



# THE ROYAL BANK OF CANADA

## MONTHLY LETTER

HEAD OFFICE, MONTREAL, APRIL 1948

### THE WANTS OF MANKIND

*"What do we want?" is the great question of life.*

THE answer determines our career, colours our daily feeling, and leads us to view everyone and everything in the light of the effect they will have on this want of ours. It affects the development of our community and the nation and has its effect upon the economics of the world.

Many wants are common to all people: food, shelter and clothing, for example. One can easily conjure up a picture of millions of women standing at kitchen sinks all around the earth in time with the sun, peeling potatoes to satisfy their families' need for food; and of men building houses, and of looms turning out millions of yards of fabrics for clothing. But there are thousands of individual wants, in trying to satisfy which we escape the dissatisfaction of boredom.

In every country there have been some followers of the Buddhist doctrine that a placid serenity is the highest ideal of life, rooting out of existence as many wants and desires as it is possible to get rid of. They glory in subsisting on a handful of lentils, with no more clothing than a loin cloth, and only a woven weed hut for shelter. Cultured civilization has not been advanced by such people. We have a future only insofar as we have desires, for it is desire that stimulates our initiative and makes us reach out our hands to better things in a spirit of enterprise.

#### *Wants and Needs*

Our wants and needs are usually very different things. We really cannot say that our necessities for living extend beyond three nourishing meals a day, suitable clothing for the protection of our bodies against the weather, a comfortable room, and a place to sleep. But our desires are unlimited. Besides physical things, they include mental or physical activity, mastery over some technique or situation, association with other persons in a satisfactory community, and a feeling that one is a person of some consequence to others. From the economic point of view, anything is a necessary of life if the lack of it in any way impairs a man's efficiency or productive power; a desire or want is anything which makes a man willing to exchange some of his own labour for it.

No person of even reasonably high IQ can live without desires. A Greek philosopher who studied and wrote about these things more than 2,000 years ago, and who cannot be called old-fashioned since he believed in the atomic theory so recently confirmed and developed by scientific discovery, had this to say: there are three kinds of desires, those natural and necessary, those natural but not necessary, and those which are neither natural nor necessary.

Human experience started and developed from desires for better things, and today our wants are limitless. The more we have, the more widely our vision expands of what we would like to have. Every man has had this experience in himself. At 16 he thinks that if only he had \$35 a week the world would be at his feet. At 25, earning \$45 a week, he desires a car, a better radio, and a home of his own. Every successive increment opens new vistas, and every accomplishment means new desires.

Much of man's satisfaction comes out of achieving distinction. Men work not that they may barely live, but in order that they may get the most out of life. What this "most" is will vary from person to person. Some great things have been done by people who seemed to be gratifying merely frivolous desires. The men who discovered America were not seeking to lay the foundations of the world's greatest industrial commonwealths, but merely looking for spices. The men who opened up Canada were not earnest business men or statesmen: they were Gentlemen Adventurers.

There is a psychological hunger for goods that is just as real as the physical hunger, and this is the villain which gets people into financial trouble. Many of us — most of us — are just as foolish in this way as Wilkins Micawber. Dickens tells us in *David Copperfield* how Mr. Micawber often found himself in the debtors' prison. On one occasion when David went to visit him there, Micawber proclaimed his now famous principle about happiness falling upon the man who spent only 19 pounds, 19 shillings and six pence of his 20 pounds income, while misery followed if he spent twenty pounds and one shilling. *Then Micawber borrowed a shilling from David to buy porter.*

## *Satisfactions*

Every man must work out for himself the nature of the wants whose satisfaction will give him the greatest pleasure, and whether he should wait for better things or take what are available. There is no way of measuring the intensity of feeling of two persons, and so we cannot judge which of two things equally available to them will give the greater satisfaction. The value of an article depends upon its utility to a particular person at a particular time and in particular circumstances. A man will gladly pay a dollar for a service in a crisis whereas he would hesitate to pay half of that in normal times. He does so because he believes the service is worth a dollar to him at that time.

