

# **THE SCIENCE OF EXCHANGES**

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The science of exchanges by N. A. Nicholson

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**N. A. NICHOLSON**

**THE SCIENCE  
OF EXCHANGES**



THE  
SCIENCE OF EXCHANGES.

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“Demand is in reality the bond which keeps all commercial dealings together. For if men wanted nothing or not so much, there would not be any or not so much commerce.” — ARISTOTLE’S ETHICS.



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## THE SCIENCE OF EXCHANGES.

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### CHAPTER I.

#### VALUE.

1. What is value ?

Value is the real or fancied advantage which men derive from the use of anything, whether it be an exchangeable article, or not.

2. What is exchange ?

Exchange is the giving something which has a value in order to get something in return which has also a value.

3. What is a commodity ?

A commodity is anything which has a value and can be exchanged.

4. What is value in exchange ?

It is the quantity of any other commodity which we can get in exchange for the particular quantity of the commodity which we give. When the word value is used in the science of which we treat, we always mean value in exchange, unless we particularly specify that we are using the word in its first and simplest sense.

5. What is production ?

It is turning the gifts of the earth into commodities.

6. What is consumption ?

It is the using of commodities.

7. What is consumption for the mere sake of consumption ?

It is the using of commodities for the purpose of enjoyment.

8. What is consumption for the sake of production ?

It is the using of commodities which is unavoidably caused by that production ; it is the cost of production itself.

9. What is profit ?

Any gain or advantage, from whatsoever source it is derived.

10. What is profit on a commodity ?

It is the clear gain which any one makes by the exchange of that commodity.

11. What is the minimum of profit ?

It is the lowest rate of profit which will satisfy the producers of any commodity, for without this minimum they would not continue to supply the commodity.

12. What brings the profit made by the producers of any commodity to its minimum ?

Competition amongst each other for other commodities, for one undersells the other till the minimum of profit is reached.

13. What is want ?

Want is the feeling that it would be to our advantage to have some commodity which we have not.

14. What is demand ?

Demand is the offering a commodity which we have in exchange for one which we want.

15. What is supply ?

Supply is the commodity itself which we offer in exchange.

16. What is effective demand ?

It is offering a sufficient quantity of the commodity which we have to enable us to get the commodity which we want.

17. Can demand, as we define it, exist without supply, or supply without demand ?

Certainly not, for we must furnish a supply of some sort or other, in order to offer it for the commodity which we want.

18. Does the furnishing a supply of any commodity create a demand for that commodity ?

No, it does not ; it only creates a demand for those commodities which the furnishers of that supply may want. Unless people offer commodities in exchange for the commodity supplied, there is no demand for it, and the supply remains on hand.

19. What does create a demand for a commodity ?

The offering other commodities in exchange for that commodity.

20. What is competition ?

It is offering more of any commodity, or a better quality of commodity, than others offer, in order to induce the suppliers of the commodity which you want, to deal with you instead of with the other offerers.