

## Chapter V— Mr. Spencer's Confusion As To Value

It seems strange that a man who has touched on so many branches of knowledge, and written so largely on sociology, should even to this time have neglected the primary principles of political economy. But the failure to distinguish between equal rights and joint rights, which has so confused Mr. Spencer, is allied with a failure to comprehend the nature of rent. In *Social Statics* he assumes that all land ought to pay rent to the state, and on this assumption, joined with and perhaps giving rise to his transmutation of equal rights into joint rights, he bases important conclusions as to the right of property. In his latest book, *Justice*, he is not only no clearer in this but shows plainly—what in *Social Statics* is only to be surmised—his failure to appreciate the nature of the fundamental economic concept—value.

Thus, in the chapter in *Justice* entitled "The Right of Property," he speaks (Section 55) of weapons, instruments, dress and decorations as "things in which the value given by labor bears a specially large relation to the value of the raw material," and thus continues:—

When with such articles we join huts, which, however, being commonly made by the help of fellow-men who receive reciprocal aid, are thus less distinctly products of an individual's labor, we have named about all the things in which, at first, the worth given by effort is great in comparison with the inherent worth; for the inherent worth of the wild food gathered or caught is more obvious than the worth of the effort spent in obtaining it. And this is doubtless the reason why, in the rudest societies, the right of property is more definite in respect of personal belongings than in respect of other things.

Passing the queer notion that things made by two or more men are less distinctly products of an individual's labor than things made by one man, we have here the idea that there is an inherent value in the materials and spontaneous products of nature—i.e., land in the economic category—a value underived from labor and independent of it. The slightest acquaintance with economic literature, the slightest attempt to analyze the meaning of the term, would have shown Mr. Spencer the preposterousness of this idea.

The word "value" in English speech has two meanings. One is that of usefulness or utility, as when we speak of the value of the ocean to man, the value of fresh air, the value of the compass in navigation, the value of the stethoscope in the diagnosis of disease, the value of the antiseptic treatment in surgery; or, when having in mind the intrinsic merits of the mental production itself, its quality of usefulness to the reader or to the public, we speak of the value of a book. In this sense of utility there is inherent worth or intrinsic value—a quality or qualities belonging to the thing itself, which give it usefulness to man.

The other sense of the word "value"—the sense in which Mr. Spencer uses it when he says that the value given by labor bears a specially large ratio to the value of the raw materials, or when, later on, he substitutes the word "worth" as synonymous in such use for "value"—is that of exchangeability. In this sense value or worth means not utility, not any quality inhering in the thing itself, but a quality which gives to the possession of a thing the power of obtaining other things in return for it or for its use. Thus we speak of the value of gold as greater than that of iron; of a book bound in cloth as being more valuable than a book bound in paper; of the value of a copyright or a patent; of the lessening in the value of steel by the Bessemer process, or in that of aluminium by the improvements in extraction now going on.

Value in this sense—the usual sense—is purely relative. It exists from and is measured by the power of obtaining things for things by exchanging them. It is therefore absurd to speak in this sense of inherent worth or intrinsic value. Air has the intrinsic quality of utility, or value in use, to the very highest degree; for without an abundant supply of it we could not live a minute. But air has no value whatever in the sense of value in exchange. We speak of a man of worth, or a worthy man, when we mean a man whose inherent qualities entitle him to esteem; but, when we speak of a man who is worth so and so much, or of a wealthy man, we speak of him in certain external relations, purely relative, which give him the power of obtaining things by exchange. A worthy man may retain his worthiness through all changes of external conditions; but a wealthy man is in this the creature of external conditions: the same man, in nothing changed, may

through external circumstances be wealthy today and poverty-stricken tomorrow.

Now, what gives to anything the quality of exchangeability for other things—the quality of worth in exchange, or value?—for, having explained the other sense of the word "value," I will in subsequent use confine it to its common and proper sense, that of value in exchange.

