

# FIRST PRINCIPLES IN MORALITY AND ECONOMICS

*on which depend personal well-being and social health and harmony*

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## The Prayer Of A Minister Economist

If a preacher's congregational prayer on Sunday would be something like this, what would the parishioners say?

Good Lord, make us all selfish, that is, that we be unashamed about seeking our self-preservation and our self-welfare; may we always keep that in mind; may we remember what the Apostle Paul wrote:

But if any [man] provideth not for his own, and especially his own household, he hath denied the faith, and is worse than an infidel [unbeliever] (I Timothy 5:8).

May we avoid being "worse than an infidel," by providing first for ourselves and our households. May that be our main motivation.

But in doing so may we not do anything harmful to our neighbors by coercing, deceiving or defrauding them.

We pray, too, that our neighbors may be diligent in pursuing their own self-welfare and that of their families, and will generally put them first, but that they will not coerce, deceive nor defraud us.

May we *all* be truly forbearing, and manifest charity, and endeavor to educate each other in what we think is good for each. Give us the will to mind our own business, and not to endeavor to decide what others should want or have.

Teach us the wisdom to realize that we are already overburdened in attempting to be wise in the conduct of our own, specific, personal affairs. Keep us from hallucinations that we know better than others what they need, and keep others from hallucinations that they know better than we what we ourselves need. Give each of us the desire to leave the other his liberty.

Especially keep all altruism far from us, except that we be diligent in that one, valid altruism consisting in proclaiming thy gospel. May we *always* endeavor to help our neighbors in that educational, advisory manner.

This is our earnest prayer. Amen.

\* \* \*

It sounds almost sacrilegious, does it not? That it sounds that way is proof of how confused we are, and how suspicious of praying for self-welfare. We hesitate to pray that we be efficient in helping ourselves, but we plead with God to help us, as if to say, let *Him* do it.

But in this age it is an appropriate prayer, because it cuts loose from the prevailing confusion that the morality taught by the Christian religion requires *altruism*, that is, that we devote ourselves to our neighbors.

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That *heresy* of altruism in *undiluted* form is less than 100 years old. Altruism, as a *world menace and heresy* against common-sense realism and Christianity, dates from Karl Marx, who died in 1883. Marx attacked the foundations of Christian ethics, fundamentally, but he did not do that by lessening the requirements of Christian ethics. To the contrary, his method was to "extend" his own requirements beyond the requirements of Christian ethics. Instead of men being responsible for themselves, as Christian ethics has historically taught (when not being misunderstood), Marx taught that men are fully responsible for their neighbors. He taught that under the slogan, From each according to his ability to each according to his need.

This business of "extending" what morality properly requires you to do is a dangerous practice. Schopenhauer wrote in his *Art of Controversy* that the best way to get somebody else into difficulty, in an argument, is to "extend" his argument; he wrote the following under the heading of *Dialectical Strategems*:

The *Extension*: This consists in carrying your opponent's proposition beyond its natural limits; in giving it as general a signification and as wide a sense as possible, so as to exaggerate it; and, on the other hand, in giving your own proposition as restricted a sense and as narrow limits as you can, because the more general a statement becomes, the more numerous are the objections to which it is open. The defense [against a fallacy of this kind] consists in an accurate statement of the point or essential question at issue.—Arthur Schopenhauer, *The Art of Controversy and Other Posthumous Papers*, Swan Sonnenschein & Co., Ltd., London, 1896.

Whoever extends the definitely restricted scriptural teaching on *brotherly love* to mean *altruism* engages in an "extension"; he extends beyond "its natural limits" what Hebrew-Christian morality has demanded; and he has exposed himself to being shown to be foolish, because the statement has become so "general" — so "extended" — that it is indefensible.

In the days of the origin of the New Testament the basic obligations to others, when being defined, always were restricted to "not harming the neighbor." In disputations on the subject of "brotherly love" Christ asked, "How readest thou?"; and the answer He received was restricted to the not-harming-of-the-neighbor; and when He himself answered the question, He, too, *always* restricted it in the same manner, carefully avoiding any "extension."

The supplementary doctrines which Christ taught of forbearance and mercy are *not* extensions; they are consistent applications of the rules.

A minister or priest who does not know economics probably will not pray a prayer as imagined in the foregoing. But a minister who is also a good economist might at times feel impelled to pray a prayer of that kind, although he would probably feel unorthodox in doing so because of the prevailing cant.

His sermon following such a prayer might have to be devoted to explaining *why* such a prayer was not only legitimate but also necessary. Otherwise, the General Assembly of his denomination, or his Bishop, or those in authority over him, whoever they might be, might unfrock him as a man with a not-sufficiently-pious talk.

Being a Christian, and in harmony therewith proposing to act as an Individualist as Scripture really requires, the writer thinks well of the foregoing prayer, because it repudiates the spurious and sanctimonious ethics known as altruism. (Of course, the prayer is not complete; it does not cover many subjects which are properly covered in prayer; it purports to cover only one group of ethical subjects.)

## Subjects On Which Theologians And Economists Can And Should Get Together

"Communications" between theologians and economists can be greatly improved. Economists often do not know how to talk on morality, and may be impatient with it. Theologians often do not know how to talk on economics, and may think it has nothing to offer as a supplement to their ethics.

But the two — theologians and economists — could communicate well together, if they would undertake to understand each other's "lingo." The interchangeability of terms is as follows:

Theologians' Terms	=	Economists' Terms
Brotherly Love	=	Price Theory and Determination
Cosmology of Creation, Fall, etc.	=	Relation of men to things or goods.

Suppose a theologian and an economist ride an airplane together on a long trip, and sit next to each other. After ignoring each other for a while, and reading his own books and papers, suppose they strike up a conversation. After identifying them-

selves, each may vaguely wonder *how* he can learn something from the other and what.

The theologian will talk "revelation"; the economist will talk about the *laws of economics*, which he will consider as immutable as natural laws; added to that he will be suspicious of "miracles." The theologian will talk about "brotherly love" and will mistrust unsentimental "impersonal" transactions in the "marketplace." The economist will talk about a "free market" and will be suspicious about charity and the sentiment of "love" about which theologians talk.

But basically these men can easily find a way to be able to talk about the same thing, or else either their theology or their economics is not a serious, intellectual discipline.

\* \* \*

The "backbone" of brotherly love CANNOT be *charity*; instead it MUST be mutual *exchange*, or trade, or buying and selling; call it what you will. Charity can only *supplement* exchange. It is not the other way around that exchange or trade supplements charity.

When you talk *exchange* with a man — that is, buying or selling or trading — you are talking generalities unless and until you begin to talk *price*.

How is *price* determined? The economist, if he knows his subject, can tell something to the theologian that the latter as theologian does not know, namely, *how* price is *determined* in a *free* market. An so price determination pretty much determines "brotherly love." Right away, these two men have common ground, *if they know how to find it*.

\* \* \*

What does the theologian demand for men? He demands the "good life." He seldom means by that moral conduct *only*; he also means not only enough to live, but comforts, and even luxuries. He sees privation, hardship, toil, discouragement, inequality; then his gorge rises. He demands *more* of this world's goods for the poor, for the great mass of mankind. But the economist shrugs his shoulders, and says, "I will simply be a historian and I shall describe to you what happens in exchanges and why; I'll tell you what the realities are, and *why* people are poor, and what they must do to be less poor."

