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WEALTH AND WELFARE.
A STUDY IN SUBJECTIVE ECONOMICS—THE NATURE AND
SCOPE OF ECONOMIC INQUIRY.*

Chapter I.

INTRODUCTION.

Economics, like all other sciences, is based on premises or assumptions which it does not itself question. No matter how far back the investigation is carried this necessary dependence remains. New assumptions may take the place of old ones, but the science still rests on data which it as such cannot vouch for. Built upon these premises a more or less elaborate structure of reasoning and conclusion represents the constructive achievements of the science.

There are two ways in which the science can progress.

** Prefatory Note.*—The following pages were written as an introduction to a larger work, the completion of which has been delayed by other interests. As I am uncertain when I shall be able to treat the subject on the larger scale which I contemplate I have followed the advice of friends to offer this introduction for publication. I make no other apology for it than this explanation of its obviously fragmentary character.

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Starting with given premises we may reason forward to ever more remote and more detailed conclusions; or, returning to our starting point, we may work our way backward, questioning our original assumptions and modifying them as the result of wider investigation or in deference to discoveries in other sciences from which they are derived. The first process is in a sense the primary and normal one, but the second is a periodic necessity.

Economics started with such premises as were available. Popular notions of uncertain authority, conclusions of other sciences in different stages of development, and finally, laws of the mind itself which impose themselves upon the reasoning process and give no reason why, all were united in the fundamentals of the new science. The revision of these premises was inevitable and was in part foreseen, but it was necessarily long postponed. The task of drawing conclusions from the first simple premises of political economy busied economists for nearly a century. From Adam Smith to John Stuart Mill there is little change in fundamentals save the disappearance of Smith's natural theology, which necessitated but little change in the science.

But all that has changed. Two causes have contributed to turn inquiry toward the premises of economics. The first was the development of other sciences, and particularly of biology. In this field a principle was discovered whose application soon proved to be universal and its importance well nigh revolutionary. While economics may boast of having been the real pioneer in this remarkable discovery, since it was Malthus who gave Darwin his clue, it cannot be said that the science has been quick to make the revision which the discovery requires. Something of an introduction of biological terminology into economic literature has indeed testified to the consciousness of the problem, but as yet there has been no adequate or even approximate recognition of the principle of evolution, the reciprocal modifiability of nature and human nature in mutual contact, as a

premise of economics. Even at the point of most obvious contact, the doctrine of population, the radical change required by evolution is but partially appreciated.

But the revision of the premises of economics has not always been thus forced upon the science from without to the disturbance of its complacency. In large part it has found its impulse within the science itself, dissatisfied with its own conclusions. Very often these conclusions, the result of irrefragable logic, have been too much at variance with facts to justify acceptance. Hence the inevitable question: Are there no other postulates of the science, no other forces sufficiently important to account for these divergences of fact from theory and sufficiently general to permit of formulation into laws? Reduced to its last analysis, this is the purpose of the historical school, to formulate more principles, take account of more forces and so produce a science approaching more nearly in complexity to the phenomena which it purports to interpret.

More recently the impulse to examine premises has manifested itself in another form, that of a farther analysis of premises already accepted with a view to their better comprehension. Impelled by a sense of the unsatisfactoriness of economic inquiry, the inductive economist urges that the old premises were too few. To assume, for example, that men are actuated only by self-interest will not explain all phenomena. Another critic says the premises are too vague, too ambiguous. What is self-interest? Under what forms may it appear? These two lines of inquiry are radically different in method, but they have a common origin and a common object. They seek to find by an inquiry into the premises of the old political economy an explanation of phenomena which seem to contradict or transcend its conclusions. It is this last process, this effort to examine somewhat more thoroughly certain premises of economics, to which I invite attention in the present work.

If we ask in what respect the assumptions of the older science were most inadequate the reply must unhesitatingly be, in the subjective or psychic factors. The excessive simplification of the "economic man" was suggestive of incompleteness at the outset, but the conception was in reality far more incomplete than it seemed. The few terms used to represent the multitude of psychic phenomena were not analyzed or even satisfactorily defined. As a consequence, reader and writer played fast and loose with them, confusing each other and even confusing themselves. This neglect of subjective phenomena, however, was not an oversight. Mill at least distinctly discountenanced any attempt to extend economic inquiry into this field. The two opportunities to do so occurred in connection with consumption, which is the goal of economic effort and the source of economic incentives, and value, which is the shadow that coming consumption casts before. Both these avenues of approach he distinctly strove to close up, and that with a peremptoriness which is as significant as it is surprising. Value he declares to be merely ratio in exchange. The inevitable suggestion that a ratio implies some quality or characteristic, which is the basis of comparison he avoids, and in his well-known statement that there can be no general rise in values he by implication at least declares all inquiry into the nature of this basal fact irrelevant to political economy. On the subject of consumption he does not stop with implications.

"Political economy," he declares, "has nothing to do with the consumption of wealth further than as the consideration of it is inseparable from that of production or that of distribution. We know not of any *laws* of the *consumption* of wealth as the subject of a distinct science: they can be no other than the laws of human enjoyment."

The content of this statement, which is often re-echoed by Mill's applauding disciples, hardly seems to be such as to warrant its peremptoriness and its all but disdainful italics.

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Suppose that "the laws of the consumption of wealth" are "no other than the laws of human enjoyment" that is surely not disparaging to their importance, nor is it an obvious reason why they are not "the subject of a science" whether "distinct" or not is small matter. The implication is strongly that in importance these laws are second to none of those that interest us. If they are not known they are not therefore unknowable. Mill's well-meant effort to limit the field of economic inquiry has but served to point out the very direction where extension was indispensable.

