CHAPTER IV

THE DESIRE FOR THINGS

1. Wealth.—Man's conscious life consists of a ceaseless round of activities designed to secure certain objects which he believes will gratify his desires. Many of these desires can be satisfied only by material objects, such as food, clothing, shelter and the like. A large part of man's life is, therefore, taken up with the pursuit of things. The science which deals with these interests and activities is described in general by the term " economics." The words economics and political economy are used to describe that section of social science which deals with the forces controlling the acquisition and use of material things. Certain standard terms have been accepted to indicate the important facts and relations in this great field of study. One of the most important of these is " wealth." In fact economics has been defined as the science of wealth.

In social science it is necessary to take certain words and give them a definite meaning, sometimes broader, sometimes narrower, than they carry in ordinary conversation, but always strictly limited, as every scientific definition must be. Wealth is evidently one of these terms. To use it in a scientific way we must give it a more positive meaning than it possesses ordinarily.

The first characteristic of wealth in the economic sense is that it must be a material object. Things which have no weight and occupy no space, that is, which do not come under the definition of " matter," are not included in the term " wealth." An idea is not wealth, altho it may bring such to its possessor. Second, a material object to be wealth must appear to have the capacity of satisfying human desire. This matter of appearance is important in view of the fact already emphasized—that men's conduct is governed by belief. Whether I have an interest in a given material object depends upon my belief that it can satisfy my desire. An object which appears to have that quality will demand my endeavor, whether it really has it or not. If I have a desire to eat an apple and go to a fruit stand to satisfy that desire, I shall select the apple which appears best suited for my purposes. Of two apples lying side by side, one may be sound and sweet, the other rotten and nauseating; but if the latter is the fairer in external appearance I shall doubtless choose that.

2. Desirability and Utility.—In the foregoing, the apple is wealth on the fruit dealer's stand, and continues to be wealth until I discover its uselessness to satisfy my desire. Then it suddenly ceases to be wealth. This second characteristic of wealth may be described by the term "desirability."

Another quality possessed by some wealth, tho not by all, is called "utility." This is the capacity actually to satisfy desire. Most wealth does possess utility, and if we do not believe that a given object has it, we do not desire it, and therefore, it will not be wealth. But it should be clearly seen that it is the desirability and not the utility of an object which makes it wealth.

Furthermore, it makes no difference whether the gratification of such desire will prove beneficial or injurious. In either case any object which will gratify the desire has utility. To the small boy who desires a surreptitious smoke behind the barn a cigarette has utility whether the smoking of it is going to be good for him or not. A piece of tissue paper rolled to imitate a cigarette would have desirability, but not utility. If a man buys strychnine, it has equal utility for him whether he desires to use it as a tonic on a doctor's prescription, or as a poison to take his life. These points emphasize the fact that wealth depends upon the capacity of an object to arouse a belief that it will gratify a desire.

3. Free Goods and Economic Goods.—The third distinctive characteristic of wealth is that it must be owned by a human being. There are many material objects seemingly capable of gratifying desire, which are not so owned.

Air is perhaps the most universal example. The number of these objects is greater the nearer we come to the primitive state of society. In an unsettled region not only air, but water, fruit, fish, nuts and many other things may exist in abundance without being owned by any human being. Such objects are often called "free goods" to distinguish them from "economic goods," or those owned by human beings. In highly developed societies the number of free goods is reduced almost to zero. Wealth then may be defined as *material objects believed to be capable of satisfying human desires and owned by human beings.*

It is the nature of this world that material objects are limited. With the exceptions of such additions as have come in the form of meteors and the like, there is today exactly the same amount of matter in the world that there was at the beginning, and also the same kinds of matter. These ultimate types of matter, which are called "elements," have been combined and may be combined into many different forms and substances, but their quantity always remains the same. It is this limitation of quantity that makes ownership important. For if goods that possess utility existed in infinite amounts, there would be no science of economics—at least it would be very different from what it is.

4. Property.—Because such goods are limited, there is always the possibility of conflict of interests between two individuals with regard to a given material object. The frequency and seriousness of such conflicts have resulted in some of the very earliest expressions of social control being concerned with the rights of ownership. Putting it in another way: economic rights are among the earliest to be established by society. The right of ownership of an object of wealth is what we call property, which is another word used carelessly in every-day conversation. We often use the word as if property were the thing itself. For scientific purposes, we must always remember that the thing itself is wealth, and that property is the right of ownership or title to it.

If you possess a pocketknife capable of satisfying your desires, that knife is wealth. The title to it is property. If you loan it to a friend, he has the wealth and for the time being it gratifies his desire, not yours; but you still have the property. A great deal of our property consists of wealth which is not and never has been in our actual physical possession, and which we may never have seen and perhaps never will see. For this reason property is one of the most important elements in our economic life.