That a thing has value, and may be exchanged for other things, is not because of its weight, or color, or divisibility, or any other quality inherent in the thing itself. Nor yet is it because of its utility to man. Utility is necessary to value, for nothing can be valuable unless it has the quality of gratifying some physical or mental desire of man, though it be but a fancy or whim. But utility of itself does not give value. Air, which has the highest utility, has no value, while diamonds, which have very little utility, have great value.

If we ask ourselves the reason of such variations in the quality of value; if we inquire what is the attribute or condition concurring with the presence, absence or degree of value attaching to anything—we see that things having some form of utility or desirability, are valuable or not valuable, as they are hard or easy to get. And, if we ask further, we may see that with most of the things that have value this difficulty or ease of getting them, which determines value, depends on the amount of labor which must be expended in producing them; i.e., bringing them into the place, form and condition in which they are desired. Thus air, which is of the highest utility, since it is at every instant necessary to our existence, can be had without labor. It is the substance of that ocean, enveloping the surface of the globe, in which we are constantly immersed. So far from requiring labor to get it, it forces itself upon us, requiring labor, when we are so disposed, to keep it away. Hence air, in spite of its high utility, has no value. Large and pure diamonds, on the contrary, since they are found only in few places and require much search and toil to get, can be had only with great labor. Hence, although they have very low utility, since they gratify only the sense of beauty and the desire for ostentation, they have very high value. Thus gold, weight for weight, is more valuable than silver, and much more valuable than iron, simply because it requires on the average more labor to get a given quantity of

gold than to get the same quantity of silver, and much more than to get the same quantity of iron.

That as to such things as these the quality of value is derived from the labor required to produce them; and that, consequently, as to them at least, there is no such thing as inherent value—becomes clearer still when we consider how their value is affected by the increase or decrease of the requirement for labor.

Iron as compared with gold used to be much more valuable than it is now. Why? Because improved processes in smelting have lessened the labor of producing it. A few years since aluminium was more valuable than gold, because it took more labor to get it. Labor-saving improvements have already lowered the value of aluminium to less than that of silver, and little more than that of copper; and it is altogether likely that continued improvement will ere long bring it to that of iron. So the value of steel has been greatly lessened by the introduction of the Bessemer and other processes. So the value of beaverskins, of whalebone, of ivory, etc., has been increased by the growing scarcity of the animals from which they are derived, and the greater labor needed to obtain them. So, too, the improvement in transportation has lessened the value of things where it was a considerable item in the labor required for their production. And so, too, customs duties and other indirect taxes add to the value of things on which they fall, because their effect is to increase the amount of labor required to get such things.

It is thus seen, with regard at least to the greater number of valuable things, that there cannot be inherent or intrinsic value; and that value is simply an expression of the labor required for the production of such a thing. But there are some things as to which this is not so clear. Land is not produced by labor; yet land, irrespective of any improvements that labor has made on it, often has value. And so value frequently attaches to the forms of the economic term "land" that we commonly speak of as natural products, such as trees in their natural state, ore in the vein, stone or marble in the quarry, or sand or gravel in the bed.

Yet a little examination will show that such facts are but exemplifications of the general principle, just as the rise of a balloon and the fall of a stone both exemplify the universal law of gravitation.

To illustrate Let us suppose a man accidentally to stumble on a diamond. Without the expenditure of labor, for his effort has been merely that of stooping down to pick it up, an action in itself a gratification of curiosity, he has here a great value. But what causes this value? Clearly, it springs from the fact that, as a rule, to get such a diamond will require much expenditure of labor. If any one could pick up diamonds as easily as in this case, diamonds would have no value.

Or, here is a grove of natural trees, which, as they stand, and before the touch of labor, have a considerable value, so that a lumberman will gladly pay for the privilege of cutting them. But has not this value the same cause as in the case of the diamond—the fact that to get such lumber ordinarily (or to speak exactly, to get the last amount of such lumber that the existing demand requires) the lumberman must go so far that the cost of transportation will equal what he is willing to pay for these trees?