"Value is a ratio," says Walker. Yes, but a ratio with reference to what? When we say that one thing is worth twice as much as another do we mean that it is twice as large or twice as hard or twice as heavy as the other? Evidently none of these things. To say that it is twice the other simply, which is what the above definition reduces to, is to evade the question. Twice the other in what respect? Twice the other in exchangeability, say Mill and his followers; twice the other in command of gold. The insertion of a third arbitrary term creates a diversion. We now have two ratios instead of one and, busied in comparing the two, we forget that exchangeability is itself based upon this same elusive characteristic of value, and we fancy we have an explanation. Between initial curiosity and final explanation there are usually, on long lines of investigation, one or more way stations where inquiry is side-tracked and where even thoughtful minds will for a time rest content as though they had reached their destination. It is clear that the statement, value is a ratio, is both non-explanatory and incorrect. Like many other things value may be quantitatively expressed and may give occasion for comparisons, but these comparisons are not the essence of the thing compared. As well might we try to explain weight by calling attention to the fact that some things are heavier than others.

This deliberate attempt to confine inquiry to the objective phenomena of economic life was doomed to failure. Its

unsatisfactoriness was too apparent. The first to break away was Cairnes, whose services as the founder of the subjective economics have not been sufficiently recognized. They are confined, illogically enough, to the explanation of cost. What is cost, asks Cairnes; wages, profits and rent? None of these; these are rewards. What then? Cost consists of the sacrifices which men undergo to obtain wealth which are classified as labor, abstinence and risk. These are the ultimate, the only true elements of cost. It does not seem to occur to Cairnes that in rejecting Mill's analysis of cost he has introduced an incongruity into an otherwise consistently objective scheme. As Mill's conception of wealth stops with the objective, so much so that he will not even allow that labor which does not issue in objective wealth is productive, so his analysis of cost is not allowed to go beyond the *things* which are parted with as a condition of securing wealth through production. In a word, the elements of cost must be objective elements, and it is not easy to see what other elements could be found than those mentioned by Mill. Of course such an analysis is most unsatisfactory. It never gets at true cost at all, but stops with a consideration of the exchanges incident to production in which true or ultimate cost is more or less faithfully reflected. But after all, is this enumeration of the proximate objective counterparts of real, *i. e.*, subjective cost any less satisfactory or ultimate than the corresponding objective analysis of value or utility? Evidently it seemed so to Cairnes. At any rate it was only at this point that he felt impelled to convert the elements of his problem into terms of psychic experience. I will venture the suggestion, however, that Cairnes looked with peculiar complacency on this part of his work and felt with regard to it more than with regard to other parts, the wage fund for instance, that he had reached a finality that was both incontestable and significant.

I need refer but briefly to the work of Jevons and the

Austrians. The fame of their brilliant achievements is too present with us to call for extended remark. Thanks to their investigations, value is seen to be, not a ratio based on an unanalyzed characteristic, but the characteristic itself shown to depend upon the subjective state of man. So completely has this conception taken possession of the economic consciousness that it strikes us as a startling anachronism when some one inadvertently asserts that there can not be a general rise in values. Did not the past deter us with its warning we might be tempted in our satisfaction over these achievements to venture the opinion that, "happily, there is nothing in the laws of value which remains for the present or any future writer to clear up; the theory of the subject is complete." But let us refrain.

The subject of value could not be really explained without an analysis of utility. The study of utility involves a study of the enjoyment of wealth. The utility of a good is one aspect of its meaning in terms of subjective experience. Since value is defined in terms of utility, to understand it we must understand utility and the law which determines its variations. It is hyperbole to call the few principles which this incidental study of utility has disclosed "a theory of consumption," as one writer has done; they constitute at best but the rudiments of such a theory; but they make such a theory inevitable. We do know of "laws of the consumption of wealth" and the validity and importance of such laws is admitted. Their amplification and fuller formulation is only a question of time.

The economist looks out upon a vast aggregate of mysterious but presumably purposeful activity. What is it all for? Eventually it becomes clear that men are trying to secure enjoyment and avert discomfort. How do they do it? In the main by modifying the things that constitute their environment, making useless elements serviceable and noxious elements harmless; that is, by producing wealth. Suppose we undertake to analyze the process and estimate

its results. The estimates are made piece by piece, in local activities, each turning out its peculiar product. We are at a loss to express our total. We have sheep and oxen, wheat and corn, tools and furnishings and fabrics, all with their attractions, but so very dissimilar. There is the suggestion, too, that a different assortment, or one differently proportioned would have been preferable. How are we to know, since there is the utmost variety of opinion as to the relative importance of these various things? Furthermore, a man who has sheep for his part in the whole transaction deems himself less well remunerated than one who has fabrics. The question calls for settlement, but the mere enumeration of goods throws no light upon it. The bewildering total furnishes no other criterion for homogeneous estimate at first than a vague consciousness on our part that they are in general more or less attractive to ourselves.

But, observed more closely, this general attractiveness seems to be the common quality we seek. All these goods excite human desire, and that in a measurable degree. Put an obstacle in the way of obtaining one of these articles and men will overcome it and secure the prize. Increase the obstacle beyond a certain point and they will forego the satisfaction of its possession. The maximum obstacle which will be overcome measures the maximum desire which it excites and approximately, the satisfaction which it can confer. Here, then, we have a common term, value. Will not the aggregate value of the articles included in our enumeration tell us the amount of success achieved in the aggregate undertaking? The value of the sheep and the fabrics tells us whether a different distribution of energy would have been preferable or not and how much satisfaction each of the participants derived from his participation. In value we seem to have finality.

But perplexing facts soon disturb our conclusion. Thus, a poor family disposes of its pet lamb to an indifferent butcher and it becomes mutton on a banker's table. Its

loss caused the keenest suffering to the family, a suffering out of all proportion to the satisfaction conferred upon the butcher or banker. Doubtless the poor family consented to the bargain in the expectation of securing a more than compensating satisfaction or averting a still greater suffering, but this is not the point. We looked to value to furnish us a final criterion which should tell us exactly what a lamb signifies in terms of human welfare and it fails us. The price in this case may have been a subject of no dispute, but either value bears no constant relation to price, or if it be its constant subjective counterpart, then something else than value and widely different from it must be the real measure of human satisfaction. All attempts to estimate individual or national prosperity in terms of value or price can serve but a relative and subsidiary purpose. Back of value lies the more fundamental fact of utility, of which value is a function, and in which we naturally seek the meaning of goods.