5. Limitation of Property Rights.—Property has just been defined as the right of ownership of wealth. That it is a right, implies that the terms upon which we hold wealth are wholly determined by society. From the earliest days of primitive man, when practically no material goods existed except in nature, there has been a steady growth in the number and intricacy of property rights. Each successive step has been determined by the will of society. Until there is a consensus of opinion as to the terms upon which any material object may be held, there will be endless friction between the different parties whose interests in that object conflict. The peaceful progress of society demands that these rights be positively defined and uniformly enforced.

Property rights differ in different societies. In some, the right to own land is not granted to any individual but is reserved for the community as a whole. The same may be true of railroads, trolley lines and various other articles. In fact we can discern two distinct forms of property: private property, which is ownership by individuals; and public property, which is ownership by the group or the state. Furthermore, since we own wealth only for the sake of using it, the question of use is very often included in the terms of the property rights. In other words, society may include in the terms of ownership certain stipulations as to the wealth to be used. For example, in many cases when a man buys a piece of land, definite limitations are placed upon the use to which it can be put.

6. Ancient and Modern Forms of Wealth.—The great increase in the number, varieties and uses of material objects has magnified the importance of property rights until they outweigh almost all other forms of rights. This development has been marked in the last two or three hundred years, on account of the great number of discoveries and inventions by which material substances are made to serve human desires.

The fact that the greater part of modern wealth is not in the physical possession of the owner, is one of the most important factors of present day civilization. We need go back only a few hundred years to find a condition of things, even in the most civilized societies, where a very considerable part of the wealth of an individual or of a society was in portable form and could be carried about with its owner. Accounts of military invasions during the Dark Ages picture long trains of wagons loaded with the wealth of the leader and of the group, consisting of gold and silver, precious stones, costly robes, armor, weapons and so forth. Other portable forms of wealth were slaves and live stock.

Almost the only forms of wealth not portable were land itself and the buildings which stood upon it. In many groups even the residences of the common people were portable. The principal cause of the great change between ancient and modern wealth is the introduction of capital—a thing so important as to demand separate consideration a little later on.

7. The Meaning of Value.—Tho objects of wealth necessarily have desirability, they do not all have this in the same degree. We prize various articles of our wealth differently, would part with some more readily than with others and will strive harder to secure some than others. For many practical reasons it is important to have something with which we can measure the desirability of wealth. This we have in what we call " value." The value of an instrument of wealth is the degree to which it is believed it will satisfy human desires. Since value depends entirely upon desirability, and desirability depends upon belief, it follows that a given article will have varying values to different people. If it were not for this, there would be no exchange of wealth, because each party to the possible exchange would place the same value upon the wealth. It is clear then that value is not an absolute quality, but a purely relative one, which may vary widely from time to time. Fortunately for practical business, the value of most commodities is not widely different in the minds of people who have an interest in them, hence we fall into the habit of speaking of commodities as if they had a fixed and definite value. Thus we speak of the "real value" or "honest value" or "true value" of a commodity, as if value were something inherent in the article itself, like color, weight or odor. In advertisements of special sales we often see some such statement: "sale price, $6.98; value, $10." Philosophers of all ages have expended much mental energy in trying to work out this doctrine of true value. As a matter of fact, value is positive only to the extent that men's desires and mental processes are similar.

8. **How Value is Determined.**—Since, then, value is the measure of men's belief in the capacity of wealth to satisfy desire, there is no other practical method of expressing it than in terms of other articles of wealth (or of personal services as will be explained later). We have not yet devised any means of measuring the strength of desire from the purely psychological or internal point of view. There is no opportunity for measuring the value of a piece of wealth until it is placed in comparison with other objects of wealth, which in practice means until an effort is made to exchange it.

To illustrate, let us take some unusual or unique object of wealth, such as a fine landscape painted by a noted artist and given by him to a friend. Tho the painting is now the property of this friend, no definite value has yet been attached to it, and at this point it would even be impossible to determine its value, since the only basis for measuring it would be other paintings by the same artist or similar paintings by other artists of equal reputation. But again, no two pictures are alike and the value of this one must remain undetermined until either the owner offers it for sale or some one tries to buy it. In the one case, the price at which it is offered will indicate its value in the eyes of the owner; in the other, the amount offered for it will indicate its value in the eyes of the would-be purchaser. If no one buys at the figure named by the owner, it means that he placed upon it a higher value than any one else. This might be expressed by saying that he was placing too high a value on it or was charging more than it was worth, but this of course would be inaccurate. If the owner refuses to sell at the price offered, it means that he values it more highly than the other. If he accepts the price, a definite value is then placed upon the painting because two men have come to an approximate agreement. But even in this case the value is only approximately fixed, because when an exchange takes place, the one who parts with the commodity always values it somewhat less than the one who acquires the property, even tho the difference may be very slight.