If the choice lies between different articles, he will take the article which promises to give him most satisfaction. One man will spend his dollar for several cigars, which he may smoke in two days, while another will buy a half pound of pipe tobacco which will last him two weeks. The latter will think of the first as having a very extravagant taste, while the former will think of the pipe smoker as having a very low taste sense. The habit of going through life with the idea that everyone who doesn't share your particular pleasures is just a little queer has caused a lot of illogical trouble. There is more enjoyment for some people in climbing a mountain to contemplate a wonderful view than in sitting down to a rich and full meal. Each is right for himself and need not smile superciliously at the other.

## *Increasing Wants*

In a broad sense, man's needs gave rise to his activities in the early stages of his development, but at a later stage every new step upward gave rise to new desires. At first the needs dictated the advancement: latterly the advancement created the wants. All the way up from his cave to the elegant apartment, man has been developing new wants.

Anyone wishing to know the extent to which wants have increased need only look at the difference between 20 or 40 years ago and today. We are consuming very different quantities of the same goods, but in addition we have many new goods to consume. People now want, and demand, and can pay for, things which were unattainable or not even thought of by their parents or their grandparents.

Possession of these new things is far from killing desire. In fact, every new possession appears only to stimulate desire. All the world looks up to the United States as a country where people have satisfied more human desires than anywhere else. Yet the Federal Reserve Bank of Atlanta, Georgia, finds occasion to say in its *January Review*: "Throughout the United States (in 1947) most consumers seemed intent on showing that if they had the purchasing power to satisfy their unlimited wants they would spend it all on goods and services. They saved less of their current incomes, they dipped into their past savings, and they went into debt. They even paid higher and higher prices, though reluctantly, rather than forego the pleasure of satisfying their wants as much as they possibly could."

In Canada, the total personal expenditure on consumer goods and services amounted to \$3,714 million in 1938 and \$5,926 million in 1946, in dollars of the same buying power, an increase of 60 per cent compared with a population increase of 10 per cent.

As rapidly as supply has grown under the wheels of machines, demand has kept ahead of it. Today, the providing of things people want is far behind demand. With their tables laden with good things which would have seemed the undreamable heights of luxury to aristocrats of a century ago, today's ordinary people are crying in front of Mother Hubbard's cupboard for something more. Amid riches, we bewail what we lack.

## *Standards of Living*

Much of our striving is connected with something we call our "standard of living." Standards differ between groups in a country, and between countries. They have changed, too, over periods of not so many years.

Some countries, limited as to natural resources, may have to be content with supplying the minimum needs of their people, but a new and rich country like Canada can go far beyond that, as indeed she has. Without saying that the standard is yet as high as it can be, it is a good thing, every once in a while, to look around the world and give thanks for what we have.

One of the results of a high general standard is that differences within the country are less noticeable. Stephen Leacock said in one of his essays: "As the land rises the mountains lose their apparent height, and no new eminence seems to be equal to the old." Those on the lowest present-day level of living are higher than those who lived on the mountain-top standards of a few years ago.

What is a standard of living? It might be called the sum of the satisfactions arising from the use of goods and services. So many persons run away with the idea that a standard of living is set by possession of things. To have a car, or an electric refrigerator, or a television set, or a mink coat—these seem to typify certain "standards." Just as soon as the idea of satisfaction is abandoned in favour of mere ownership, all true standards are lost.

Some people talk about "standard of living" when they mean "pattern of living." Every increase in income urges them to some new pattern, and every new pattern raises new wants and desires. They may, or may not, have any relation to the necessities of life. When a man says "I want a chance to live" he means far more than mere survival. He wants to associate on terms of equality with other persons having the same interests. The feeling of "belonging" is important as a want. Men strive after recognition of their dignity as human beings having certain attainments.

Social pressure has almost as much effect upon stimulating wants as has the grim vision of the wolf at the door. Under its urge, people try to consume a greater quantity and a greater variety of goods than do their neighbours, keeping up with or ahead of the Jones's. The perfectly good car of two years ago is

turned in on a new model with more chromium trimmings; the old-fashioned wide gold band which served well as a wedding ring is put into a safe deposit box while the ring finger is decorated with a new circlet; women's fashions change suddenly and extravagantly. A New Look, though it may seem to the detached observer like a throwback to something primeval, will be adopted by the socially-conscious person at whatever price in money and ridicule.

