

fact no Capital, and even if there were millions and millions of money, everybody would be poor. If on the other hand all the money now in existence were suddenly cancelled and wiped out, while everything else were left intact, Capital in a true sense would remain as valid and tangible a thing as it is to-day. The conception of Capital therefore as being simply money is entirely fallacious.

Of course money may, and does to-day, represent a *call on* real Capital—exists as a token for Capital—this is entirely a matter of the exchangeable value of the money—and it is this that really gives it value—but clearly it is not itself Capital. Many people are apt to think that because England, for instance, has among other things issued a billion and a half dollars of money in the shape of currency notes since the war began, a considerable portion of which has been added to the cash in peoples' pockets and in the Banks, the English people are much wealthier than they were. That is a fallacy.

It is a fallacy because wealth does not consist of money but of commodities, and the quantity of commodities has not increased. It has decreased.

The people of England therefore as a whole are not richer, but poorer, notwithstanding the increased amount of money in their pockets.

I have tried to show how the money in the World has been increased out of all reckoning during the past four years, but if the explanation has been clear you will on the other hand also understand that the Capital in the World has not been increased but as a matter of fact it has been very largely decreased.

Capital in reality is constituted of goods and property saved from current consumption and available for

the further production and transportation of materials of various kinds. It may be defined as goods saved from current consumption for the purpose of being used again in further production.

An appropriate and classic illustration of what Capital really is, is that of a member of a savage tribe which exists precariously on fish caught from the rocks which jut out into the sea. One member of the tribe lays up a store of dried fish by saving a little fish every day from his rations, until he has enough put by to last him for several weeks. As a result of this he is able to stop fishing for a while and to build himself a canoe in which he paddles off to the deep water two or three miles from shore where in one day he can catch as many fish as he could catch off the rocks in a week. The store of dried fish was the first capital which was saved from consumption and kept to live on while he was making his canoe. Having done this, having put his Capital into his canoe, he can if he likes hire the canoe out to his neighbours taking part of their catch as payment, while he himself builds more canoes.

His neighbours get more fish for less work and have more time to build better canoes for themselves, or to improve their dwellings or to better their general condition in any way they like. The original member in becoming a Capitalist has improved his own condition and at the same time the condition of the community. This is the primitive and simple basis of Capital, *and in broad essentials it is the basis of Capital to-day.*

Capital consists primarily and essentially of savings—savings made by individuals and by groups—and then utilised for production. The value of the savings, i.e., of the