That the painting was a gift from a friend would undoubtedly add to its value in the mind of the original owner. In general, articles which are in any sense exceptional have no fixed value, but a value approximately determined by each successive change. For this reason such articles are usually sold at auction, as are usually antiques of all kinds, first editions of books, second-hand furniture and household effects, and in some cases even land. Since they have no accepted or market value the owner adopts the auction method of sale to secure the advantage of the valuation which is placed upon a given object by the individual who, for reasons entirely his own, desires it most. In the case of a rare print or bit of antique jewelry, successive sales within a brief period may cause the value to vary by several hundred per cent.

9. Average Value.—Commodities produced in bulk and so nearly identical that one has just as much desirability as another, attain a certain general valuation which for the time being is accepted as reasonable. But this valuation cannot be established until enough successive exchanges have taken place to indicate the average value placed upon the commodity by the members of the community, nor until the items of a given commodity have been exchanged for items of another definite sort several times.

If a European traveler visits an African tribe with a supply of glass beads, and trades one string of beads for an elephant's tusk, another similar string for three ostrich feathers, and still another for a small uncut diamond, we have as yet no measure of the value of a string of beads to the savages. But if the traveler exchanges five strings of beads, receiving for the first string four ostrich feathers, for the second one three ostrich feathers, for the third one five ostrich feathers, and for the remaining two four ostrich feathers each, then it can be safely stated that the value of a string of beads is about four ostrich feathers.

In our modern society this entire problem is simplified by the use of money, but we enjoy this convenience only because of the long struggles of our ancestors to establish a uniform and accepted measure of value. One of the two great functions of money, therefore, is to serve as a measure of value. Its other function, as will be explained later, is as a medium to facilitate the exchange of articles of different values.

10. Price.—So generally do people in modern societies use money as a measure of value that value itself is practically always expressed in terms of money. According to strict economic definition, a value so expressed is a "price." Value is a relative and changing thing, while price is fixed and absolute. Whenever a commodity is exchanged for money, its price is automatically registered by the fact of the exchange itself. Strictly speaking, a price is a purely momentary thing, which is a reality only while the transaction is taking place. A moment later the price of the same commodity may be entirely different. Suppose a real estate broker is in his office, purchasing a house and lot. The price agreed upon between the owner and the broker is ten thousand dollars. This becomes the actual price of that property by the signature of both parties to the terms of the sale. In an adjoining room is a prospective purchaser of this same house and lot who is willing to pay fifteen thousand dollars. The broker knows this, and a deed of sale is already made out and lying in the drawer of his desk. As the door closes behind the original owner, the broker calls his second customer and completes his second transfer. Thus within two minutes the same house and lot has had two prices, ten thousand dollars and fifteen thousand dollars. To the original owner the value of the house and lot was somewhat less than ten thousand dollars. To the second purchaser the value was somewhat more than fifteen thousand dollars. To the broker the value was between ten thousand dollars and fifteen thousand dollars, but much nearer the latter figure than the former, because he knew all the time that he could sell the commodity for fifteen thousand dollars.

We note therefore that altho the price of a commodity is always the same to both buyer and seller in a given transaction, to the seller the value is always somewhat less than the price, and to the buyer always somewhat more than the price. There is always a certain amount of satisfaction to both buyer and seller—that is why the transaction takes place. To those who make a business of buying and reselling, the value of the commodity is always much nearer the price which they expect to get than the price they pay. Dealers in rare articles often make large gains thru their exceptional knowledge of the future valuation of those commodities.

11. **Summary.**—To sum up, wealth consists of material objects which have desirability and are owned by human beings. The desirability of wealth depends upon men's belief in its utility. The measure of the desirability of wealth is its value. Value depends not only upon the strength of the desire but also upon the apparent capacity of the object to satisfy that desire. Desires vary with different individuals and with the same individual at different times. Value is, therefore, a relative and fluctuating thing which can be reduced to positive terms only in the case of common uniform articles, which are designed to gratify routine desires of ordinary individuals, and even then only approximately. In practice, value is commonly expressed in terms of money. Whenever an exchange of wealth takes place for money, then for the time being a definite price is established.

When articles of a uniform type are continually exchanged for money, a certain customary price, which is called the "regular" or "current" price, becomes established. In such cases the price is an approximate measure of the value. So closely are these associated in the case of most commodities that in every-day language we use the terms "price" and "value" interchangeably. In fact a long established price is thought of as representing value so absolutely that when an exchange takes place at more or less than this amount, we frequently say (wrongly, of course) that the thing sells for more or less than its value.

REVIEW.

Mention the characteristics of economic wealth.

Distinguish between free goods and economic goods; wealth and property.

What is value and upon what does it depend? How is value commonly expressed?

How does a regular or current price become established?