But the utility which is the basis of value, though much more exactly corresponding to fundamental interests than anything we have so far considered, is still not quite a finality. The lamb may have been sold to avert a misfortune which did not come or which came just the same despite the sacrifice. Or the proceeds may have been spent for deceptive goods which proved unsatisfactory in the using. The utility upon which the bargain was based and values calculated was therefore out of proportion to the satisfaction actually experienced. Something of this disparity usually exists between anticipation and realization and must be considered in estimating the one by the other. The utility which we reach as we approach the subject from the side of value is a prospective or estimated utility from which we may proceed to actual utility, the satisfactions of real experience. Here at last is finality.

But this finality is the beginning rather than the end of our inquiry. The last stage reached in the development of

a science is not unfrequently the starting point in its presentation. We have worked our way back from incidentals to fundamentals. The study of these fundamentals is most important in itself. It is the only thing that can give us any ultimate facts regarding human welfare. Technology may tell us how to increase our flocks, but what does such an increase signify? Other things remaining the same it means an increase in satisfactions, but other things will not remain the same, these subjective facts among the rest. How far will they remain the same and what laws govern their variation? And even were they to remain the same, the meaning of flocks in general is an enigma until they are translated into terms of these same subjective experiences. If we are tempted to disparage the importance of such knowledge it is only because we have a certain amount of it which we have derived from experience and which serves our ordinary purposes. We have data by which to estimate subjectively the value of a good dinner. What need have we of science for such purposes? Thus we translate into the language of personal experiences the objective wealth about us, how adequately, it will be our purpose later to inquire. No process is more delicate or stands more in need of careful study than this of transmuting wealth into happiness.

I am aware that any mention of happiness as the goal of economic activity will excite nervous apprehension in some minds. The effort to be remorselessly scientific has developed a morbid sensitiveness with regard to any studies which smack of meliorism or philanthropy. Thus Nicholson declares that economic ideals must be strictly excluded from our inquiry.

“It may perhaps be thought . . . that practically the greatest good of the greatest number will be admitted by everyone as the economic ideal. But . . . maximum freedom is at least as attractive and may lay claim to equal authority. For my own part, I should not care to regard equality of distribution, even if it could

be shown to be both practicable and productive of maximum happiness, as the ultimate goal of human progress. Human energies, activities and ambitions are not to be satisfied with a dull level of placid content."

Ideals are as inadmissible for the individual as for society.

"To spend a given sum of money, so as to produce the greatest happiness to the spender, can not properly be called economic expenditure; this refers to value received for value given and not to the happiness which may follow on the completion of the bargain."

The search for happiness has indeed fallen into disrepute with economists of this stamp.

The extravagance of these statements is due to a very simple confusion of ideas. The pursuit of happiness is not science, but it may be the subject of a science. Economic inquiry can have no other legitimate ideal than to know the truth, but economic activity may and does have an ideal which economic inquiry must ascertain as the condition of any explanation whatever. The scientist must, indeed, refrain from mingling his idealizations with his investigations, must at least know and clearly state when he is doing the one and when the other, else his work will be hopelessly misleading; but this is a very different thing from trying to study human actions without paying any attention to the ideals and incentives to which these actions owe their existence and direction. Such a study may be descriptive, but it can not be explanatory. The social arrangement which is "productive of maximum happiness" may be one which we "would not care" to approve—this is small matter—but it is a matter of the profoundest importance to know whether such an arrangement regularly *is* approved in human affairs. Expenditure guided by considerations of happiness to the spender may or may not be economic, as we will, but *is* expenditure guided by such considerations? Such an inquiry may or may not be

included in economics—that is a matter of definition and convenience—but it is in any case fundamental to economic inquiry. The economist may avoid investigation, but he can not avoid assumption in this connection. Some hypothesis of economic purpose and incentive, simple or complex is indispensable. It must furnish the unit of all measurements, the term in which all results are expressed.

The assumption that economic activity is determined by considerations of happiness may of course be challenged. Duty, liberty, equality, etc., have been urged as competing considerations. It would be premature to try to settle such a question in advance and would anticipate some of the more important results of our inquiry. But in common with all economists I have given the individual pursuit of enjoyment the first place among economic incentives and am persuaded that an inquiry into this subject would be especially remunerative. It may be worth while to give a few reasons for this working hypothesis.

In addition to the cases in which persons avowedly seek enjoyment there are certainly many others where the incentive is the same under another name. Duty, liberty, equality, etc., are surreptitiously urged as incentives on the ground that they affect happiness. Witness the criticism just cited. A system “productive of maximum happiness” is rejected because, forsooth, “human activities can not be satisfied with a dead level of placid content.” Passing the surprising statement that we cannot be “satisfied” with “content,” we have to ask what it means to be satisfied. The satisfaction referred to is plainly synonymous with happiness, at least a species under the genus. A system which is productive of maximum happiness is thus rejected because it does not produce happiness of the kind and amount which some other system promises. Only the juggling with synonyms makes such a contradiction in terms possible. The socialistic scheme of Babœuf, which attached the most extravagant importance to equality did

so on the ground that "equality is happiness." In like manner all those social schemes which have emphasized liberty have claimed for it a similar identity with happiness, the one self-justifying thing. The confusion is due to an insistence upon different terms of the same series. We might as well dispute about whether it was more necessary to always have enough to eat or to always have enough money to buy our dinner. Happiness is thus offset, not against a real alternative, but against a supposed condition of happiness which for the moment is mistaken for an end. Such attempts to deny that happiness is the mainspring of voluntary action assume what they deny and accomplish their own refutation. Whether a science of industry or society is possible without this assumption or not, it is certain that the science we have is based on such an assumption. What else do we mean by the assumption made by Professor Nicholson along with the rest that men act from self-interest?