Here again there is an obvious and easy nexus between the theologian and the economist. The theologian has *his* ideas regarding the origin of the world, and why it is defective; *that* is his *cosmology*. But what the economist describes is, in turn, his cosmology.

What common thing are they talking about? Merely the actual world in which men find themselves. What can they learn from each other? They can have a common starting point; both should begin (depending, of course, in part how good the one is as a theologian and the other as an economist) with the *universal well-fareshortage*. A *finite* world hems in the *infinite* demands of men!

And so what the theologian considers important under his term, *cosmology*, the economist analyzes under the subject, the *relation of men to things*.

There should be no lack of "points of contact" between theologians and economists. They are natural allies. The "cosmology" of the theologian is the same as the "relation of men to things" of the economist. And the genuine "brotherly love" which the theologians talk about is the same thing as prudent "price determination" in a free and competitive market.

## How Economics Separates The Two Questions, Relation Of Men To Things And The Relation Of Men To Men

Economics considers questions pertaining to "the relation of men to things" under the subject of *value*.

Paralleling that, economics considers questions pertaining to "the relation of men to men" under the subject of *price*.

\* \* \*

The second item may well be examined first. The primary economic relations between men pertain to questions connected with the *exchange of goods or services*. One man produces shoes; another produces food. In how "just" or in how "brotherly" a manner they treat each other depends on how they agree or come to accept the prices used in the exchange.

If the price of the shoes is too high, the shoemaker has misdealt the farmer; if the price of food is too high, the farmer has misdealt the shoemaker. To appraise the justness (or brotherliness), of how men treat each other when exchanging, it will be

necessary to describe accurately how prices are determined in a free market. In the usual discussions about brotherly love (in the field of economic problems) by moralists and theologians, a description is seldom presented of what takes place in the price-determining process. Moralists and theologians rather freely pass judgment on a process concerning which there is evidence that they do not understand it. Factual and scientific description ought to precede appraisal and condemnation.

The complete price-determining process will require explanation in detail in later issues. Thorough analysis of the price-determining process will at the same time be thorough analyses of the questions: (1) what is right or wrong between men, (2) what is so-called justice, (3) what is so-called brotherly love. Understanding *price determination* will go a long way toward definitively answering what is or is not "brotherly love."

Someone may say that the "brotherliness" of the relations between a farmer and a shoemaker might be justly determined by simple and honorable barter, but that today the exchange is a money transaction the justness of which is not demonstrable. The use of money is a genuine convenience to facilitate exchanging or trading; money is the "most exchangeable commodity" that men know and use. But, *in the final analysis*, it is the merchandise which money represents that is being exchanged.

The use of money does not complicate exchange, but simplifies it. The use of money does not make it more difficult to appraise whether a transaction is just or unjust, but easier. Today, with the aid of money, exchanges are in general more just than in the days of primitive barter.

And so when we come to the analysis of the relations of men to men — to the analysis of brotherly love — to the analysis of something called justice — we shall go far toward accomplishing that by a thorough analysis of *price-determination*. In this we shall be following the ideas of Böhm-Bawerk, as published in his *Capital and Interest*.

\* \* \*

But price is never wisely discussed in economics until after *value* has been discussed. The analysis of value should always come first. It is under the subject of *value* that economics analyzes the earlier and more fundamental problem of the relation of men to

things. The *value* of goods to be exchanged must first be determined, in order later to arrive at the prices. Price is merely a method of expressing value, namely, in terms of the quantity of another commodity, usually (but not necessarily) money.

The greatest problem in economics is *value*. It is not sufficient to know that something is more than a *thing*, and that it is also a *good*, or is even an *economic good*. It is also necessary to know *to what extent* an economic good is an economic good, that is, whether its value is high or low. Value tells the *degree* to which something is an economic good.

If value determines price, which it should; and if price determines justice between men, which it does; then, in the final analysis, justice depends on how the relation of men to things is determined, and so it becomes apparent that the relation of men to things is after all the Einsteinian "frame of reference" for morality.

The other factor, somewhat secondary, the relation of men to men via price, will affect justice when men misconduct themselves, but there is a *basic* prior determination of value, which is the value arrived at because of economic laws affecting the relation of men to things.

What determines *value*? As in the case of the determination of price, moralists and theologians, who write lengthily on justice and brotherly love, have not (to the writer's knowledge) acquainted themselves adequately with *how value is determined in the economic process*. Here again appraisal and condemnation have been expressed without first *describing* what happens in the value-determining process.

\* \* \*

We are not Positivists who believe that science is merely description, but neither do we aim to be obscurantists. It is our belief that theologians and moralists can greatly improve their ethical teaching for the modern, complex society in which we live, if they will make a "more-scientific" approach, that is, if they will begin first with genuinely endeavoring to understand the *value-forming* and the *price-determining* process. For a theologian to appraise the exchanges between men without first understanding them is rank obscurantism.



## Things, Goods, Free Goods, Economic Goods

Economics is a science which is easy to understand if the early steps taken to master it are careful and thorough; but if not, then there can not be much hope of progress in the science.

Consideration will be given to four simple terms. It is *necessary* to distinguish carefully between them. They are: (1) things; (2) goods; (3) free goods; and (4) economic goods.

1. *Things* are just things — stones, trees, houses, money, horses, men, words—any object, every kind of thing, from sun, stars, planets to marbles. *Things* is an all inclusive term for the objects in the universe.

2. Some things are more than *things*; they are *goods* also. *Goods* are things that possess usefulness for a man or men. If there were no men in the world, there would be no goods in the world. Things can be goods as well as things, but *only if there is some relation, direct or indirect, to a person* — some need for that thing on the part of the person. That relationship must have the character of usefulness, which must be known to that person, and must be available to and potentially disposable by that person. The various requirements of a *good* were given in detail in the previous issue, in a quotation from Böhm-Bawerk's *The Economic Significance of Legal Rights and Contractual Relationships*. See pages 83-87 in the March issue. The definition there given stressed the *subjective* relationship of a person to a thing, in order to qualify it as a good.

3. Goods are of two kinds, *free goods* and *economic goods*. Free goods are things useful to men which are so abundant that they are *free*, that is, that they have no value. Although they are useful, men do not work to get them; men do not economize them; men neither buy nor sell them; in fact, they *cannot* be bought or sold because by definition they are *free* — valueless and costless. There are more free goods in the world than economic goods. Fresh air, in the great outdoors, is a free good. Free goods require a more extensive consideration, which will be given later in this issue.

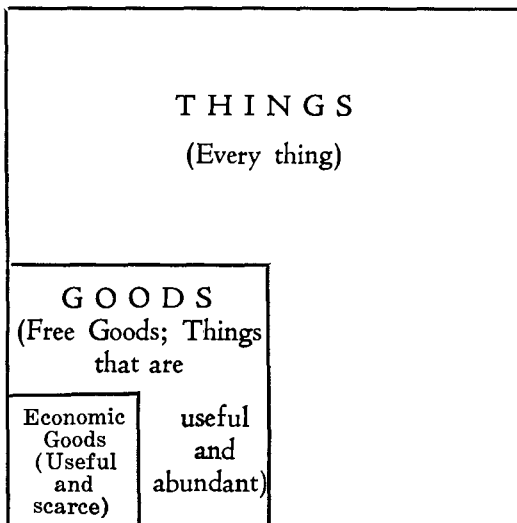
4. The fourth classification is *economic goods*. Economic goods are things which are useful to men and needed by them, *and scarce*. This class is the smallest. It is an inconsequential fraction of things, and it is a group of modest size compared to free goods.

