

AN ALPHABET OF ECONOMICS

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An alphabet of economics by A. R. Orage

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INTRODUCTION

THE following Alphabet grew out of an attempt to compile a glossary of economic and political terms for the use of readers of the *New Age* in general and of students of the system of National Guilds in particular. It developed, however, into a more or less systematic attempt to define economics in terms of the wage system, and, at the same time, to suggest an alternative to it. Though fragmentary, therefore, in appearance, it will be found to contain a consistent criticism of current economic theory, a consistent exposition, however inadequate, of the economic theory held by the new school of National Guildsmen, and consistent suggestions, somewhat shadowy, it is true, towards a social reconstruction.

It has long been realised that modern industry depends for its main motive upon the desire for gain ; and hence that " profit-eering," or production for the sake of profit, is an accurate description of it. It has long also been realised that in thus permitting production to be carried on from an irrelevant motive we were admitting an ethical contradiction into the practices of the State. At the same time, since economists, by means of their analysis of the factors of production, found themselves unable to detect any intellectual defect in the system, the ethical defect was assumed to be either a passing phenomenon, to be remedied by education, or inherent in human nature. Nothing, they concluded, was wrong in the theory of economics ; hence nothing could be wrong in the practice unless it were due to factors outside economic control. Economic theory, in short, was assumed to be able to leave the court, where it had been charged with the crimes of modern industry, without a stain upon its character.

To this, however, it was not possible that everybody always should agree; and, in fact, as the history of Socialist criticism shows, there have always been protestants and dissentients, who maintain that what is right in theory cannot be wrong in practice, and that what is wrong in practice must needs, therefore, be wrong in theory. Without attempting in this place to resume the course of such a criticism or to review the successive hypotheses upon which such criticisms have rested themselves, it may be said that the common sum of them is to be found and is assumed in the definitions herein contained. The issue turns, it will be seen, upon the original analysis of the factors of production, from which, if we accept the current conception, all the consequences of modern industry flow, and which, therefore, must be re-examined if we are to build our industry upon a new foundation.

These factors, it is well known, are three in number. They are Land, Capital, and

Labour. Assuming these to be unalterable by criticism, there is, as has been said, little to be done of a radical character in economics, which must, in fact, become more and more detailed as time goes on, and less and less, therefore, reconstructive. But the question the Socialists ask, is whether, in truth, these factors are either congruous or exhaustive. Laying the axe to the very root of the tree, we challenge the assumption on which the modern theory of economics rests, the theory, namely, which defines the factors of Land, Capital, and Labour as the true factors of production.

Of recent years, under the pressure rather of practical legislation than of pure thought, the time-honoured distinction between Land and Capital has been fast disappearing, in spite of the efforts of the older school to preserve the ancient landmarks. The involved discussions in the Press concerning land values and increments of value, and of the difference between Rent and Interest, which had their origin in the famous first

Budget of Mr. Lloyd George, have left, by reason of their confusion, little clear in the whole field save this: that the distinction between Land and Capital is impossible to make, and is not worth making. The two, in short, have now become one; and it is no longer admissible, except colloquially, to distinguish between Land and Capital or between Rent and Interest. Both Land and Capital are Capital; and all Capital consists of Tools of Production. Rent and Interest are the names respectively given to payment for the use of the tool of Land (as a rule) and of the tool of Capital. Save by custom, there is no distinction between them. Having, however, now reduced two of the terms of the classic trinity to a common term—namely, to the common term of a Tool of Production—how do we find the case stands with the third member of the trinity, the factor of Labour? If Land and Capital are alike Tools of Production, and their third partner, Labour, is of the same nature with them (as, by the