

INTRODUCTION

EVERY subject of study has its particular field of inquiry. Thus, mathematics arises from a study of form and number and includes, among other subjects, a fundamental knowledge of geometry and algebra. Physics, in a similar manner, investigates the general realm of matter and leaves to chemistry a more careful analysis of the elements and their compounds. Likewise, history concerns itself with the general development of mankind along political, industrial, and social lines; while civics deals with the more special study of government. In studying economics, we shall find that, in exactly the same manner, this subject further specializes in a field peculiar to itself and rests upon a basis distinct from that of every other science.

The rapidly growing importance of economics and its vital connection with everyday life combine to make it highly desirable for all wide awake people to understand something of this science and to grasp clearly its fundamental characteristic. Economics arises from the study of wealth and investigates the problem of welfare. Of course welfare, from the standpoint of material well-being, is not possible without wealth. Therefore, in order to understand the objective basis of economics we must have a clear conception of the meaning of wealth.

Wealth may be either material or immaterial. For example, houses, factories, food, and clothing are articles of

material wealth; while health, capacity, and character are illustrations of immaterial wealth. Both kinds of wealth possess value, but immaterial differs from material wealth in that it cannot be subjected to the process of exchange; that is, immaterial wealth cannot be bought and sold like food and clothing. It is needless to say that immaterial wealth is of greater value than anything else in life. However, a study of this kind of wealth does not properly belong to the field of economics, but is a legitimate part of the science of education, or of psychology, or of ethics, or of some similar study. Nevertheless, when immaterial wealth is productive of material wealth, economics becomes indirectly interested in the solution of some of its problems. For example, if education produces efficiency and efficiency results in the production of material wealth, economics acquires an indirect but real interest in the growth of education. That is, just as wealth is a means of promoting welfare, so may education increase the amount of wealth produced by society.

However, economics is primarily concerned with material wealth, and it is therefore imperative for the student to have a clear conception of its essential characteristics. In the first place, material wealth may be bought and sold; that is, its ownership may be transferred from one individual to another. We have just seen that this characteristic is distinctive of material wealth. The strength of a Hercules, the genius of a Shakespeare, or the honesty of a Lincoln can never be transferred from one person to another. On the other hand, the palaces of kings, the paintings of old masters, or the products of a steel mill may easily pass from the hands of one into the possession of another. It is always possible, therefore, for material wealth — no matter

what its character or how high its value — to be exchanged for some other commodity of equal value.

But material wealth possesses something more than this element of transferability; it possesses the quality of satisfying human wants. Some things are easily transferred from one person to another, or from one place to another, and yet do not satisfy any individual want. For example the dirt of the street is only too easily brought into the home, but it is not material wealth because it satisfies no one's want. However, this same dirt, needed by the contractor in large quantities, would satisfy an individual want and would in this case be regarded as material wealth. This want-satisfying quality possessed by material wealth is called utility. While degrees of utility possessed by different articles may vary greatly, yet all forms of material wealth must possess some utility. It may readily be seen that necessities of life, such as food, housing, and clothing, possess the greatest possible utility; that is, they satisfy wants that are most intense and universal in all mankind. On the other hand, automobiles, books, or fine pictures satisfy wants that individuals have gradually acquired, but that are not absolutely essential to life itself. In both cases, however, these different forms of material wealth possess utility; that is, they all satisfy, in a greater or less degree, the wants of mankind.

In addition to the qualities of transferability and utility, material wealth must possess still another characteristic. The wealth with which economics is concerned must involve human effort. Locomotives, footballs, chemical apparatus, maps, textbooks, clothing, and thousands of other commodities are all produced by man's conscious industrial effort; that is, they are all "economic goods." In the

same manner, in the production of commercial coal and iron and in the working up of other raw materials of industry, man's labor is an essential element in the finished product. When individuals appropriate gifts of nature, such as forests and minerals, they transform them through their industrial effort into economic goods. On the other hand, such free gifts of nature as air and sunshine cannot easily be appropriated and, although they possess the highest possible utility, their existence is not the result of any human effort. Air and sunlight are not manufactured, therefore we cannot properly regard them as economic goods. Water, on the other hand, while a free good in primitive society, becomes an economic good in the modern city because human effort has been expended in building aqueducts, laying water mains, and otherwise providing a water supply. Free gifts of nature tend to become economic goods; but, so long as they remain "free" and do not form an actual basis for industrial effort, they do not constitute a part of that wealth with which the study of economics is primarily concerned.

From this discussion, therefore, it may be seen that material wealth — the physical basis of economics — is a term applied to all economic goods, that is, to those goods which may be transferred from one individual to another, which satisfy human wants (or possess utility), and which represent some industrial effort.

The beginner in the field of economics must bear in mind not only this concept of material wealth, but he must also clearly understand the relation between wealth and money. One of the first errors into which he is likely to fall is the belief that these two are synonymous, and that, therefore, a study of economics is merely a study of "How to make money." Such a misconception must be immediately

corrected. Material wealth includes infinitely more than money, and the study of economics is therefore infinitely broader than an ordinary lesson in money-making. The popular misconception of the importance of money arises from the simple fact that money is employed by civilized societies as a standard of measuring the value of all economic goods and as a means of exchanging one form of wealth for another. Gold and silver, from which money is coined, are forms of material wealth; but so are iron and coal, furniture and clothing, food and drink, books and pictures, and countless other economic goods. It is therefore just as absurd to think of money as inclusive of all wealth as to think of one individual as embracing the human race.

Material wealth, then, is the concrete basis of economics. Without material wealth no science of economics would be possible. But a knowledge of wealth, in and of itself, is not the highest aim subserved by a study of economics. Wealth is but a means to welfare, and the real purpose of the study of economics is to understand how welfare may be promoted through the medium of wealth. Accordingly, in our treatment of economics, we shall discuss (1) the ideals necessary to attain this goal of welfare; (2) the means of promoting welfare through the consumption, production, exchange, and distribution of wealth; and (3) the various efforts of men, individually and collectively, to realize the economic ideal and to attain the goal for which all are striving.