Economic goods have *value* which they possess *because* they are scarce as well as useful to men. Men work to get economic goods; they economize on economic goods; they exchange economic goods "for value received." Men do not think of economic goods in the abstract nor as a whole class, but as specific goods, such as sugar or shoes, and not only that, men think in terms of a particular unit of sugar, as a pound, or a bag, or a teaspoonful, and of a pair of shoes. Economics teaches that men do not, if they think clearly, think of species or aggregates, but of specific exemplars of an economic good, and it is the specific exemplars which they value, not the class as a whole.

The character of economic goods needs the most careful examination. The whole science of economics pertains to economic goods. Much additional space will be devoted to considering economic goods, because it is economic goods which constitute the "frame of reference" in which the drama of morality, and ethical conduct, and justice, play out their roles.

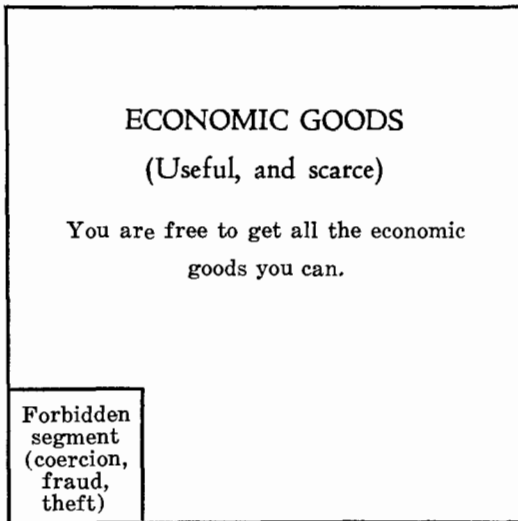
The following two diagrams show how *things* are the frame of reference for goods, how goods are the frame of reference for free goods and economic goods, and how economic goods are the frame of reference for morality.

Chart I



There is no moral restraint on men in regard to things, which are not goods; the world of things outside of goods is unrestricted to all men. There is no moral restraint on men either in regard to free goods; they are unrestricted to all men. There is also no moral restraint on men in regard to economic goods; men are free to acquire and possess them (according to the morality of the Christian religion) *provided such goods are not acquired by coercion, fraud, or theft*. If the small area of Economic Goods in the lower left hand corner of Chart I is enlarged to show what segment is restricted *morally*, then we get the picture shown in Chart II.

Chart II



The field of morality and sin is not properly a large area. Goods are only a part of things; economic goods are only a part of goods; and moral conduct pertains only to certain forbidden actions in regard to economic goods. There is ample room for magnificent freedom; immoral conduct is such a large, pervasive segment of life because of our perverse nature, our folly, and our malice; it has certainly not come into existence because it is *necessary*. Men are inclined to endeavor to promote their self-welfare by overworking the area of coercion, theft and fraud. They are threshing out the chaff and weeds of life, when the rich grain is in

the ample area of freedom where coercion, fraud and theft are eschewed.

It is not sin to want economic goods; they enrich a man's life. It is only sin to endeavor to *acquire* economic goods *wrongly*; (further, a man misses his mark in life — sins — if he overvalues economic goods and neglects spiritual goods.) The field of "economic goods" (although a small area in the total world in which we live) is an ample field for activity without sin, despite the fact that it is an area of scarcity (which means rival claims to what is scarce), if men would only eschew coercion, fraud and theft.

However, even though there were no coercion, fraud and theft perpetrated in the area of economic goods, there would still be a very significant *form of coercion*, namely, the *pressure of scarcity*. But that is a coercion which must be excluded from the area of morality, because it is not caused by the *conduct* of men, but only by their *needs* and the *scarcity of economic goods*. This type of coercion, which cannot possibly be "moral" in character, needs careful explanation, because it is constantly being confused with coercion which *is* contrary to moral law, as formulated in the Hebrew-Christian scriptures.

## Goods Move Back And Forth From Free Goods To Economic Goods, And From Goods To Things

At a given moment, under given circumstances, in a given place, there is no difficulty to classify a thing as a free good or an economic good, if it is a good at all. But in the next instant, under altered circumstances, or in a different place, that same good may be an economic good although it was formerly a free good, and vice versa.

In a waterless desert inhabited by Bedouins water will not be a free good; it will be an economic good for the members of a tribe, and will not be wasted. In a mountain valley of Colorado, where there may be a seemingly never-failing stream of pure water, that water may be a free good to some settler. In Colorado the water rushes by and no attempt is made to catch much of it; most of it is permitted to "go to waste" at that location.

But suppose there is an earthquake in Colorado, and the stream is reduced to a mere trickle. Suddenly, the farmer lacks water for himself, his family, and his livestock. His supply of

water has changed from super-abundance to scarcity. The free good has suddenly become a scarce good, and therefore an economic good.

But even in the desert water can become a mere "thing", completely neglected and wasted. All that is required to accomplish that is that all the people move out of the desert. The water in the desert, on which life would depend if human beings lived there, is suddenly "wasted." It is not gathered; it is not conserved. It has deteriorated from being an economic good to not even being a good. It has become a mere thing.

Good, in an economic sense, is relative. For one, it must be *relative to a human being*. If there were no human beings, there would be no economic good whatever; even life-giving water is not a good in the desert if there are no people in the desert. Furthermore, a *good* (in an economic sense) depends not only on a person, but on circumstances, on *relative quantities* relative to *relative demand*.

## **Cosmological Good, Moral Good, Economic Good**

The three kinds of good — cosmological good, moral good, and economic good — have little relationship to each other, except that the first provides a framework for the others.

*Cosmological good* is simply that the world was well created (Genesis 1:31a).

*Moral good* is simply action in harmony with the Second Table of the Decalogue, the main features of which prohibit injuring others. It establishes a *cooperative* or *contract* society rather than a coercive society. It pertains to men's relations with men.

*Economic good* is simply what is useful and scarce, and consequently difficult to acquire. It pertains to the relations of men to goods.

A little reflection will show that *good* in economics has no reference to *good* in morals. A good in economics refers to a relationship between a thing that is useful and scarce on the one hand and a human being on the other. A good in morals means a restraint in conduct between two human beings (no coercion, fraud, theft), ample forbearance, some charitableness, and unlimited good will in educating each other.

Reflection will also reveal that there is an almost contrary

relation between an economic good and a cosmological good. The world as created was declared to be a fine mechanism, which it certainly appears to be. But that attribute of being good cosmologically has limited reference to being good in an economic sense. For something to be a good in an economic sense, it almost has to be bad in a cosmological sense, because to be a good in an economic sense means to be in short supply relative to demand, and to be a good in a cosmological sense would usually be taken to mean to be in ample supply.

Although the world was well constructed, it does not yield men everything that they want without strenuous effort on their part. In fact, if men wish a really comfortable life, they are obliged to work hard and wisely. Economic good is the product of that strenuous effort by men. Economic good consists mostly of the alterations made by men in natural objects in order to make them useful or more useful to men.

The bulk of capital, or property (whether owned privately or publicly) consists of man-made economic good, that is, good which will satisfy a human need that would have to go unsatisfied, if that capital or property had not been saved and/or fabricated.