But the validity of a science of enjoyment does not depend on the universality of this or any other incentive. Whether universal or not it is at least the most common of all the springs of effort. It can not, therefore, be useless to inquire what are the laws of its action. If this does not solve all problems it will solve some. In some cases at least it will tell us the meaning of wealth in terms of human experience, where alone it has meaning.

Whether, therefore, the science of enjoyment is to be included in economics or not it is the legitimate and necessary outcome of economic investigation. If the earlier phases of inquiry seemed fruitful quite apart from the final phase it was because a certain amount of popular knowledge stood ready to supplement the incomplete inquiry. People have always had a certain notion of what wealth was and how to get the good out of it. The notion was neither very clear nor very uniform, but it was enough to give a meaning to objective calculations. Why then do we

need a science of enjoyment at all? For precisely the same reason that we need a science of production, distribution, etc. On these subjects, too, there is a considerable body of popular knowledge which serves fairly well for practical purposes. But it is deemed expedient to collect, classify and increase this popular knowledge so as to make a science of it. Why not the other? Whether the inquiry be pursued for its own sake or as a guide to conduct and in furtherance of human interests the subject is one of exceptional interest and importance.

But it is not alone as the final term in economic inquiry that the study of enjoyments has a claim upon us; it is the initial term as well. Economic activity moves, not in a line, but in a circle. If wealth culminates in happiness it originates in happiness—that is, in desires born of past experiences. Modifications of production such as those following changes in fashion are inexplicable without a knowledge of what fashion is and what laws control it. Distribution invokes at every step the laws of enjoyment to explain its phenomena. Economics is not only incomplete without a study of enjoyment; it is impossible. The only question is whether the laws of enjoyment shall be considered, formulated and classified like other laws, or be smuggled in where needed without recognition and with all the imperfection of statement which such a method implies. As regards the subject of enjoyment, it is not a question of science or no science, but of good science or bad science. Without *some* science of the subject we get nowhere. We are hardly left in doubt as to the conditions upon which a radical improvement in economic science must depend.

If the importance of this study is duly recognized we can be relatively indifferent to the name which is applied to it and the order in which it is taken up. But these questions are of enough importance to deserve brief attention. There is a good deal to be said in favor of extending the term economics to include this study. In the first place, if the

study of enjoyment is not a part of economics it at least is not a part of anything else. No other science has taken it up in a way to satisfy the requirements of economics. There are therefore no associations to be overcome unless it be with the narrower use of the term economics. But this term displaced the older term, political economy, about at the time when attention was being turned to this study. Its advent may, therefore, appropriately mark the recognition of the new department. To put it in another way, the study of enjoyment is no part of political economy, but it is a part of economics. The use of these terms may thus appropriately continue to distinguish the conservative or reactionary from the progressive writers. In the second place, while other scientists have done nothing with the subject, economists have made notable beginnings at its investigation. This has already established a tentative or provisional association in favor of this designation. I am not sure but the thorough investigation of the subject will lead us to considerations which will suggest the traditional economic discussions but remotely if at all, but even so, the attachment here is greater and the friction less than elsewhere.

The final and far more important reason is that the two sets of phenomena are related to each other in a manner that scarcely admits of separation. They form a sequence or circle which may be studied in sections, but can be comprehended only as a whole. It is instructive to compare this relation with that which exists between economics and sociology. As in the case we have been considering, many of the most considerable contributions to sociology have been made by economists, and the two sciences are intimately associated in academic connections. But all attempts to make the one a part of the other have been abandoned. The reason is that though they treat largely the same matter they are logically independent. Sociology is the science of grouping or association, and its interest in

all phenomena which it considers is to find their relation to the size, tenacity and character of the group. Whether association makes men happier or not is strictly no concern of sociology. Economics, on the other hand, is the science of enjoyment, or if we insist upon a narrower definition, the science of the means of enjoyment. To one or the other of these all definitions of economics reduce. While, therefore, the science of sociology diverges from economics, the science of enjoyment emerges from it. Clearness of thought has everything to gain by distinguishing sociology sharply from economics; it can only lose by implying a fundamental distinction between the study of enjoyments and the study of wealth. When an organic whole is arbitrarily cut into sections it must be with the clearest recognition of the fact that the division is only for convenience and is without prejudice to its organic character. Such a recognition can not be better assured in the case before us than by uniting the two parts of the study under a single name.

More important is the question of the order in which the subjective and objective phases of economics should be taken up. For one, I incline strongly to the opinion that the subjective study should come first as being the more fundamental and the logical antecedent of the other inquiry. The chapters which follow will be the best explanation of my position. But it is proper here to note the reason why this is not the traditionally accepted order. As is well known, it is usual to begin with a discussion of wealth, its production, etc., after which come discussions of distribution and exchange, followed in the later work, by a curious appendix labelled consumption. It is the location of this appendix which, more than anything else, has left the impression that the study of enjoyment should come last. An examination of this division of economics throws light on the question. In it can be found a little of everything except the study of enjoyments. The computation of a German statistician as to the relative expenditure of different

classes for rent, food, fuel, etc., has been eagerly utilized to fill the aching void. In general the department reminds us of the blank advertisements sometimes seen in papers: "This Space is Reserved for"—let us say for Walker's future Adam Smith. The location of consumption in economic treatises is, therefore, to be accounted for by (*a*) the nature of its principal matter which is as objective as any other and such as can be postponed, (*b*) its nondescript character, unclassified material being usually reserved for an appendix, (*c*) its emptiness, confessions of ignorance being usually postponed. Imagine any treatise in which chapters on consumption occur so rearranged as to bring these chapters first, an arrangement which would usually involve no logical difficulties, and what an impression it would make of impotence and obscurity at the threshold of the science!