### *On Keeping your Balance*

If the object of living is to get the greatest amount of satisfaction out of life, then expenditures for food and shelter must be carefully balanced with what is spent on clothing, recreation, amusement, education and cultural development. Otherwise a man may find himself spending a large amount of his income on commodities that give temporary pleasure at the expense of something which, in the long run, would give him greater satisfactions. When a person exchanges his money for goods, he is bartering something precious—the only real possession he has—the product of a part of his life. He must be absurdly stupid if he does not try to get the best return possible.

This calls for a new technology, the technology of buying. Intelligence may be applied to buying as well as to producing and selling. In olden times, when a man produced what he and his family consumed, there was little chance of producing or consuming unwisely. There was scant opportunity for thinking up frivolous wants, or for making foolish choices. The urge for basic needs pressed too hard. But life has become complex, and wants are more varied, while the range from which to choose for the satisfaction of wants is overwhelming.

Families complicate choices. As the family increases in size, consumption patterns change, and the children come in contact with wants unknown to their parents. The rapid urbanization of our age, going hand in hand with industrialization, varies the old pattern, and the conflicting ideas about wants and the order in which they should be satisfied tend to make family life more trying than it used to be when the main idea was to produce enough to stay alive.

Look for a moment at the two extremes of age in the family: childhood and old age. The child is preparing for emancipation from his parents, but in the process his principal demand is for love as well as care. Some of today's specialized ideas about bringing up children are likely to leave out this vital fact. Just recently, after a decade of lapse during which certain child experts taught mothers to "let the baby cry itself out", we are getting back to the common sense idea that what the baby wants most is the feeling of love and security it finds only in its mother's arms.

Old age is the last of a series of adaptive changes in life. It is marked by diminishing powers and a narrowing world. Its greatest need is the capacity to accept change without anxiety and resistance. Its greatest good can be a beneficent twilight period, reflective and peaceful, of the kind mentioned by Cicero in his essay *On Old Age*: "The proper fruit to be gathered in the winter of our days is to be able to

look back with self-approving satisfaction on the happy and abundant produce of more active years." The truth of the comparative wantlessness of old age was never more strikingly seen than in the case of John Hilton, 73-year-old Lancashire retired factory worker, reported in our daily papers last October. Living on a pension of \$17.40 a week, he was told that he had inherited \$1,080,000. "Thirty years ago it might have meant so much," he said, "but now all it has done is make me ill and worried."

Wants are modified, too, by abilities. People with musical talent are more likely to spend money for musical training and concerts than are those who lack such ability. On the other hand, the woman who has skill in making over dresses may reduce the family expenditure on clothing.

Education modifies not only the wants of those seeking it, but the wants of those who make education possible. Parents divert resources they could well use for their own comfort and enjoyment, so that their children shall have a better chance in life than they had.

There is a growing demand for the beautiful things of life, for books, painting, music and drama. With the necessities well taken care of, people turn to intangible things which satisfy the mind and spirit.

This last half century has seen an increase in real wages and a decrease in hours of work, two factors which enable our people to indulge more than ever before in satisfaction of their desire to take part in activities outside the workshop.

### *Economic Demand*

We have written about "wants" and "demand" as if they were things in themselves, but they are not effective, however strong they may be, unless they are accompanied by the means to obtain their satisfaction. No matter how much a man may desire a car, for example, his wishes can have no effect unless he has the necessary means of payment. Desire must be accompanied by purchasing power before it can become effective economic demand.

Articles which are not freely available, for the production of which a certain amount of labour is needed, possess value, and the equivalent of this value must be laid on the counter by the person who desires the articles.

If a man expects to want some things in future more than he wants things which are available at the moment, he saves his money, turning it into a store of value representing work he has done. Canadians have a great deal of effective demand stored up in savings. There were, at September 30th last, 6,337,500 savings accounts in the chartered banks, totalling \$3,805,900,000. This represents \$302 for every person in Canada, compared with \$130 per person 25 years ago. When translated into dollars of the same value, the increase is 192 per cent.

Department stores sales in 1947 totalled \$547,750,000, an increase of \$257,800,000 over 1939. In 1947 Canadians spent a great deal more than

ever before in history, reaching a total of \$8,700 million, which is nearly a billion dollars higher than in the previous year. Between those two years, labour income increased 12.2 per cent, agricultural and other unincorporated business net income increased 13.2 per cent and investment income increased 8.3 per cent. The money available for buying increased from \$230 per person in 1939 to \$528 in 1946 and \$566 at the end of 1947.