God obviously had less to do, in any *direct* sense, with economic good than with cosmological good and moral good. It sounds inappropriate for the writer of the article quoted in the preceding issue (pages 72ff.) to write: ". . . private property is a gift of God." If it is alleged to be a *gift* of God, there can nevertheless be no question that *men worked for it*. What men call economic good is almost entirely what men have altered and improved by self-denial and labor, not what God *gave* (except in a general sense as a *potentiality* residing in the cosmological creation). Whatever potentiality the cosmos has, it takes men to bring it forth.

The writer of the article quoted from *The Voice* represents a slanted viewpoint. If it is proper to describe private property as a *gift* from God, it is equally proper to describe wages as a gift from God. The fact is that wages according to common sense are not a gift from God, but a reward for production.

It is unprofitable to confuse *gifts* from God with the results of the labor and/or the self-restraint of men.

There is a proper time to be "earthy" in our thinking, and to forbear talking about "*gifts* from God."

## Subjective Value, Objective Value, And Objective Exchange Value

The term, value, has many meanings in the various phases of life. It has two important and distinct meanings in economics, to wit, *subjective value*, and *objective exchange value*. In addition, there is a third meaning, designated as *objective value*, which although related must be excluded in large part from economics. Unless these terms and their meanings are understood, further understanding of *value* and *price* in economics will be handicapped.

It will be helpful to contrast, first, subjective value and objective value.

*Subjective value* is the well-being which a quantity of an economic good possesses for a particular person, or subject. The subjective value that an apple has for you is that it will contribute to your well-being by reducing your hunger and by giving your body needed calories and vitamins. The apple has a *subjective value* for you.

*Objective value* depends on a mechanical, chemical or other characteristic possessed by something so that it is capable of participating in some change or exchange, or be an equivalent. For example, a gallon of gasoline may under appropriate circumstances propel a car forward for 16 miles. That gallon of gas has an objective value capable of accomplishing that. In this case, the comparison is between two external facts, not a comparison between a person's need and a means to satisfy that personal need. Economics has no direct interest in objective value in mechanical, chemical, physical comparisons. However, there is one, specific kind of objective value which is of the greatest importance for economics, namely, *objective exchange value*.

*Objective exchange value* is the power in exchange which one commodity has when exchanged for another, for example, two hours of labor in exchange for a dinner; or a month's rent in exchange for the right to occupy a house for a month; or \$3,000 in exchange for an automobile. These are *exchanges* where two objective things are transferred. The transaction involves objective values in a trade or sale. For example, the *objective exchange value* of a pair of shoes, in terms of United States money, might be \$20. The objective exchange value of that same pair of shoes, in terms

of labor, might be one day of labor working in a harvest field. Objective exchange value is essentially another term for *price*, usually in terms of money, but permissibly in terms of any other product available and wanted in exchange.

Even though altogether different, both *subjective value* and *objective exchange value* are of the greatest importance in economics. The former is vital to an understanding of the very existence of value in economics, and the latter is the center of the problems of pricing, exchanging, marketing.

Böhm-Bawerk has the following to say about *subjective value*, *objective value*, and *objective exchange value*. The ideas are simple enough; but it is important to learn the terminology and become accustomed to the nomenclature. The quotations are from *Positive Theory of Capital*, Book III, Part A, Chapter I, pages 121-124:

#### The Two Concepts Of Value

The concept of value does not belong solely to the science of economics. That particular sort of recognition which we call valuation is something we accord in the most varied fields of human activity. We speak of the value of virtue, of life, of health, or we prize the artistic or literary value of some product of the mind. The word is as frequently used in such connections as in speaking of the value of a commodity or a piece of real estate.

\* \* \*

#### Subjective Value

In the last analysis, the value of all goods is bound up with man and his purposes. Now the position which man takes toward a given purpose determines whether or not in ordinary parlance he ascribes value to a particular good. And that position may be either of two kinds and on its kind is based the familiar distinction between value in its subjective sense and value in the objective sense. *In its subjective sense value denotes the significance which a good or a quantity of goods possesses for the well-being of a certain subject. . . .* By this I mean that possession of the good satisfies some want, provides some gratification, affords some pleasure . . . which I should be forced to forgo . . . if I did not possess the good. In that case the presence of the good means a gain for my well-being, the loss of the good means a corresponding loss. The good has importance to me, it has value for me.

#### Objective Value

The other kind of value is objective. It signifies our estimate of the capacity of a good to bring about some definite extrinsic objective result. When we accord value in this sense to a good, we are limiting ourselves to an appraisal of the relationship that exists between the good and the accomplishment of some single objective purpose or result. . . . In this sense of the word we speak of the relative fuel value of wood and coal. We mean by that the varying effectiveness in bringing about warmth through the use of a unit of these two goods. We do the same in ascribing relative objective



nutritive value to different foodstuffs, fertilizing value to different manures, "combat value" to the different battleships of a navy, and so on. In all these uses of the word, value, there is excluded from the concept "value" any relation to the weal or woe of any person. . . .

**Subjective Value and Objective Value  
Need Not Coincide**

The profound difference in the nature of these two judgments as to value, and the difference in the factual situations on which they are based becomes manifest in several ways. One of these is the circumstance that the objective and subjective goods values do not necessarily coincide. That is to say that they need not be of the same order, and do not necessarily even coincide to the extent of each being present or absent in the presence or absence of the other. Two cords of beechwood, for instance, possess equal objective fuel value. And yet one of them may be the only fuel supply of a poor family in a hard winter and absolutely irreplaceable because of their lack of money. It will possess a far greater subjective value for the satisfaction of that family's wants than will the other cord which is owned by a millionaire. . . .

**Objective Exchange Value**

There are as many kinds of objective value as there are concrete purposes and extrinsic results which we may wish to take into account. Economic science will have little or no interest in most of them. The "combat value" which I mentioned by way of example has, I should say, nothing at all to do with economic problems, and the "nutritive value" and "fuel value" I spoke of can have very little and certainly only indirect connection with the science of economics. . . . I mentioned it and those other values purely by way of illustration. The purpose was to shed a more revealing light upon one particular kind of objective value of not dissimilar nature, but of exceedingly great importance in economic science. The value I have in mind is the *objective exchange value* of goods. *By that term we designate the objective significance of goods in exchange. Expressed in other words, exchange value means the capacity of goods, because of the nature of the facts in any given instance, to command a certain quantity of other goods as an equivalent in an exchange.* In this sense we say that a house "is worth" or "has a value of" \$30,000, that a horse "is worth" \$1,500, if in an exchange it is possible to secure \$30,000 for the house or \$1,500 for the horse. . . .

**Importance Of Subjective Value  
And Objective Exchange Value**

Each of the two concepts to which accepted speech usage attaches the name of "value" is called upon to play an extraordinarily important part in economic theory. Objective exchange value is one of the important results which it behooves economics to explain; subjective value belongs to the means or tools by which economics is to achieve some of its explanations. Subjective value is the **significance for our well-being** possessed under given conditions by the goods we deal with in our economy. That value must therefore inevitably constitute to a very large degree the criterion which determines our practical behavior with respect to other goods. . . .

