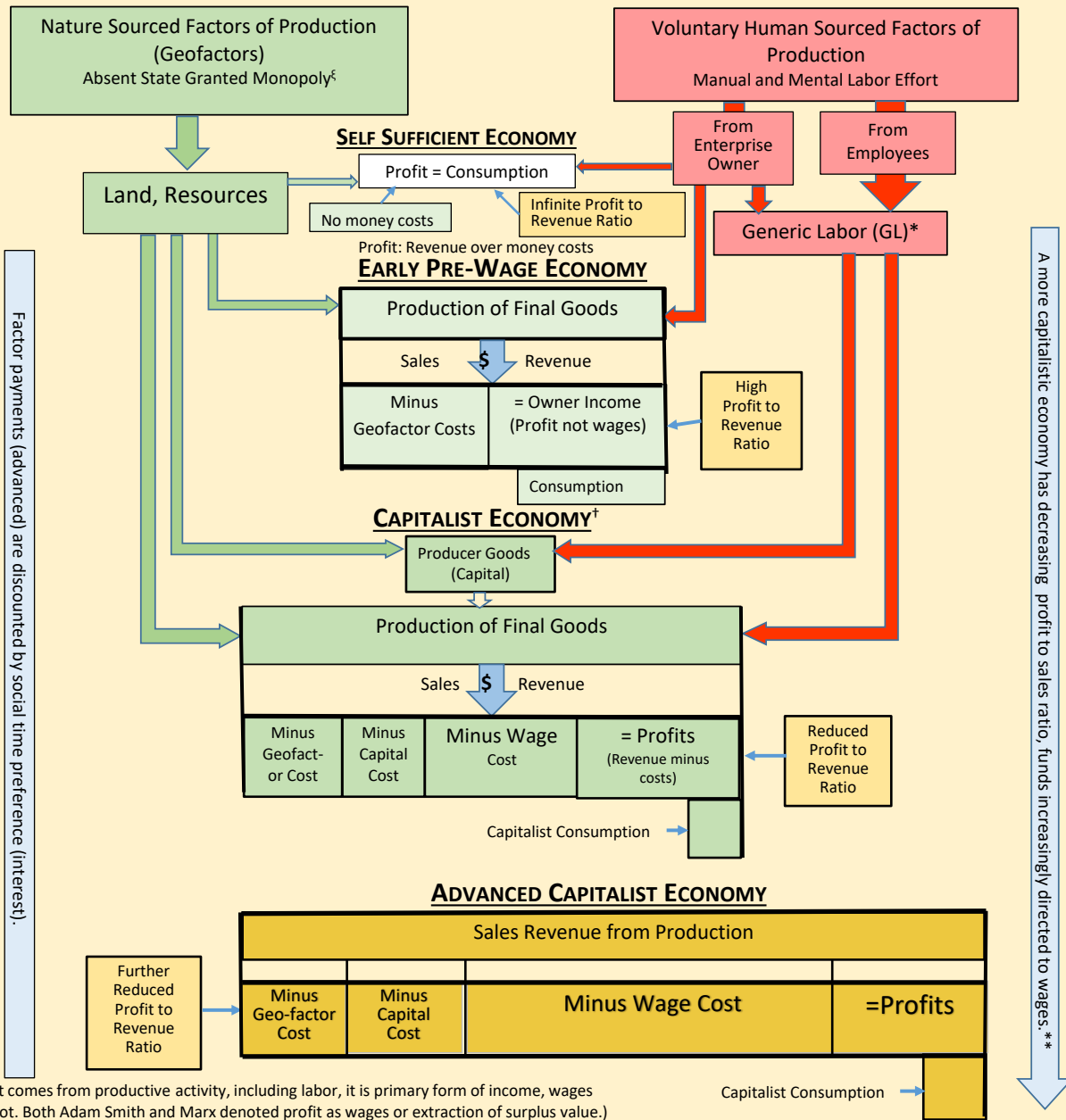


HOW CAPITALISM PROMOTES WAGES OVER PROFITS



(Profit comes from productive activity, including labor, it is primary form of income, wages are not. Both Adam Smith and Marx denoted profit as wages or extraction of surplus value.)

"The emergence of capitalists does not bring into existence the phenomenon of profit. Profit exists prior to their emergence."

And: "Thus, capitalists do not impoverish wage earners, but make it possible for people to be wage earners. For they are responsible not for the phenomenon of profits, but for the phenomenon of wages. They are responsible for the very existence of wages in the production of products for sale. Without capitalists, the only way in which one could survive would be by means of producing and selling one's own products, namely, as a profit earner. But to produce and sell one's own products, one would have to own one's own land, and produce or have inherited one's own tools and materials. Relatively few people could survive in this way. The existence of capitalists makes it possible for people to live by selling their labor rather than attempting to sell the products of their labor. Thus, between wage earners and capitalists there is in fact the closest possible harmony of interests, for capitalists create wages and the ability of people to survive and prosper as wage earners. And if wage earners want a larger relative share for wages and a smaller relative share for profits, they should want a higher economic degree of capitalism—they should want more and bigger capitalists." — George Reisman
<https://mises.org/library/classical-economics-vs-exploitation-theory>

‡ Statutes privileging exclusivity in land ownership produce a price and rental unearned feudalistic "tax" on the productive economy.

† Emergent capitalism of free markets, not privileged markets.

* Includes labor of capitalist/entrepreneur—intelligent employment and direction of factors of production.

** Hence wages can be highest where capitalist/entrepreneur rights to sales revenue and rights of laborer to wage earnings obtains. The classical wages-fund principle applies. Sales revenues mostly reinvested in factor inputs for next round of production. Wages-fund enhanced by unconsumed profits. Moreover, historically, real wages have escalated from goods prices falling wherever productivity advances from application of capital and increased division of labor. Under capitalism a wage-based economy supplants earlier profit based economies.