they do not possess their own souls . . . The temper which dedicates itself to the cultivation of opportunities, and leaves obligations to take care of themselves, is set upon an object which is at once simple and practicable. The eighteenth century defined it. The twentieth century has very largely attained it." Not many writers, at least in the social sciences, have so fully stated their position in so few words.

Tawney then prescribes, on the whole, a more difficult matter. He does not condemn indiscriminately the pursuit of wealth; it can be a means to better ends and not an end in itself. (All men, he notes, are very likely to confuse means and ends.) He seeks a social order in which industrial activity is professionalized. In the manner of the good physician or scholar, money should be earned with a larger commitment to good or anyhow acceptable behavior. Acceptable behavior, in turn, includes a willingness to see and concede to the conflicting goals of others. Tawney would encourage such professionalism in a practical way by the organization of workers and other economic groups to exercise power countervailing the power of those motivated by greed and other acquisitive impulses. Tawney also presses hard against the tendency to divorce religion and its obligations and restraints from economic motives. The latter, he strongly feels, should be kept subordinate to religious ethic. When there is uninhibited pursuit of wealth as an end in itself, nothing can prevent collision with others so motivated or those, workers in particular, who stand in the way.

Veblen's *The Theory of the Leisure Class*, published in 1899, appeared amid the most intense discussion of wealth and its social justifications and effects that the United States, perhaps any country, has ever experienced. The robber barons—Vanderbilt, Rockefeller, Jay Gould, the exceptionally visible James Fisk—were or had recently been large on the economic landscape. Congress had enacted the Sherman Antitrust Act in the hope that competition would curb their greed or, as was more often seen, their compulsive piracy, and the Interstate Commerce Act was specifically directed at rate abuse by the railroads. Theodore Roosevelt would soon condemn the "malefactors of great wealth," and a generation of muckraking writers—Theodore Dreiser, Upton Sinclair, Ida Tarbell—who criticized the rich and their presumed greed was about to enter on the literary scene. None of these, all notable in the American experience, would quite match in practical effect that of Veblen.

Veblen's instrument is a wonderfully solemn, seemingly scientific ridicule. The relevant discipline for viewing wealth in general and the American rich in particular is not economics but anthropology. The rich are anthropological specimens to be examined sequentially with members of the most primitive Pacific tribal communities. Their behavior, Veblen, on occasion, accommodates to his needs. "The institution of a leisure class," he writes, "is found in its best development at the higher stages of the barbarian culture." In Newport as in Papua, both seek competitive display: "Costly entertainments, such as the potlatch or the ball, are peculiarly adapted to serve this end." The tribal leader in both cases sets great store by the adornment of his women—painful tattooing and mutilation in the one case, more or less equally painful constriction by corsets in the other. However, the modern man of wealth has moved on to make the wife, "who was at the outset the drudge and chattel of the man," now "the ceremonial consumer of goods which he produces." From the characterization of such display come Veblen's enduring contributions to the language—"conspicuous consumption" and "conspicuous waste."

Related to these is the role of conspicuous leisure. "In order to gain and to hold the esteem of men," he writes, "it is not sufficient merely to possess wealth or power. The wealth or power must be put in evidence . . . a life of leisure is the readiest and most conclusive evidence of pecuniary strength."

Veblen and *The Theory of the Leisure Class* brought into being a distinctive American reaction to wealth. In Europe wealth was regarded with envy, resentment, and social disapproval, and from its possessors came indignant affirmation of the righteousness of its possession and enjoyment. These attitudes and behavior patterns were not lacking in the United States, but to them Veblen added a new dimension. The rich might have their wealth and the associated entertainments. However, no truly sensitive and sensible person would be so captured; no one so endowed would want to be guilty of "invidious" display; who would casually risk the charge of conspicuous consumption? Veblen accomplished the nearly impossible: he made wealth and its display a subject of amusement, maybe even scorn.

In the United States, at least until recent times, it is possible, in consequence, that the legacy of Veblen was more influential in restraining the pleasures and extravagances of the rich than any other force, except perhaps the progressive income tax. Such was the social effect of *The Theory of the Leisure Class*.

Keynes, in neither his *General Theory of Employment, Interest and Money* nor in his other writings, was very interested in the moral, social, or even economic aspects of wealth. He largely accepted what existed; he devoted a substantial amount of his personal time to amassing (and once or twice losing) a modest fortune. He is remembered for investment operations verging on speculation on behalf of King's, his Cambridge college, where he long served as bursar. Yet, in an unintended way, his work had a profound influence on attitudes toward wealth and the accumulation of wealth.

Keynes's concern, as discussed also in the chapter on Labor, was to have an economy that functioned with the full or near full employment of its labor force. This, not the need for the goods produced, was his central interest. But in order to employ labor and industrial plants it was essential that production increase from year to year as more workers became available and as the productivity of the individual worker increased. From this, in turn, came the standard and all but universally accepted test of economic performance, the one now enunciated daily and without thought: the rate of economic growth of the country, the growth being that in the aggregate production of goods and services—of wealth in the particular national community. If a country has a high rate of such growth, it is doing well, is successful. A low rate of growth is a matter for anxiety and serious attention. No one dreams of examining the needs behind this incremental wealth; the justification lies not in what is produced but in the employment and income provided by the production or merely in the growth itself.

