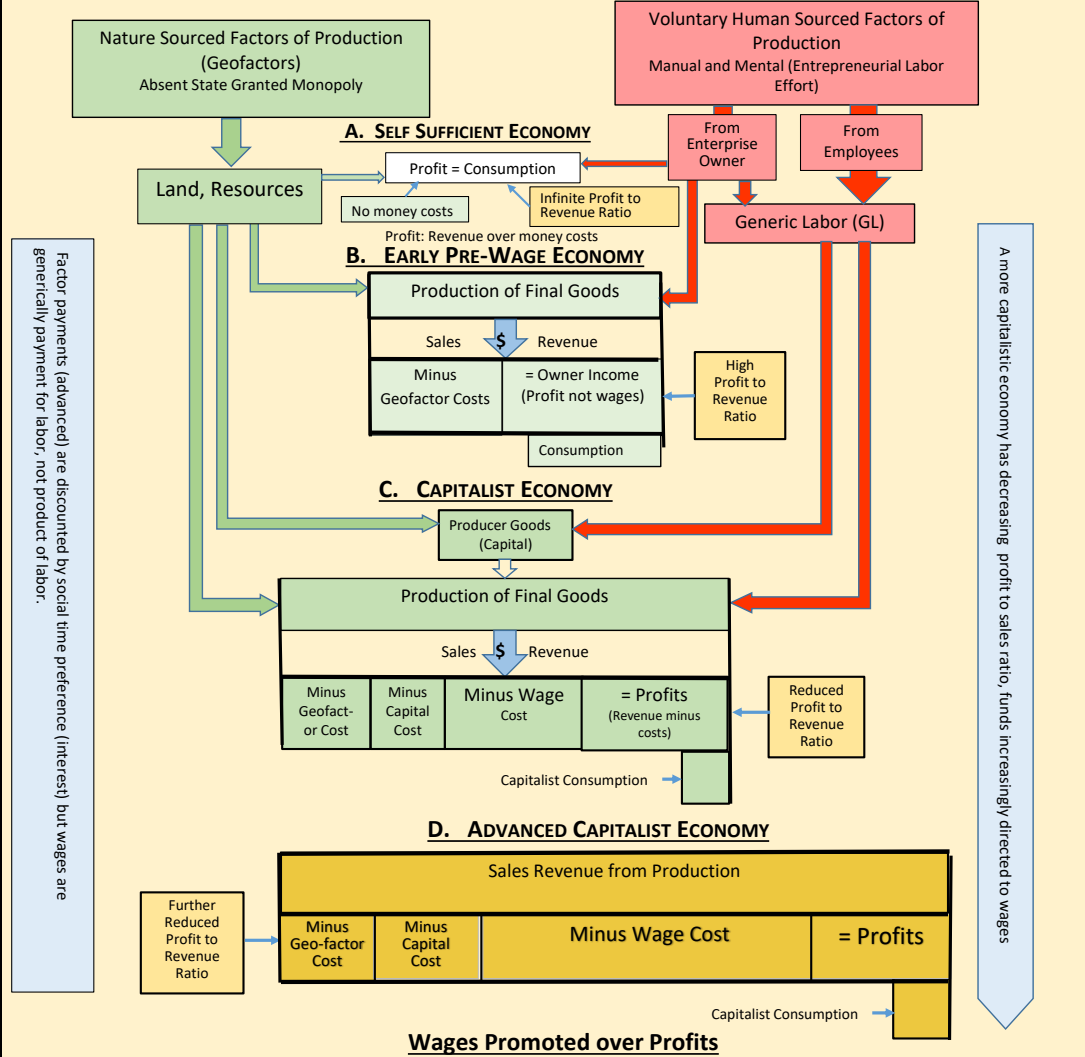


LAWS OF INCOME DISTRIBUTION

How Capitalism Promotes Wages Over Profits



E. Maturing Capitalist Economy

Above Process A through D obtains with gradual accrual of income share to rent.

1	Sales Revenue from Production			
	Geo-factor Rent	Capital Interest	Wages	Profits

Competition and market limits non-rental incomes to marginal physical products. Under reduced margin of productivity of land average rent on land rises.

2	Sales Revenue from Production increased due to increased productivity. Financialization of rent increases interest income. The proportion of wages and profits diminishes relatively.			
	Geo-factor Rent	Capital Interest	Wages	Profits

Capital invested in long-term projects (such as gov.), unless seen by market as profitable, reduces

Both Adam Smith and Karl Marx erroneously denoted profit as extraction of surplus value from wages. In fact capitalist wage-based economies supplant earlier profit-based economies.

"In a competitive enterprise economy profit is the difference between the prices paid for productive services and the prices received for product"
 – Frank H. Knight, *Encyclopedia of the Social Sciences*, 1933.

This chart based on article by George Reisman :<https://mises.org/library/classical-economics-vs-exploitation-theory>