As for objective exchange value it must be said that economic theory has always conceded . . . [that] exchange relations of goods has at all times been considered one of the

prime missions of economic science. There have even been economists who so grossly exaggerated this feature as to make it appear the one principal task of the science, and I can even remember a proposal to abolish the name "economics" and supplant it with "catallactics" — the science of exchange. Subjective value, by contrast, came into its own only much later. . . . The economic theory of value thus finds it must assume a double task. On the one hand it must develop the laws of subjective value; on the other hand it must also trace out the laws governing objective exchange value which, from the standpoint of economics, is by far the most important aspect of the matter of objective values generally.

### Nature And Origin Of Subjective Value, As Defined By Böhm-Bawerk

Because the concept of *subjective value* is fundamental in economics, a *thorough* understanding of it is necessary, and a more detailed explanation is justified. In his three-volume work, *Capital and Interest*, Böhm-Bawerk devoted a chapter to explaining subjective value, and gave it the title, "Nature and Origin of Subjective Value." Before quoting, a few introductory remarks will be helpful. Böhm-Bawerk emphasizes the following:

1. That there is little to learn about value, if you merely declare, for example, that bread as a category or kind of good has value for people. The statement is as incorrect as it is correct, but in any event is inadequate if one is to have a genuine understanding of subjective value and of what economics teaches. *Generalities* must be avoided. It is necessary to become *specific*; the question is: does a *specific* piece of bread have value for a *specific* person under *specific* circumstances and at a *specific* time? The whole framework of neoclassical economics is based on the concept of *specific* goods rather than on a class of goods in the aggregate, as might be designated by the term, bread. Neoclassical economics deal with the *divisible* parts of an economic good, and relates those divisible units to a specific person.

2. That all value *depends* on the *needs* of some person, and on what specific unit of a good will satisfy that need. The *subjective value* of some unit of a good is dependent on and is measured by the specific need of some person which that specific unit will satisfy.

3. That the subjective value of *every* economic good and of each unit of it is *different*, *variable*, and *varying*. No two pieces

of bread have the same subjective value. Every good has variable and varying value. If *one* chocolate sundae has a certain value for a vigorous college freshman, the *second* (which he can immediately consume after the first) has a lesser value, and a *third* will have even less value. No matter how gargantuan the appetite of a college freshman for chocolate sundaes may be, there comes a point where chocolate sundaes not only have no *value* for him, but positively nauseate him, and the mere thought of *one more* will make him feel sicker. Unless the laws governing this *variableness* of value for goods which belong in the same class or category, and between all kinds of goods, are understood, there is no ground for believing that one understands the most fundamental subject in economics, *subjective value*.

In the following quotation it is necessary to read carefully and to understand thoroughly what is said about: (1) *usefulness*; (2) *indispensable condition*; and (3) the *unit of measurement*, or *quantity* of a good (*Positive Theory of Capital*, Book III, Part A, Chapter II, pages 127-133):

### Nature And Origin Of Subjective Value

#### Mere Usefulness Versus Variable Value

By their very definition all goods possess a certain relation to human well-being. But there is a greater and a lesser degree in that relation. The lesser is present when a good possesses the *capacity* to promote human well-being at all. But for the higher degree to be achieved it is necessary that a good be not only a competent cause of an enhancement in well-being, but also an *indispensable condition* of it. The gaining or the losing of the good must be the condition on which a gratification stands or falls. The richness and responsiveness so characteristic of man's language have caused the development of a special designation of each of these two degrees. We call the lesser *usefulness*, the greater *value*.

It is a real distinction. Let us attempt to make it clear as befits its fundamental importance for the whole theory of value.

One man is sitting beside a copiously flowing spring of fine drinking water. He has filled his cup, and sits watching the water flow past him in a stream that would suffice to fill 100 cups every minute. And now let us look at another man traveling across the desert. A long day's journey over the burning sands still separates him from the next oasis. He has one last single cup of water left. What is the relation, in these two cases, between the cup of water and the well-being of its possessor?

It is obvious at the first glance that the relation in the two cases is utterly dissimilar. But wherein does the dissimilarity consist? Simply in the fact that the first situation

exemplifies the lesser degree of relationship to human well-being — it exemplifies the mere usefulness. The second case exemplifies in addition the higher degree as well. The cup of water is just as truly useful in the first case as in the second, since it is capable of satisfying a want. And it is useful in exactly the same degree. For it is quite obvious that the qualities which enable it to quench thirst — its coolness, its palatableness, etc. — are not impaired in the slightest by the coincidental circumstance that the other cups of water possess the same qualities. Nor is the thirst quenching capacity of the water in the second instance in the least increased because it so happens there is no other water on hand. But with respect to the presence of the second and qualified degree of the relation to well-being [i.e., the indispensable condition], the two cases differ widely and fundamentally. We regard the first man and we know that . . . [if he does not have that particular cupful of water] he will slake it with any one of the 100 other cupfuls of water that the copious spring makes available to him every minute. If he wishes, the cupful of water with which he just happens to be quenching his thirst can be the *cause* of his satisfaction. But under no circumstances can that cupful be an *indispensable condition* thereof. That cupful of water, so far as the man's well-being is concerned, is dispensable, unimportant, a matter of indifference.

The second case is utterly different. Now we must recognize that if our traveler in the desert did not have that last cupful of water, he simply could not relieve his thirst at all. He would have to endure the tortures of an unslaked thirst, [and] might even succumb to them. This cupful of water is not merely a competent cause of the promotion of his well-being; it is an indispensable condition of it, a *conditio sine qua non*. This cupful is of consequence, it is important, it possesses significance for his well-being.

#### **Mankind's Indifference To Mere Usefulness**

It is not too much to say that the differentiation just described is one of the most fundamental and fruitful in all economics. It did not need the lens of the scholar with a mania for dissection and analysis to summon it into being. It is a vital factor in "everyman's" judgments, all the world knows it, uses it, makes it a guide for every contact with the world of goods, for intellectual estimates of their value, and also for actual day to day behavior. The practical economizing man is careless and indifferent about goods which are *merely useful*. The academic recognition of the fact that a good can be of use is incapable of arousing any effective interest concerning it when further recognition is also present that the same use can be derived without that good. From a practical point of view such goods are ciphers with respect to our well-being and we treat them accordingly. The loss of them does not cause us concern, and we make no effort to acquire them. Who will grieve over the spilling of a cup of water at the brookside, or put forth any energy to prevent the escape of a cubic yard of atmospheric air? But familiarity born of practice so sharpens the economizing eye that it perceives clearly how on this or that good depends a certain satisfaction, a particular bit of well-being, or the gratification of this or that vital desire. Then the effective interest we

take in our well-being is transferred to the good which we recognize to be a condition of that well-being. We are concerned about and we cherish our well-being as it is bound up in that good, we recognize its significance for us as *value*, and finally, we evince an anxiety, proportionate to the magnitude of that significance, to acquire the good and retain it.