I have said that the earlier writers omitted all consideration of consumption as a department of political economy. But they did not therefore treat the subjective problems less fully than modern writers have done. The treatment in either case has been scanty enough. But the point which it most concerns us to note is the order of treatment which they followed. Allusions to subjective phenomena may be found scattered through their writings, but almost always as a preliminary to the discussion of objective problems. The statement that men act from self-interest (that is, in deference to the laws of enjoyment) is not an appendix to but a premise of their inquiries. Whether the recognition was by vague implication or detailed statement this character of premise was not and, indeed, cannot be modified.

In undertaking to analyze and expand this premise we have no power to change its logical relation to the subject. Granting that the dependence between the two is mutual it is by no means evenly balanced. The discussion of objective economics involves far greater assumptions in the subjective field than that of subjective economics does in the

objective. The fact that in the development of the science the logical order is not the chronological order, is not strange but natural. The objective is more tangible than its subjective antecedent and so earlier noticed. But when the subjective has once been analyzed, when once we have found the source of economic activity, we can most easily trace the windings of the stream by beginning at the source and following with the current.

Chapter II.

ECONOMIC OBJECT AND SUBJECT.

The most fundamental distinction in a science of enjoyments is that between object and subject, or, speaking roughly, between wealth and uses. It will pay us to examine this distinction somewhat carefully. "Everyone has a notion," says John Stuart Mill, "sufficiently correct for ordinary purposes, of what is meant by wealth." It is doubtless true that a man who talks about this and similar subjects with no suspicion of technicality is not greatly misunderstood. But one who announces his intention of treating such subjects from a scientific or philosophical point of view has no such immunity. Past discussion has left a legacy of subtleties and ambiguities. Modern writers cannot proceed at once to the main task as Mill could do. They can at best but abridge the inevitable preliminaries.

In many cases we are at no loss to tell whether an article is wealth or not. Articles which are useful and limited in amount make us no trouble. Shoes are useful and not overabundant, and hence they are wealth. But such an article has antecedents and consequents which must also be classified. One set of antecedents make us no trouble, such as leather, cattle, land, etc., in order of derivation. But back of these, or co-operating with them, is another antecedent, labor, which has been the subject of much dispute, but is

not usually classed as wealth. Following upon the use of the shoes is a consequent, satisfaction or comfort, which it is agreed not to call wealth. The consensus of opinion is clear, and it at first seems inexcusable that economists should have departed from popular usage in modifying the definition of wealth as the aggregate of those non-human material instruments of human satisfaction which exist in insufficient amount to satisfy all desires. Shoes and their scarce material antecedents are wealth; their human antecedents and their immaterial or psychic consequents are not. Why is not this distinction satisfactory? It seemed so to Mill.

It is perfectly possible to use wealth in this sense in economic discussion, as referring to things usually intervening between the human fact of labor and the human fact of satisfaction, and serving as vehicles of transfer, but if we do this we make it too narrow a base for the foundation of a science of economics. Economics ceases to be the science of wealth and certain most important analogies are obscured. Many transactions which are conspicuously economic do not have to do with wealth as thus defined, involve no material vehicle of the kind previously described. Labor confers satisfaction directly and the satisfaction is recognized by payment, but outside of the payment there is no wealth as here defined. The distinction proves embarrassing. Mill found it so and faced the difficulty consistently. Labor thus expended was unproductive, and by implication at least, non-economic. What other conclusion was possible to one who did not recognize consumption or the science of satisfactions as having place in economics? But Mill's most unfortunate and misleading consistency has always been a stumbling-block and has usually been repudiated. The definition of wealth which was satisfactory enough in itself was rejected as soon as any use was made of it. Moreover, though popular usage has never applied the term wealth to labor, laborers and labor power, except by

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way of metaphor, it has been less conservative in regard to allied terms as "labor market," "cost of labor," "value of labor," etc., all of which imply an essential identity between labor and wealth, a complete interchangeability, while avoiding the term itself. To call a large and important part of labor which has its value and its market as much as any other, unproductive and by implication non-economic, has always impressed men as carrying much too far a distinction which popular speech has never been willing to emphasize.

But criticism was easier than improvement. These transactions must be recognized as economic and yet it was difficult to extend the term wealth to include them. There was strong inclination to cling to the idea of a material vehicle between effort and satisfaction. Could such a vehicle be found in these cases where Mill found only unproductive labor for lack of it? Professor J. B. Clark has ventured a suggestion which is at least original. The material vehicle always exists though not always visible to the untrained mind. In this case it calls for the more acute observation of the physicist. When we pay for admission to a concert we are but buying material wealth. Does this material wealth consist in the singers? No, but in their product. They are not unproductive. They produce sound waves of an agreeable kind which are material and valuable, are wealth. If we prefer a stereopticon lecture to the concert we purchase ether vibrations which please us. The criteria of wealth, excluding human beings, are materiality and value. Tangibility, durability, etc., these are matters of indifference.

Such proportions as these can never find acceptance, no matter how sound they may be. To include sound waves and ether vibrations in the category of material wealth is simply to forfeit the sympathy and interest of practical men. It is probably this consideration which has deterred men from accepting the classification, for the argument seems to have

gone unchallenged. I confess to some surprise at this, for the fallacy seems to me amazingly clear. I omit all consideration of the difficulty of making men conceive of sound waves as comparable to bread and meat. I merely ask, are they economically comparable? Let us see.