In the naturally wooded sections of the United States trees had at first not merely no value, but were deemed an encumbrance, to get rid of which the settler had to incur the labor of felling and burning. Then lumber had no value except the cost of working it up after it had been felled; for the work of felling had for object the getting rid of the tree. But soon, as clearing proceeded, the desire to get rid of trees so far slackened, as compared with the desire to get lumber, that trees were felled simply for the purpose of getting the lumber. Then the value of lumber increased, for the labor of felling trees had to be added to it; but trees themselves had as yet no value. As clearing still proceeded and the demand for lumber grew with growing population, it became necessary to go farther and farther to get trees. Then transportation began to be a perceptible element in the labor of getting lumber, and trees that had been left standing began to have a value, since by using them the labor of transportation would be saved. And, as the requirement for lumber has compelled the lumbermen to go farther and farther, the value of the trees remaining has increased. But this value is not inherent in the trees: it is a value having its basis in labor, and representing a saving of labor that must otherwise be incurred. The reason that the tree at such place has a value is, that obtaining it there secures the same result as would the labor of trans-

porting a similar amount of lumber from the greater distance to which resort must be made to satisfy the demand for lumber.

And so with the value which attaches to ore or sand or gravel. Such value is always relative to the labor required to obtain such things from points of greater distance or of less abundant deposits, to which in the existing demand resort is necessary.

We thus see the cause and nature of land values, or, to use the economic term, of rent. No matter how fertile it may be, no matter what other desirable quality it may have, land has no value until, whether by reason of quality or location, the relation between it and the most advantageous land to which labor may have free access gives to its use an advantage equivalent to the saving of labor. Or, to state in another way that accepted theory which is sometimes styled Ricardo's theory of rent, and which John Stuart Mill called the *pons asinorum* of political economy: it is, that the rent of land is determined by the excess of the produce it will yield over that which the same application can obtain from the least productive land in use.

To grasp this principle is to see that land has no inherent value; that value can never attach to all land, but only to some land, and may arise on particular land either by reason of production being extended to inferior land, or by reason of the development of superior productiveness in special localities.

Thus the phenomena of value are at bottom illustrations of one principle. The value of everything produced by labor, from a pound of chalk or a paper of pins to the elaborate structure and appurtenances of a first class ocean steamer, is resolvable on analysis into an equivalent of the labor required to reproduce such a thing in form and place; while the value of things not produced by labor, but nevertheless susceptible of ownership, is, in the same way, resolvable into an equivalent of the labor which the ownership of such a thing enables the owner to obtain or save.

The reason why in rude societies value attaches mainly or wholly to things produced by labor, and there is little or no value to land—or, to use Mr. Spencer's phrase, "the reason why, in the rudest societies, the right of property is more definite in respect of personal belongings than in respect of other things"—is not, as he puts it, that weapons, implements, dress, decorations and huts axe "about all the things in which, at first, the worth given by effort is great in compari-

son with the inherent worth; for the inherent worth of the wild food gathered or caught is more obvious than the worth of the effort spent in obtaining it." It is that labor products always cost effort, and hence have value from the first; while land costs no effort, and in such societies the growth of population and the development of the arts have as yet attached little or no special advantages to the use of particular pieces of land, which at a later stage are equivalent to a saving of effort. Thus, in the absence of the artificial scarcity produced by monopoly, land of practically like quality is easy to obtain and has no value.

For in a sparse population and a rude state of the arts, those differences in productiveness between particular pieces of land, which are so marked in our great cities that land on one side of a street may have twice the value of land on the other side, do not exist. Even differences in the original qualities of land, that with us give rise to enormous differences in value, would, with the hunter or herdsman, or even with the agriculturist, be of no moment. Who, until production had passed even the agricultural stage, could have imagined that in the soil of Western Pennsylvania lurked differences that would sometime give to one spot a value hundreds of thousands times greater than that of seemingly the same kind of land around it; or that a narrow strip in Nevada might be worth millions, while the land about it was worth nothing at all?

It is this confusion of Mr. Spencer as to rent and value that has led him into confusion as to the right of property; and that, at first at least, prevented him from seeing that to secure the equal rights of men to land, it is not necessary that society should take formal possession of land and let it out, and, consequently, that the difficulties he anticipated in taking possession of improved land were imaginary.