Prices of goods vary with the effective demand. If a lot of people have surplus money, and the goods they want are scarce, the price will go up. The price variation, in turn, affects the degree to which persons may supply their wants. Inflation, such as we have now, is the result of having too few commodities relative to the amount of money available. As a result, individuals and businesses are learning all over again how to buy in the best way to get satisfaction of their most important wants.

It must be kept in mind by the consumer that when his living costs are up, so are the "living" or operating expenses of business. They are measured in the same kind of dollars, which buy as little of what business men want today as they do of what individual consumers want. An example is at hand in an address made by the General Manager of this Bank to the Credit Men's Trust Association in Toronto a couple of months ago, when he pointed out that if you add together taxes, interest to depositors, and salaries paid to staff you will find that in these three items alone the banks paid out in 1946 an average of \$9.90 for every dollar received by shareholders in dividends.

### *Industry Supplies Wants*

We do not live on the goods we produce with our own hands. Those who are inclined to point to Robinson Crusoe on his island as an example of self-sufficiency must recall that he started off with a fair stock of things made by others. In the modern world, everyone must produce his own specialty and live by its exchange for the products of other specialists.

What we need in order to provide as much return as possible for every man's work is what we might call an overflowing storehouse of goods we can use. But this storehouse can be filled only if men and women turn out the maximum quantity of goods per hour of employment. It makes sense that out of a full storehouse there will be more to supply the wants of every person in Canada than out of a half-filled one. The level of living to which Canadians aspire or have attained cannot be kept up on a pre-war scale of production or employment. We need more production per worker, more international trade, and a higher national income.

So, if we wish to satisfy our wants we must work. Without work, nothing of value, either in the way of commodities or spiritual satisfaction, is given mankind. People don't particularly like gifts; it is more pleasant to receive something because you have worked for it and earned it.

It is not a crime to be selfish in this regard, to work for things because we want them rather than because they benefit others. A long time ago Plato devised a

communistic state, one of the "Ideal Commonwealths" we read about. The realistic Aristotle opposed it on the grounds that self-interest was more dependable than interest in the common good as an incentive to industry. He was sure that a man would work more diligently to care for his own family than he would for persons whom he did not know.

Work in exchange for what we want is an unescapable reality, and it is the better part of wisdom to realize that the more productive our work the better chance there is of our drawing down a good share from the common product to satisfy our wants.

### *Looking Ahead*

In our society, millions of people are producing things for us to use, a vast production made possible by highly efficient working methods and the use of powerful machines. Development to this stage of efficiency was made in a comparatively short time, when "time" is judged by the age of men on the earth. A person transported from a city of 2000 B.C. to London of 1700 A.D. would have found people living very much as he himself was used to living; but a person transplanted from the London of 1700 to Montreal, Toronto or Vancouver of today would think people are living luxuriously with the aid of many fantastic machines.

Amid all the new devices for supplying things men want, there is one need which is not receiving the attention it deserves. The thousandfold complication of human relationships brought about by the new ways of living has not been met. Society has not spanned the distance between social needs and social science, in the same way that the gap between physical wants and the physical sciences has been bridged.

We need to look ahead. To supply future wants requires thinking today. To preserve ourselves, society and the human race, we need to apply all our available energy to useful purposes, and give thought to the social implications of the things we do.

Instead, our demand, while nominally concerned with supplying wants with great richness, side-slips with many of us into a job-lot of substitutes. We are so sorely beset within and without by conflicting ideas that our sober judgment as to values is upset. In China, taxi drivers riot in protest at closing of night clubs, while all around them freedom is tottering on the edge of a complete shutdown; in the United States certain militant women are crusading for better soap operas, while in Europe a nation falls unfought for into the hands of a despot.

No true values are lost by looking our wants squarely in the face and appraising the price we should pay for them. Common sense is as useful to the average man in this judgment as would be the most subtle reasoning of economists. Right selection of the wants which we shall satisfy should help us to make for ourselves a good world, or as Leacock said in another connection "reconcile us at least to one that might have been worse."