Going to a concert I buy sound waves which are wealth produced by singers who are not. But a canary also produces sound waves. So when I buy a canary I am really buying sound waves which are wealth produced by a canary which is not. If instead of going to the illustrated lecture I buy a picture for my room (to use the ordinary misleading form of statement) what I really buy is a stream of ether vibrations which please me. These are wealth, not the picture. To get a case more perfectly analogous, let us compare transactions in which there is no permanent and complete transfer, only a temporary and conditional one known as hire. Desiring to take a drive in Japan I hire myself pulled by a coolie, in America by a horse. The coolie is not wealth, but only the producer of certain indefinite motor vibrations which are the object of my desire. The same must be true of the horse whose function is identical. Horses therefore are not wealth. Equally so for shoes, food, etc. They are all merely producers of vibrations conducive to our comfort. In short, all wealth reduces to vibrations, this being the form in which all matter acts upon the senses. We started out to find a material entity for certain special cases where a link was missing. We have found no such entity, only a notion or conception of the way matter acts which applies to *all* cases. We have cumbered our reasoning with a perfectly irrelevant conception borrowed from physics, and the peculiar class of phenomena which we were trying to assimilate to the larger group remain as incorrigibly peculiar as before.

A more popular effort to unify these phenomena invests human capacity, talent, etc., with the attributes of wealth.

In hiring a coolie, a carpenter, a physician, I plainly purchase something. Since the individuals are not to be counted as wealth, what can that something be? In the case of the carpenter we can escape the difficulty by seizing upon his material product, but in the other cases we find nothing tangible. But talent, skill, labor capacity, these are much desired qualities. Are these not what we buy? To so classify them is to encounter a difficulty as great as the one we seek to escape. These objects of desire are attributes, qualities, not separable from that with which they are associated. Why is the strength of a man less legitimately classified as wealth than the strength of a horse or a rope? Each is prized for the quality that makes it useful, but the only way to get the quality is to get the thing possessing it. In general we accept this necessary connection of quality and thing as a matter of course. We desire objects by reason of certain qualities, but we never think of dissociating the quality from the object for economic purposes except when the object is a human being. Why do we do so in this case?

The reason is a very natural but a very illogical one; it is the pressure of humanitarian and social considerations. Scientific analysis finds in personal pride and social deference a serious obstacle to its normal development. There is an intense and justifiable reluctance to allow men to be assimilated to the brutes even for scientific purposes. The reason is that the struggle of the ages has been to prevent his being assimilated to the brutes for practical purposes. The memory of the great struggle, whose results are none too well assured, makes the sentinels watchful and suspicious. If comparisons are made between man and brute they are quick to insist that the contrasts are more important than the resemblances and more apt to be forgotten. All this is doubtless true, and for general purposes man's kinship to the brutes must not be made too prominent. The man who should address his wife as an animal would

not by any amount of after caressing avoid her resentment, because *for general purposes* he would be expected to consider her in her conjugal rather than in her biological character. But how about *special purposes*? Would he, as a zoologist, be justified in insisting that women had no place in a zoological classification? The answer is plain. When certain limited and well-defined relations are under consideration, classification should be based exclusively on these relations. This alone makes science possible. But these special classifications should not, for a moment, prejudice the general and composite classification on which depends the general status of the individual in practical affairs. When I am told that, zoologically considered, I am much like a dog, it does not follow that I am morally or intellectually like a dog or that I should be housed or fed like a dog. If it did, I should resent it, but as it is, resentment or sensitiveness would be ridiculous. It is just such a sensitiveness which so long provoked opposition to the doctrine of evolution. The idea that man descended from a monkey was resented as an insult to family pedigree. This feeling has been slowly overcome in this connection and, as a result, zoology is a science.

In economics, classification is still hampered by precisely similar considerations. Everybody can see that a coolie who pulls a cart is, from a certain economic standpoint, precisely analogous to a horse that does the same. A singer, a physician, etc., are almost as obviously so. They perform functions which conduce to our happiness and therefore we desire them for a longer or shorter time. We cannot buy them, it is true, but neither can we buy a highway, a navigable river, a picture from the national gallery, or even a livery horse if the owner chooses to retain him. All these things are withdrawn from the market for good and sufficient reasons, no doubt, but reasons which concern the jurist and are entirely alien to our purpose. So with men; they could once be bought for any purpose, but it has

been found conducive to social interests to subject them only to the limited and conditional sale, known as hire. How closely this arbitrarily limited sale may approximate to unconditional sale we need not here stop to inquire.

The confusion which has attended this discussion strikingly illustrates the results of excluding subjective factors from economic inquiry. The science becomes headless, uncertain as to what it is really after, and its classifications are fickle and unsatisfactory. Once seize the salient fact of economic life, satisfaction sought and experienced, that for which and of which everything economic is, and order comes out of chaos. Looked at from this standpoint how irrelevant such a criterion as materiality appears! This has to do with philosophy or physics, not with economics. If I can secure satisfaction from an immaterial source in exchange for material goods or *vice versa*, what is the question of materiality to me? And after all does the economist want to take the responsibility of deciding what is material or immaterial, or whether any thing is immaterial? Other criteria are equally irrelevant and troublesome. The one thing to be noted is that we are conscious that certain satisfactions are derived from objects, personal or otherwise, which are external to ourselves. Some of these objects are scarce and we thus become eager to secure and control them. If our need of them is permanent we strive to secure permanent control of them; if temporary and partial, the control we seek varies accordingly. We buy or hire a horse according to the nature of our need. We should do the same with men, buying a cook and hiring a physician, were it not that social obstacles, reinforced, it may be, by personal scruples, prevent the unhindered pursuit of what would otherwise be our interest. Analogous obstacles may, in like manner, limit the acquisition of other goods. Their economic character is not thereby changed.

Looked at from the standpoint of the individual who is eagerly seeking satisfactions all external sources from which satisfactions may be derived have a common character which is fundamental to our inquiry. It may be that to call them all wealth is as great a violation of the laws of popular speech as any we have criticised. So be it, but if we must do violence to popular usage let it be in the interest of economics rather than in that of physics. If the term wealth, like so many others, is popularly so defined as to be unsuited to this larger use I will not insist upon its redefinition. Terminology is a secondary matter. I only insist that this common character of all objective sources of enjoyment, men and things, shall be recognized, not concessively as a personal whim not worth disputing about, but appreciatively as a fact of fundamental importance in the discussion of the primary problems of economics. At least from the standpoint of enjoyment the analogy between man and things is complete. A man does not differ generically from a horse or a house. All are prized as sources of satisfaction and secured on such terms as may be desirable and possible. All may contribute to enjoyment indirectly by producing certain intermediaries, or they may be enjoyed directly with no other intermediary than the universal and inevitable vibrations. That is, men, like things, may be either capital or final goods.

