

CHAPTER IV

ESSENTIALS OF VALUE

Cost of Physical Elements

Supply and Demand. — The value of any property is usually determined by the law of supply and demand. This is perhaps best illustrated by reference to perishable property such as articles of food which can be preserved in marketable condition for a limited time only. According to information that may be available relating to the world's supply of wheat and of coffee the value of the wheat or coffee will be high or low. The harvest prospect in the case of such perishable elements has a direct effect upon the market value. Or as an additional illustration take the limited output of a great sculptor or artist. The demand, particularly after the sculptor or artist has ceased to produce, may greatly exceed the supply and in such case the market value may rise far in excess of what would otherwise be the value.

The popular actor, or vocalist, the skillful musician, the poet and the author have something to offer in the world's market which is unique and may be in great demand, and therefore may command a return out of all proportion to the compensation for ordinary individual effort.

Cost of Physical Elements in Relation to Value. — Productions of this type which have value are not here under consideration. It is the revenue producing property which is to be discussed and to which the chapters of this volume are addressed. Nearly every such property is made up of both physical and intangible elements. Taken in the aggregate this combination of physical and intangible elements has "value" based upon earning capacity. This is a fundamental fact which if lost sight of may