#### Definition Of Value

We thus arrive at a formal definition of value. It is *the significance which a good or a complex of goods possesses for promoting the well-being of an individual*. Any addition to the definition concerning the kind of significance or the reason for that significance or importance is, strictly speaking, unnecessary. For real significance with respect to our well-being can be attained by goods in only one way. That way is for them to become an indispensable condition, a *conditio sine qua non* of some usefulness that contributes to our well-being. But I must reckon with the fact that other definitions also frequently declare value to be a "significance" or an "importance," but erroneously base it on the mere capacity for usefulness. Or they base it, in a manner which is essentially no less erroneous, on the necessity for the expenditure of costs or some such thing. And so I wish to frame my definition with indubitable exactitude by saying, "*Value is that significance which a good or a complex of goods acquires as the recognized condition of a usefulness which could not otherwise be contributed toward the well-being of an individual.*"

#### Value Depends On Scarcity

All goods have usefulness, but not all goods have value. In order that there be value, usefulness must be paired with *scarcity*. This does not mean absolute scarcity but only relative scarcity in comparison with demand for the goods of the kind in question. Let us put it more exactly. Goods acquire value when the total available supply of goods of that kind is so limited as to be insufficient to cover the demands which call for satisfaction by those goods, or so nearly insufficient that the withdrawal of the goods which it is a question of valuing, would render the supply insufficient. On the other hand, goods remain valueless when they are available in such superabundant quantity that not only are all wants covered for the satisfaction of which they are adapted, but that in addition there remains an excess of such goods and no wants for them to satisfy; furthermore, the excess must be sufficiently large so that the withdrawal of the goods which it is a question of valuing would not imperil the satisfaction of any want.

After what has been said concerning the nature of value this proposition should not be difficult to prove. The supply of available goods may be inadequate, so that some of the wants dependent on them for satisfaction must remain unsatisfied. In that case the loss of even a single specimen of that good entails the further loss of a satisfaction which would otherwise have been possible; conversely, the addition of a single specimen entails the undertaking of a satisfaction which would otherwise have had to be forgone. In a word, a certain degree of gratification or of well-being depends upon the existence of that good. The reverse is just as apparent. When there is an unqualified superfluity of any category of good, the loss of a single specimen can immediately be replaced

out of the excess and no harm is done. Nor on the other hand, does the addition of a single specimen of such good to the available supply add any usefulness, since the excess cannot, by the terms of our hypothesis find useful employment.

Let us assume for instance, that for all the purposes for which he can use water at all a farmer consumes a daily supply of 1,000 gallons. This will furnish drinking water for himself, his family and the hired help, will water his stock, and take care of washing, sluicing down, etc. The flow from the only source of water at his disposal is no more than 800 gallons a day. Obviously, the loss of even 100 gallons would mean a serious curtailment of the needs and activities of the farm. On that farm every 100 gallons constitutes a condition on which a certain group of uses depends. The same would be true if the flow from the spring were just 1,000 gallons a day. But if the spring flowed at the rate of 2,000 gallons a day there would patently be not the slightest damage to our farmer's interests if 100 gallons were lost. Since he can find useful employment for only 1,000 gallons, he must allow the other 1,000 to run off unused. If there is a loss of 100 gallons, it is replaced out of the excess, and the only effect is that the unusable excess is reduced from 1,000 to 900 gallons.

Now goods which are available only in inadequate or barely adequate supply are also the very goods which men are prompted to make it their economic purpose to acquire and retain, whereas goods that are available in superabundant supply are at the free disposition of everyone [i.e., "free goods"]. Therefore we amend our previous propositions to read as follows. "All economic goods have value, and all free goods are valueless." It must however always be borne in mind that it is only *quantitative* considerations which determine whether a good is merely capable of usefulness, or whether it is in addition a "condition precedent" of usefulness to us.

I just said all free goods are valueless. Atmospheric air and drinking water are such free goods. And yet it is obvious that we cannot live five minutes without air to breathe, nor preserve life a week without water [suitable for drinking]. Our well-being therefore is utterly dependent on those free goods. How can those two statements be reconciled?

#### **How Individual Items Move From Free Goods To Economic Goods, And Vice Versa**

But what here seems inconsistent is only apparently so. To reconcile the statements, it is necessary to consider a circumstance which will repeatedly engage our attention during the course of our discussion of value, and which will furnish the key to many a riddle. I refer to the fact that our valuation may result quite differently with respect to one and the same species of good, even at one time, and under identical circumstances. This variation goes hand in hand with a change between exercising a judgment of value with respect to single specimens and doing so with respect to larger quantities as a unified whole. As we shall see in the next chapter, our judgments in this respect may not merely vary, but may be directly opposed, and they may pertain not only to the degree of value but even to the presence or absence of any value at all.

Strange as this may seem at first glance, it is readily explainable on the basis of what has just been said concerning the conditions surrounding the origination of value. For value presupposes scarcity, valuelessness presupposes superabundance. Indeed, we just found it necessary to amplify the latter statement above and to say that the superabundance must be sufficiently large to permit the loss of the very goods which are being subjected to a valuation, without converting the . . . [excess supply] into an insufficiency. This supplementary statement indicates how a change in the magnitude of the unit being submitted to appraisal may bring about a variation in the judgment of value. Whether or not that variation takes place depends on the answer to just this one question. With goods of a given kind available in superabundant quantity, is the magnitude of the unit to be judged greater or smaller than the magnitude of the excess which constitutes the unusable superabundance? . . . [The answer] is easily illustrated by our example. For our farmer who needs 1,000 gallons of water daily and has 2,000 available, any unit of 100 gallons has no value at all. But a unit of 1,500 does have value. For it not only embraces the 1,000 gallons which the farmer may regard with indifference, but also 500 of those other 1,000 gallons which constitute an absolute necessity for the running of his farm. The 1,500 gallons cannot be forgone without causing an impairment of the satisfaction of wants. It is a condition of the latter.

#### **In Practical Life We Judge Cases Not Categories**

It may seem as if this results in a very dubious situation whereby man's judgments of value are deprived of any firm foundation and become entirely a matter of caprice. It may seem as if a good might arbitrarily be judged at a high or a low value, depending on the choice of a small or a large quantity of it as the unit on which to base the judgment.

Doubts of such a nature are not sound. For man cannot arbitrarily choose the unit to be valued. Certain external circumstances determine in any event whether or not there is any necessity for a valuation at all. As a rule, there is inherent in those same circumstances a compelling mandate which prescribes what quantity shall constitute the unit to be valued. If I need to buy a horse, I have no intention whatever of forming a judgment on the value of 100 horses, or of all the horses in the world, and to make that the criterion of how much I am willing to offer. I shall of course form a judgment as to the value of just one horse. In every instance there is some inherent compulsion by virtue of which we make just such an estimation of value as the concrete economic situation demands. The fact that in different situations we are able to render different judgments need not be regarded as disturbing, but rather as inevitable.

Let us imagine a miller who simultaneously receives two requests from neighbors. One asks for permission to draw a pitcher of water from the millstream; the other applies to the miller for his consent to a plan for diverting the entire course of the millstream. If with respect to the category "water" only one judgment of value were open

to the miller, he would in any event have to follow a mistaken course in one case or the other. If his estimate of water is "valuable," pure and simple, he would be forced into an utterly unnecessary refusal of the perfectly harmless drawing of one pitcherful of water. If his verdict is "valueless" without any and's, if's or but's, he would not forbid the diverting of the whole stream and would suffer greatly thereby. In real life our miller will quite rightly render two different judgments of value. He calls the one pitcherful valueless and grants permission without ado for drawing it from the stream; he calls the whole stream valuable and summarily forbids its being diverted.

