

## CHAPTER VIII.

### OF THE SOCIALIZATION OF UTILITY.

The constant striving of economic progress is toward taking commodities out of the categories of values, and making them utilities like the rain and sunshine.

*William Smart.*

A man may buy trade-forms to use for the direct satisfaction of his desires, to use productively, or to sell again. In the first case the trade-forms become satisforms and their distinctive utility ceases to be commercial. In the second case they become aid-forms and their cost becomes an element of the disvalue of the trade-forms produced by their aid. If the trade-forms are bought to be sold again, they remain trade-forms, and their cost becomes disvalue to the owner as a prospective seller.

The buyer deals distinctively with measurable utility. He has the alternative of buying or of producing at first hand whatever he may need. This applies, in strictness, only to those labor-forms which can be made by one man working alone with ordinary appliances. But in a complex system of industry and exchange in which it is impossible for any buyer with his own labor-power and simple facilities to produce a given satisform, the alternative shifts from total to partial production. A buyer has the choice of working at one trade or at another—of following one profession or another—in securing the trade-forms or

money-forms which he proposes to use in exchange. In any case the disutility of the direct means of acquisition is distinguishable from the indirect, and each may be measured in terms of money. It is as easy to determine how much more a man can make at one trade or employment than another as it is to determine how much more a given labor-form will cost if made at first hand than if purchased in the market. The utility gained by the saving of disutility through exchange is a measurable utility. It represents the saving which results from regular rather than shifting occupation and employment. It lies between cost and alternative cost—between the point of exchange and what we shall call the point of alternative cost.

The **Alternative Cost** of a labor-form is that cost which would be necessitated by the direct processes of industry, if there were no saving of disutility by the indirect processes of exchange.

Between the point of exchange and the point of alternative cost lies that utility gained by the buyer through the saving of disutility and which we shall call his net salvage.

**Net Salvage** is the saving to the buyer of cost over alternative cost.

The **Point of Alternative Cost** is the point where net salvage ends and measureless utility begins.

Net value and net salvage are very different things, yet they have certain features in common. Both may be expressed in terms of money. Both may be reflected in land values—a fact hitherto overlooked—as we shall see when we discuss the question of ground rent. Because of these

facts the one may become commercially equivalent to the other, but not identical with it in any respect.

It will be noted that value, disvalue and net value pertain to capital-forms; while cost, alternative cost and net salvage pertain to satisfirms, it being remembered that cost becomes disvalue to the merchant who buys to sell again, or to the manufacturer who buys raw or unfinished materials for use in his business. Value and cost in their economic sense are manifested only at the point of exchange; but the exchange need not be of the particular thing in question, if it be of one of a class of things which sell at a common price in the market. For instance, it is not necessary to exchange a particular bushel of wheat in the market in order to ascertain its value, for in the same market all bushels of wheat of the same grade are economic equivalents.

**Economic Equivalents** are things which exchange for each other, or at the same price, at any given time in the same market.

It will be noted, also, that while value is a term applicable only to the seller, and cost a term applicable only to the buyer, yet in any given case value and cost meet in price at the point of exchange. That is to say:

**Price** is the measure, in terms of money of either value or cost, according to the point of view.

As was anticipated in the last chapter, we have now shown that all the economic forces which center in the market are composed and measured in market price. Value is the resultant of the composition of these forces,

and cost is its exact equilibrant in every case. Economic Science is thus demonstrated to be a true science.

We may now formulate a definition of the point of exchange. Like price, it has a double aspect which must be recognized by definition and kept well in mind.

The **Point of Exchange** is the point where net value to the seller ends and net salvage to the buyer begins.

**E** Let the line A B C D E, extending indefinitely as indicated by the dotted extremities, represent the immeasurable total utility of a given labor-form at a given time and place. Let A represent the point of spontaneity, B the point of disutility, C the point of exchange, D the point of alternative cost, and E the indefinite and indeterminate point of immeasurable utility. Then C also represents the point of disutility to the buyer. The definite dark portion of the line extending from B to C represents commercial disutility to the buyer at the point of exchange, or cost. The definite light portion C D represents disutility saved to the buyer, or net salvage. The entire definite line from B to D represents measurable utility; and that portion of the line extending from D indefinitely upwards to the indeterminate point E represents immeasurable utility of the labor-form.

**D**

**C**

**B**

**A**

We have called the point of disutility the economic starting point, and the point of positive utility the economic zero point. The point of exchange is the economic meeting point; there value and cost meet in market price

and are both expressed in terms of current money. The point of alternative cost, being the upper limit of measurable utility, is the economic stopping point. Beyond it our inquiry can not go. The point of immeasurable utility is an indeterminate point which, for the sake of convenience, we merely assume to exist; it has no definite reality.

In the diagram shown in the last chapter the net value or positive gain to the seller is measured by the light line C D. In the above diagram the net salvage, or negative gain to the buyer, is measured by the light line C D. These gains may or may not be equal. As long as each line C D represents at least one unit of utility gained, positive or negative, as the case may be, the corresponding trader is capable, and an exchange is economically possible.

We have indicated by alternative cost the disutility which would be required to secure a given satisforn by direct production. Between the point of exchange and the upper limit of alternative cost lies an utility which is saved to the buyer by the process of exchange. This gain, however, is not limited to the individual buyer. By the law of the market the point of exchange is fixed not by the parties to a particular purchase and sale, but by the marginal pair. The marginal buyer fixes the price in so far as it is affected from his side of the market, and all other buyers participate in the gain by buying at the same price. In the open market, in normal conditions, no man can live unto himself, either as seller or buyer, producer or consumer. If any man acquires a mastery over any disutility of matter, time or space, other men are led to acquire the same mastery, or its economic equivalent in other direc-

tions; and in the regular course of exchange, in the absence of monopoly, the market price of all labor-forms tends to fall, thus lessening cost to all as consumers. With every fall in price the difference between cost and alternative cost is increased for the entire community, and the spontaneity of nature is to that extent more nearly approached by all. Such an increased enjoyment of utility by the entire community, brought about by saving disutility and distributing the resulting benefits to all through the processes of exchange, we shall call the socialization of utility.