But while men from this standpoint of enjoyment are sources of satisfaction, things to be enjoyed, human goods, it is obvious that from this same primary standpoint they have another character. They are the users of goods, the ones who do the enjoying. This character is as universal and fundamental as the other, but it should not make us forget the other. It is not, indeed, a characteristic peculiar to men. The animals which man employs to further his enjoyment are likewise users of goods who enjoy and seek satisfactions, often quite parallel to those sought by men.

Nor is man wholly indifferent to their enjoyment. But while their efforts and experiences presumably obey the same laws as those which govern our own, it is probable that we have nothing to gain by including it in our study. The entire range of economic objects known to us is thus comprised in two classes, the non-sentient and the sentient, or ignoring animals, the non-human and the human. The former have a single character in fundamental economic relations; they are used. The latter have a double character; they are user and used.

From the closely related standpoint of production we again find a double character in economic objects. They are producer and produced. In popular thought, as is natural, one of these characters is usually emphasized to the exclusion of the other. Man is counted as a producer and goods are counted as products. But man is also produced with cost and under laws which may be definitely assigned. The refinement of this product by technical education is a conspicuous illustration of cold-blooded calculations of economic advantage. Other stages are only more obscurely so. Commodities, too, are productive, albeit in ways peculiar to them. There are, of course, goods which are not economic products as there are economic products which are not goods, but this simply means that the fields of enjoyment and production are not co-extensive and identical. Within the proper field, however, we again find the two classes of objects, the one having the double character of producer and product, and the other the single character of product, producing nothing but enjoyment. In this sense—not a very important sense—not only the men whom Mill enumerates, but all final goods are unproductive. It is a curiously inappropriate word, however, to apply to the last stage on the route to economic finality, the consummation of our desire.

We have already seen that the same reciprocal relation holds in exchange, men being both seller and sold—latterly,

of course, with wholesome but economically arbitrary limitations. A careful study of distribution, the other problem of secondary economics, will reveal the same double character. This was to be expected. In the nature of the case all phenomena must have the double character of cause and effect (producer and product), and if sentient this involves the farther double character of feeler and felt (enjoyer and enjoyed).

Enumerations of wealth must therefore be relative. From the standpoint of the individual who looks out upon the world in quest of enjoyment all available objects have a common character; they are sources of enjoyment. He is as likely to seek control of one as of another. He gives his wares for men (services) or for other wares as suits his purpose, from like motives and with like results. To him all are goods. To another man the relation is in part reversed. He is not the first man's wealth; the first man is his wealth, that is a possible source of enjoyment to him. It will be apparent later why this essential identity of character in all useful objects external to us is not recognized in the use of the term wealth. The popular definition of wealth was not determined by scientific considerations, but it is one which science may be compelled to respect. To minimize the difficulty of innovation I have used the somewhat more pliable term goods to designate the objective counterpart of enjoyment in all connections. I recognize the unsatisfactoriness of this use and shall be glad to adopt a better term.

The foregoing facts will not be, and indeed cannot be, denied, but my statement of them is likely to be sharply criticised as involving a most objectionable use of terms. Indeed, I have written these paragraphs with the knowledge that it encounters one of the most vigorous and incisive criticisms to be found in economic literature on innovations of terminology, a criticism as directly applicable to the present instance as though it had been inspired by it. I

refer to Böhm-Bawerk's discussion of definitions of capital, and particularly to his criticism of the use of the term to include the person of the laborer. As the subject of terminology is sure to come up sooner or later and to trouble us until disposed of, it may be well to tackle it at once. But before quoting the criticism I have mentioned I will say that I desire to innovate as little as possible. I shall not at any time wantonly use words in a new sense. But for reasons which I hope later to make clear I desire to emphasize a neglected identity of character between men and goods. I could affirm the identity and stop with that, but then my statement would be discounted and the identity would dwindle to a feeble analogy. So I have called them all goods, which says exactly what I mean and is the only adequate means I have for saying it. I shall be thankful for a better word. Now for the criticism.

"First of all, if the title is given to all acquisitive instruments it can only be at the cost of refusing it to any narrower group of acquisitive instruments which likewise claims it. . . . Even were the question then in other respects an open one, we should on the ground of economy of terms decide against the use of the word capital for the totality of acquisitive instruments. But it is not an open question; it is already prejudiced by universal usage. . . . Capital and labor, capitalism and socialism, interest on capital and wages of labor, are certainly not harmless synonyms; they express the strongest conceivable social and economical contrasts.

"Now what would be the result if people began all at once to call labor capital? In the most favorable circumstances it would be an innovation in terminology with little to recommend it. If all the world were to adapt itself to the innovation, and were to do so in full consciousness that it was an innovation in terminology and nothing more, it would remain perfectly clear that in putting under one common name the real differences that separate labor from what has hitherto been called capital, these differences are not in the least reconciled. As before, everybody would notice these differences, and work without bias at the social problems to which they give rise. Economic theory would not then suffer any material injury beyond the inconvenience of having no name for the chief object of such inquiries; for of course from the moment that labor

is reckoned capital we must cease to give the name of capital to its social opposite.

"This, I say, might be the result under the most favorable circumstances; unfortunately such a result is most unlikely. It is much more probable that the blending of the names would bring confusion into the matter. . . . How could one resist the tempting opportunity which the new meaning of the word capital would offer? Between capital and labor as these words were used formerly, there was discord, contrast, conflict. Now one single happy word unites all contrasts; what we thought opposites are really homogeneous; labor is capital; wage and interest are at bottom one."