A simple application of the principles just laid down leads to a solution of the apparent inconsistency in the valuation of free goods, of which we spoke a few paragraphs back. Free goods are available in utter superabundance. All smaller and partial quantities which do not exhaust the superabundance must, according to what has been said, be without value. And they are. The . . . evidence of everyday life [based on experience] proves that. On the other hand, if the total taken into consideration as a unit is so great a quantity of free goods that it embraces more than the super-abundance, or indeed, constitutes the total of all the free goods of a given category, then it is just as natural and just as much in keeping with what has been said, that value must be ascribed to this greater total. That is exactly what happens when the judgment is rendered that man cannot live without air and water. The thing that people *then* have in mind is the *totality* of all the air there is to breathe and all the water there is to drink. And thinking of . . . [that total quantity] as a unit which is present, or a unit which is absent makes it entirely logical to ascribe value to that [total] unit.

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#### There Is No Such Thing As Abstract Value

Earlier theories of value failed to propound any happy solution of the problem put by the facts just presented. They made the adequate accurate observation that judgment of value led to quite different results when applied to a whole category, and when exercised with respect to individual specimens. But they failed to recognize that they were dealing with a selective and specialized application of one single principle. Instead, they . . . [concluded that there were] two different kinds of value. One was an abstract categorical value which was possessed by the category as such; the other was a concrete value that was possessed by concrete specimens and partial quantities in concrete economic situations.

I consider the "abstract categorical value" a completely misbegotten creation. There simply is no such thing, insofar as value is understood to mean real significance for man on the part of goods. For any value that exists at all is concrete value. Mere membership in a category or species bestows upon goods nothing more than the possession of the objective qualities characteristic of that species, and hence possession of the *capacity for usefulness* that is peculiar to that species. But that is not enough to serve as the basis of any significance for human well-being even *in abstracto*



and with respect to some "abstract average human being." Genuine significance always presupposes that human well-being depends upon the goods in question, and that such dependence presupposes in turn, as we now know, a certain scarcity of these goods. But this last characteristic is never peculiar to a species as such; it only develops out of a situation in which the species is "scarce." In speaking of "drinking water," for instance, I cannot be certain of the correctness of any unqualified statement beyond the one that it has the capacity to quench man's thirst. But whether or not any quenching of thirst *depends on it*, is a question that is determined, even for the "abstract average human being," by the answer to another question. That question is, "Does he have a super-abundance of drinking water or not?"

In accordance with the situation prevailing in each particular instance, some drinking water has significance for man and other drinking water has not. Under those circumstances it is an impermissible generalization to maintain that all drinking water as such must have significance and possess value.

## Adam Smith's Unhelpful Remarks On Value

At the end of Chapter IV of Book I in Adam Smith's *Wealth of Nations*, he wrote:

The word *value*, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use," the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.

Smith's "value in exchange" is obviously the same as the "objective exchange value" of Böhm-Bawerk.

Smith's term, "value in use," is really undefined and confused: it means *usefulness*. Mere *usefulness* or *utility*, as has been explained, does not give rise to value.

Smith uses water as an example of "value in use"; here he really refers to a *free good*, which (as used by Smith) *can* have no value. It is because Smith's "value in use" is not genuinely or correctly defined, that Smith's ideas on value were defective, and because Smith did not fathom subjective value, his theory of pricing

was also defective. On the subject of *value* he never really found the right road, but continued to wander in the wilderness.

If progress is to be made beyond Smith, it is necessary to understand *subjective value* as has been presented in the foregoing. Smith will be no help at all.

## Play On The Word, Subjective, In The Term, Subjective Value

A man who has been educated to believe in sentimental "brotherly love" will find it difficult to understand how others can have an intense hostility to altruism, and a militant preference for individualism.

Preference for individualism does not necessarily imply a lack of good will to others. The attitude of individualism usually stems from something altogether different from the will, namely, from the intellect. That can be explained, now that subjective value has been defined.

From the earlier quotations it will have become apparent that basically *value* is not and cannot be something objective, or an abstraction. It is *necessarily* subjective, and *relative to some person*.

If subjective value were something objective, trying to "evaluate" something for someone else might be feasible. But actually the valuation must ever be intensely personal, and must be specific — specific in quantity, specific in time, specific in place, specific in quality, specific in price, etc. Value depends on circumstances and relationships.

Obviously, a person can then, because he knows those specific factors, evaluate something on the basis of the subjective value of it *for himself*. Further, he *can* theoretically do it for his wife and children to whom he is very close and responsible; and then with very rapidly diminishing validity, for his brothers and sisters; his cousins, uncles and aunts; his neighbors; his fellow church members; his fellow citizens; his fellow human beings. But how many well-established wives, who feel that their position with their husbands is secure, really are ready to let their husbands set all values for them (the wives)? The answer is *none*. (If that is true of wives, how much more true it is for others less closely related.)

It is because of the intensely personal aspects of a man's decisions on *value* that he, if he is wise, restricts himself to decisions for himself, and leaves to others their decisions for themselves.

Altruism is fundamentally based on a man making value decisions *for others*. Individualism is fundamentally based on a man making decisions *for himself*. To make value decisions for other adults is arrogance and demeans the recipient. To limit value decisions to the self is humility, and leaves to others their proper freedom.

The very nature of subjective value points in the direction of individualism as the proper stance to take in life; it points away from altruism, and practically, by definition, condemns altruism as being a self-righteous tyranny, consisting of making subjective value decisions for others.

Understanding the meaning of *subjective* in the term, subjective value, will be equivalent to striking a death blow to anyone's propensity to being an altruist, no matter how well-intentioned.

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## An Analysis To Show Who Gets The "Profit" From New Automation Machines

*(Continued from the previous issue)*

Last month an example was presented outlining the advantages of automation machines. The saving was (arbitrarily) shown as the difference in costs between \$120,000 a year and \$54,000, or \$66,000. How will that \$66,000 be distributed among various claimants?

One claimant, it was shown, will be the United States government, as a tax collector. This claim will be valid if the taxes are raised for a valid purpose, and prudently and equitably.

We then turned to the other claimants. One, of course, is the inventor of the machine. Others are those who "put up the money." Others are the old workers who are being displaced. Others are the new workers who tend the automation machine. Others are the fabricators of the machine. Others are the suppliers of materials. And then there are the ultimate "consumers."

\* \* \*

Let us look at the most hapless group in this list, the 16 men who will be displaced, out of the 20 in total. Suppose they say: "That machine has robbed us of our livelihood as assembly men.

The earnings of the machine must support us." But then the machine should never have been built. If 20 men are to be a permanent drain on society although only 4 work, then society might as well discourage all invention, and leave everything as it is; economic progress in society will come to an end.

Progress, by the way, will not come into existence for society, *until those 16 men have found new work to do*, for which the labor was never before available. In other words, society does not make progress by inventions, but by the consequences of inventions, that is, by the *adjustments* which men then make. If new machines will not throw men out of work, then new machines should not be built. The purpose *from a social viewpoint* of all invention must be that men will then become available for making what could not previously be made, because the man power was previously lacking to make the new product.

Here we are, hard up against a problem in cosmology, the pressure of events on men. Men can choose: (1) always to be poor in a stable, unchanging society, or (2) to be shook up, now here, now there, in a dynamic, developing society. In the first case, poverty is permanent, because that is the cosmology of the world as man received it from his Creator. In the second case, prosperity will steadily increase for society as a whole, but individual members will periodically have a rough time; but in general, *all*, including the temporarily displaced persons, will be the eventual gainers.

