

PART II — THE NATURE OF WEALTH

CHAPTER I — CONFUSIONS AS TO THE MEANING OF WEALTH

The purpose of the science of political economy is, as we have seen, the investigation of the laws that govern the production and distribution of wealth in social or civilized life. In beginning its study, our first step is therefore to see what is the nature of the wealth of societies or communities; to determine exactly what we mean by the word wealth when used as a term in political economy.

There are few words in more common use than the word wealth, and in the general way that suffices for ordinary purposes we all know what we mean by it. But when it comes to defining that meaning with the precision necessary for the purposes of political economy, so as to determine what is and what is not properly included in the idea of wealth as political economy must treat of it, most of us, though we often and easily use the word in ordinary thought and speech, are apt to become conscious of indefiniteness and perplexity.

This is not strange. Indeed, it is a natural result of the transference to a wider economy of the term we are accustomed to use in a narrower economy. In our ordinary talk and speech, referring, as it most frequently does, to every-day affairs and the relations of individuals with other individuals, the economy with which we are usually concerned and have most frequently in mind is individual economy, not political economy — the economy whose standpoint is that of the unit, not the economy whose standpoint is that of the social whole or social organism.

The original meaning of the word wealth is that of plenty or abundance; that of the possession of things conducive to a certain kind of weal or well-being. Health, strength and wealth express three kinds of weal or well-being.

In the economy of individuals or social units, everything is regarded as wealth the possession of which tends to give wealthiness, or the command of external things that satisfy desire, to its individual possessor, even though it may involve the taking of such things from other individuals. But in the other economy, that of social wholes, or the social organism, nothing can be regarded as wealth that does not add to the wealthiness of the whole. An individual, for instance, may be wealthy by virtue of obligations due to him from other individuals; but such obligations constitute no part of the wealth of the society, which includes both debtor and creditor. Or, an individual may increase his wealth by robbery or by gaming; but the wealth of the social whole, which comprises robbed as well as robber, loser as well as winner, cannot be thus increased.

It is therefore no wonder that men accustomed to use the word wealth in its ordinary sense, a sense in which no one can avoid its continual use, should be liable, unless they take great care, to slip into confusion when they come to use the same word in its economic sense. But what does seem strange is that indefiniteness, perplexity and confusion as to the meaning of the economic term wealth are even more obvious in the writings of professional economists.

Adam Smith, who is regarded as the founder of the modern science of political economy, is not very definite or entirely consistent as to the real nature of the wealth of nations, or wealth in the economic sense. But since his time the confusion of which he shows traces, instead of being cleared up by the writings of those who in our schools and colleges are recognized as political economists, has become progressively so much worse confounded that in the latest

and most elaborate of these treatises all attempts to define the term seem to have been abandoned.

Many of the best-known writers on political economy make no attempt to give any definition of wealth. The same thing is to be said of the two volumes of Karl Marx entitled *Capital*; and also of the two volumes on the same subject by Böhm-Bawerk, which are much quoted by that now dominant school of scholastic political economy known as the "Austrian". And while many other writers, who make no attempt to define wealth, do have a good deal to say about it, what they say is too diffused and incoherent either to quote or condense. There are many who without saying so, evidently hold the opinion thus frankly expressed by Professor Perry in his *Elements of Political Economy* (1866):

This word wealth has been the bane of political economy. It is the bog whence most of the mists have arisen which have beclouded the whole subject. From its indefiniteness and the variety of associations it carries along with it in different minds, it is totally unfit for any scientific purpose whatever. It is itself almost impossible to be defined, and consequently can serve no useful purpose in the definition of anything else... The meaning of the word wealth has never been settled; and if political economy must wait until that work be done as a preliminary, the science will never be satisfactorily constructed... Men may think, and talk, and write, and dispute till doomsday, but until they come to use words with definiteness, and mean the same thing by the same word, they reach comparatively few results and make but little progress. And it is just at this point that we find the first grand reason of the slow advance hitherto made by this science. It undertook to use the word for scientific purposes which no amount of manipulation and explanation could make suitable for that service. Happily there is no need to use this word. In emancipating itself from the word wealth as a technical term, political economy has dropped a clog and its movements are now relatively free.

Now, wealth is the object-noun, or name given to the subject-matter, of political economy, the science that seeks to discover the laws of the production and distribution of wealth in human society. It is therefore the economic term of the first importance. Unless we know what wealth is, how can we possibly hope to discover how it is procured and distributed? Yet after a century of what passes for the cultivation of the science, with professors of political economy in every college, the question, "What is wealth?" finds no certain answer. Even to such questions as, "is wealth material or immaterial?" or "is it something external to man or does it include man and his attributes?" we get no undisputed reply. There is not even a consensus of opinion. And in the latest and most pretentious scholastic teaching the attempt to obtain any has been virtually, where not definitely, abandoned, and the economic meaning of wealth reduced to that of anything having value to the social unit.

It is clear that failure to define its subject-matter or object-noun must be fatal to any attempted science; for it shows lack of the first essential of a true science. And the fate of rejection even by those who profess to study and teach it has already befallen political economy at the hands of the accredited institutions of learning. This fact will not be obvious to the ordinary reader, for it is concealed to him under a change in the meaning of a word.