Then follow illustrations from economic literature of the mischief wrought by such innovations.

I have no desire to disparage the considerations here advanced. They must have impressed the mind of every one who has struggled with the vagaries of quasi-economics or who has even carefully revised his own words. The argument would be as conclusive as it is brilliant were its premises sound. But among these premises is an unexpressed assumption which weakens if it does not vitiate the conclusion. The critic assumes as conditions of a sound terminology (*a*) that the conception adopted must be logically unassailable, (*b*) that we must economize terms, (*c*) that the conception must be "scientifically important," and (*d*) that it should square with previous usage so far as possible. All this will be admitted. But he tacitly assumes further that the conception adopted should be *single* and *rigid* in all uses save as limited by qualifying adjectives. This probably seemed too obvious to require mention. Now, if this delightful simplicity could be had just as well as not its desirability might indeed be conceded. But when goods can not be had for the taking we may sometimes hesitate to purchase even the most desirable. Unfortunately economics cannot have such a one-meaning terminology without accepting some disagreeable alternatives. It all comes back to this, that there are not enough words to go round. If it were botany or physics we could

manufacture as many terms as we needed and ask no word to do double service. But in economics by common consent and almost immutable tradition we cannot. We must use such terms as are furnished by popular speech. It is characteristic of popular speech that it makes words do multiple duty, marking the transition from one meaning to another by the connection in which it is used. Even for popular purposes there are not enough words to go round, though only the more prominent distinctions are noted. For scientific purposes the deficiency is far greater.

This difficulty becomes the more apparent when we note the true nature of classifications in a science like economics. The phenomena must be classified not once, but separately for each line of inquiry. Such a distinction as that between final and mediate goods can not profitably be the same for all inquiries. From the standpoint of enjoyment it is one thing, from that of distribution another and from that of the exchanger or the money-lender still another. Yet the bulk of the goods in either class, say that of mediate goods, will be the same in all these classifications. So far as popular speech deals with such distinctions it will invariably apply one name to these goods in the different connections, trusting to circumstances to interpret it and putting up with the inevitable ambiguities. The ideal thing for economics would be to have a different word for the class in each connection, a word which should indicate both the class and the connection in which it is considered. But so long as we have to take our cue from popular speech we must get along with less than the ideal thing, with a single word, capital. How shall we use it? We have a number of alternatives.

First, we may use it vaguely as it is used in popular speech, neither indicating nor perhaps perceiving the ambiguity involved. This has been common enough in the writings of economists, even of those who have devoted long discussions to its meaning.

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Second, we may use the single term with distinguishing adjectives to mark its different meanings, as acquisitive capital, productive capital, loan capital, etc. This is a common expedient and effectively prevents misunderstanding, or would do so if the qualifiers were well chosen and used with consistency, which is not always the case. But the same considerations which forbid the coining of words for economic purposes militates heavily against this cumbersome terminology, namely, the demand of an amateur and untechnical public for a facile and attractive style. The adjectives load the exposition and are soon dropped or if retained it is with doubtful advantage.

Third, we may use the word in the single sense that suits our special purpose and leave the rest to shift for themselves. This is approximately Böhm-Bawerk's conclusion. After discussing eleven different conceptions of capital to be found in as many different authors he decides in favor of one of them as the most useful. It is noteworthy that this is the one which precisely coincides with his own highly specialized inquiry into the subject of interest. It is a conception which would be entirely unsuited to the discussion of production which most would regard as the more fundamental economic relation. This he recognizes by using the term productive capital, which he classes as *a species under the genus*. Whatever may be the relation of productive to acquisitive capital it is not that of species to genus. It is true that it is a smaller class and wholly included in the other, but this is an accident of no logical importance. Aside from this accident the conception, productive capital, is every way the more fundamental of the two.

But criticism must be lenient where the choice lies between evils, which is certainly the case here. There is another alternative which is at least worth considering. It is merely to do consciously what popular speech does unconsciously, namely, to use the word in different senses in different connections with all reasonable precautions to

make the meaning clear in each connection and the transitions plain. There is no infallibility in such a procedure, but it is convenient and likely to prove quite as accurate in practice as the more cumbersome expedients we have considered. It is a mistake to assume that accuracy inheres in the pre-definition of terms. It is far more a matter of skillful combination with a view to manipulating those associations which words acquire quite without the writer's or lexicographer's consent. If we are definite and conscious in this elastic use of terms they may safely be made even more elastic than in popular speech. In other words, they may be made evenly and symmetrically elastic instead of fortuitously so.

I hesitate to pronounce with confidence as to the merits of an elastically simple as contrasted with a rigidly complex terminology. Temperament and literary instincts will affect a writer's judgment on such questions. For my own part I hesitate to cumber all allusions to familiar conceptions by the introduction of polysyllabic adjectives or to talk much about the "totality of acquisitive instruments." Nor can I believe that conceptions with such names, if frequently referred to, are "already sufficiently provided for." I would rather make it as clear as I can by such literary tact as I possess that when I am discussing production I use the word in one sense and in another connection in another sense and run the risk of being misunderstood. Perhaps it is better after all to be a little misunderstood than to deter the reader by a forbidding technicality. Frankly, however, I do not expect to be seriously misunderstood. It has seemed to me feasible to indicate an important identity of character between men and goods as objects of enjoyment by applying the term goods to both. I think my meaning will be clear to all. Nor do I believe any false inferences as regards social problems are likely to result. In any case there is a limit to a writer's responsibility for the heedless use which may be made of his words. That

this enlarged meaning of the word goods should become general or leave permanent associations with the word is neither probable nor desirable. It will serve its temporary purpose and disappear. It remains to be seen whether reasonable care and ingenuity cannot make of our limited terminology a more adaptable and efficient instrument than it has so far been. This particular innovation is a minor matter.

H. H. POWERS.

[The foregoing paper will be continued in the next two issues of the *ANNALS* which will contain the four remaining chapters of the monograph.—*Editor.*]