In the socialist world the supply of goods—wealth *per se*—remains a major issue. So also, needless to say, in the poor lands of, as it is now called, the Third World. In the rich countries a steady increase in wealth is what ensures the employment and well-being of those who produce it. Here economic growth—the annual increase in wealth—is the culmination of the long history of changing attitudes on this subject. The question is not the power that increasing wealth affords the individual. There is almost no mention of the pleasure or prestige that it provides. Rather, as noted, the increase in wealth is in some measure a social end in itself, to the extent that it does have functional justification, which comes not from the goods produced but from the employment provided.

Such is the legacy of Keynes. Although, to repeat, he was not himself concerned with the economic and moral justification of wealth, it was the unintended consequence of his *General Theory* that he profoundly reshaped both social thought and political action on the subject.

CHAPTER 99: **WEALTH** from the Syntopicon

OUTLINE OF TOPICS

1. The elements of wealth: the distinction between natural and artificial wealth; the distinction between the instruments of production and consumable goods

2. The acquisition and management of wealth in the domestic and tribal community

3. The production of wealth in the political community
    3a. Factors in productivity: natural resources, raw materials, labor, tools and machines, capital investments
    3b. The use of land: kinds of land or real estate; the general theory of rent
    3c. Agricultural production: the produce of land
    3d. Industrial production: domestic, guild, and factory systems of manufacturing

4. The exchange of wealth or the circulation of commodities: the processes of commerce or trade
    4a. The forms of value: the distinction between use-value and exchange-value
    4b. Types of exchange: barter economies and money economies
    4c. Rent, profit, wages, interest as the elements of price: the distinction between the real and the nominal price and between the natural and the market price of commodities
    4d. The source of value: the labor theory of value
    4e. Causes of the fluctuation of market price: supply and demand
    4f. The consequences of monopoly and competition
    4g. Commerce between states: tariffs and bounties; free trade

5. Money
    5a. The nature of money as a medium or instrument of exchange, and as a measure of equivalents in exchange
    5b. Monetary standards: the coining or minting of money; good and bad money
    5c. The price of money: the exchange rate of money as measured in terms of other commodities
    5d. The institution and function of banks: monetary loans, credit, the financing of capitalistic enterprise
    5e. The rate of interest on money: the condemnation of usury

6. Capital
    6a. Comparison of capitalist production with other systems of production: the social utility of capital
    6b. Theories of the nature, origin, and growth of capital stock: thrift, savings, excesses beyond the needs of consumption, expropriation
    6c. Types of capital: fixed and circulating, or constant and variable capital
    6d. Capital profits
        (1) The distinction of profit from rent, interest, and wages
        (2) The source of profit: marginal or surplus value; unearned increment and the exploitation of labor
        (3) Factors determining the variable rate of capital profit
        (4) The justification of profit: the reward of enterprise and indemnification for risk of losses
    6e. The recurrence of crises in the capitalist economy: depressions, unemployment, the diminishing rate of profit

7. Property

7a. The right of property: the protection of property as the function of government

7b. Kinds of economic property

(1) Chattel slaves as property

(2) Property in land

(3) Property in capital goods and in monetary wealth

7c. The uses of property: for production, consumption, or exchange

7d. The ownership of property: possession or title; the legal regulation of property

(1) Private ownership: partnerships, joint-stock companies

(2) Government ownership: eminent domain

7e. The inheritance of property: laws regulating inheritance

8. The distribution of wealth: the problem of poverty

8a. The sharing of wealth: goods and lands held in common; public ownership of the means of production

*8b.*The division of common goods into private property: factors influencing the increase and decrease of private property

8c. The causes of poverty: competition, incompetence, indigence, expropriation,unemployment; the poverty of the proletariat as dispossessed of the instruments of production

8d. Laws concerning poverty: the poor laws, the dole

9. Political economy: the nature of the science of economics

9a. Wealth as an element in the political common good

9b. Factors determining the prosperity or opulence of states: fluctuations in national prosperity

9c. Diverse economic programs for securing the wealth of nations: physiocratic, mercantilist, and laissez-faire systems

*9d.*Governmental regulation of production, trade, or other aspects of economic life

*9e.*The economic support of government and the services of government

(1)The charges of government: the cost of maintaining its services; elements in the national budget

(2) Methods of defraying the expenses of government: taxation and other forms of levy or impost; confiscations, seizures, and other abuses of taxation

9f. Wealth or property in relation to different forms of government

9g. Wealth and poverty in relation to crime and to war between states

9h. The struggle of economic classes for political power

10. The moral aspects of wealth and poverty

10a. The nature of wealth as a good: its place in the order of goods and its relation to happiness

10b. Natural limits to the acquisition of wealth by individuals: the distinction between necessities and luxuries

10c. Temperance and intemperance with respect to wealth: liberality, magnificence, miserliness, avarice

10d. The principles of justice with respect to wealth and property: fair wages and prices

10e. The precepts of charity with respect to wealth

(1) Almsgiving to the needy and the impoverished

(2) The religious vow of poverty: voluntary poverty

(3) The choice between God and Mammon: the love of money as the root of all evil

11. Economic determinism: the economic interpretation of history

12. Economic progress: advances with respect to both efficiency and justice