One solution society has completely rejected, namely, that the 16 men are to be *permanently* idle. That solution is so foolish, and unjust, that nobody will "stand for it." In other words, men have enough sense to understand their cosmological circumstances and say to each other, "Friend, adjust to the circumstances, sooner or later; and the sooner, the better."

The only subject on which opinions differ is how hard — or how easy — to make it for the displaced persons. (1) One position is to let them shock absorb it themselves temporarily; (2) another position is to make the employer shock absorb the displacement temporarily; (3) the third is to make the public shock absorb the displacement temporarily by unemployment relief.

We ourselves favor the first, because then the adjustment will

be the most rapid. It is astonishing how fast disasters are remedied, *if people are made responsible for themselves and are free to act.*

The worst solution is the third; under that arrangement, men adjust most slowly.

Consider what happens when a young husband and father dies. The loss is stunning. The widow and children may feel helpless and become hopeless. But amazingly, they "get along." The reason is that people's minds are fertile regarding what to do to better themselves. Further, in case of genuine need, others put out a helping hand. In fact, people with hard hearts and critical attitudes become genuinely helpful in cases of *obvious* need.

Depending on the solution chosen, the 16 men may or may not temporarily get some of the "savings" from the new automation machine. But in this specific case, if the company which employed these men has a system known as "technological unemployment compensation," or if the state in which they live requires the payment, temporarily, of "technological unemployment benefits," then these men will *temporarily* receive some of the "profit" from this new automation machine. We are here primarily interested in the permanent benefits.

\* \* \*

It may be thought that the suppliers of raw materials are unlikely beneficiaries of the "savings" from a new invention, but they can definitely be beneficiaries. Take, for example, the meat slaughtering industry, and (forgetting about engine connecting rods) assume that a new automation machine accomplishes a big saving in some operation in livestock slaughtering, meat packing, or refrigeration. Assume further that the inventor lives in the interior of Iowa, a livestock-producing state. Assume he sells his machine to a small local packer. The packer buys it because he believes it will help him to make more money. He immediately expands. To do that he must buy more livestock. To date he has been buying, say, in a radius of 10 miles. Now he wants more livestock for slaughter, and he wishes to draw from a radius up to 30 miles. How does he induce farmers as far away as 30 miles to bring their livestock to his plant? He does that by raising his price for livestock enough higher so that they bring their livestock to him. And so the producers of the raw material (livestock), to be processed through a new invention at a saving in

cost, may get some of the "savings" or "profits" from a new invention.

Certainly, producers of livestock are, in a sense, surprising recipients of the benefits of an invention. The inventor undoubtedly had no special intention to benefit farmers. The thought of the possibility of that probably never entered his mind. How then did it happen?

1. He, the inventor, was looking out for his own self-welfare; he invented.

2. Still looking out for his own welfare, he sold his invention to another, the local meat packer, who bought because he in turn was looking out for his own self-welfare.

3. The packer, continuing to look out for his own self-welfare, offered to pay more for livestock; which induced the local farmers who were looking out for their own self-welfare to bring more livestock to this particular plant. Now, it is impossible to have two sets of prices in a livestock market; the packer will pay the same prices to the farmers in the 10-mile radius as to those in the outer belt in the 10-to-30-mile radius. To induce those in the 10-to 30-mile radius to bring in their livestock, these men needed a higher price than they could get before. But the greatest beneficiaries are those in the inner 10-mile radius, because they do not have any higher hauling costs. They pocket as *net* gain the full increase in the prices. Those in the 10-to-30-mile radius pocket as *net* gain the increase in the price, less any additional hauling costs.

4. Some of the benefit then of the invention may go to someone undertaking trucking livestock to a different destination, and/or further. The new trucker was motivated in this case by regard for his own self-welfare. He probably did not even know why or how this new business came his way.

\* \* \*

What was the mechanism that did all this "spreading" or "distribution" of the benefits of a new invention? Unalloyed regard for self-welfare. Or, if you wish, unashamed selfishness, or "individualism." It may seem paradoxical that pursuit of self-welfare will "distribute" benefits widely. The naive conclusion will always be that the pursuit of self-welfare will "hog" the benefits to one man only. That is true if that man may be coer-

cive. It is *never* true in a *free* society. *A*'s pursuit of his self-welfare is completely hedged in by the corresponding pursuit of *B*'s self-welfare by *B*, and by *C*'s, and by *D*'s, etc. In the illustration used, the inventor *A* was obliged to share with the packer, *B*, because otherwise the packer would not have bought the invention. To profit greatly from the invention *B* in turn shared with the farmers, *C*, *D*, *E*, and the rest. The farmers in turn shared with professional truckers. The truckers in turn shared with the gasoline filling station man, and so on endlessly. Every man affected was motivated by his concern for his self-welfare. His *knowledge* was limited to that. What might some filling station attendant in the village of Podonk, 28 miles from the inventor and the meat packer, know about the new invention? He probably had never heard of it. And he, presumably, to try to calculate abstractly *how much* of the benefit of that machine *he* should get? The very idea is absurd.

The whole approach to this problem is *necessarily individualistic*, that is, based on humble, local, specific, self-welfare, as each man sees it for himself. For him to approach it any other way is for him to suffer the hallucination that he has a knowledge equal to that of God.

How would an altruist solve this problem? In either of two ways: (1) by means of a god-like dictator, or (2) by perfect chaos.

(1) *The god-like dictator needed by the altruist*: One way to "spread" or "distribute" the benefits from the new invention is to have a "master mind" decide how much is to go to any of the nine claimants originally listed, including the suppliers of raw materials for the new machine, the farmers in the illustration here used. What a great man he must be to have such a master-mind! The common name, however, for the possessors of those master minds is bureaucrats. Some are high-minded men; some are rogues; some are smart; some are stupid; none gets a big salary, nor has a big income unless he has private investments or unless he accepts bribes. In regard to their being god-like in their intellects, any one is entitled to his own opinion. The probability is that their names will not take so much space in the *Encyclopedia Britannica* as does Newton's or Galileo's. But if a bureaucrat can really do the job outlined *justly* and *wisely*, he deserves more space than Newton or Galileo in the encyclopedia.

Unless the bureaucrat is god-like in his intellect and in his honesty, he is a tyrant. The only way for him to escape being a tyrant is to be as the Scriptures say God is, that is, wholly just and omniscient.

Altruism, via this course, must rely on human gods or human tyrants.

(2) *The alternative, perfect chaos, on which the altruist relies:* The second and alternative way by which the altruist can "solve" the problem of distribution is by all the people involved — inventor, packer, farmers, truckers, service station attendants, etc., etc. — deciding not for themselves but for all the others what each should get. The inventor does that for packer, farmers, etc. The packer does it for inventor, farmers, truckers, etc. The farmers do it for inventor, packer, truckers, service station men, etc. The truckers do it for inventor, packer, farmers, service station men, etc.

Of course, these men ought also to take into account the government with its tax rate; the displaced workmen, the consuming public who number in the millions; etc. *Everybody is to decide for everybody else. Nobody is to be motivated by his own self-welfare. Everybody is to be an altruist, looking out for his neighbor rather than himself.*

This second of the only two possible *practical* applications of altruism is an obvious manifestation of nonsense. The program means chaotic chaos.

This second solution may be taught in some pulpits and colleges. But in practice only the first solution is ever applied. The second *cannot* work.

Altruism, in fact, is humbug, sanctimony, obscurantism, and solemn silliness.

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