

## CHAPTER IX.

### OF MEASURABLE UTILITY AND DISUTILITY.

Value is the calculation-form of utility.

*F. von Wieser.*

In matters of philosophy and science authority has ever been the great opponent of truth. A despotic calm is the triumph of error.

*W. S. Jevons.*

It must be remembered that commercial utility is but a form of intermediate utility, and that this again is but a form of relative utility. The remaining portion of intermediate utility, viz., industrial utility, is readily reducible to the commercial form, and at some stage of its existence usually passes through it. Aid-forms are now seldom made by those who actually employ them in industry, but are manufactured by others and placed upon the market as trade-forms. After passing through one or more exchanges, in each of which their commercial utility is primary, and their future industrial utility merely a circumstance which gives them their importance in the market, they become instruments of industry, and their primary utility becomes industrial. A similar transformation is possible, though not so usual, in the case of other relative utilities. Ultimate utilities may at any time be transferred to the category of intermediate utilities, since all satisfirms of consequence may be put upon the market, and so be changed into capital-forms. Commercial utility, with its adjuncts, money and market price, furnishes, therefore,

a common denominator to which all relative utilities may be reduced, and thus subjected to measurement.

In like manner commercial disutility is but a form of relative disutility. The remaining portion of relative disutility, viz., industrial disutility, is readily reducible to the commercial form, and in modern methods of production usually passes through it in the form of wages of labor. So true is this that in those cases, now comparatively rare, in which a given person acquires a satisform entirely by his own industry, without exchange, he measures this disutility in terms of wages paid in the open market for similar effort. He gauges his effort, not by its own industrial disutility, but by the commercial disutility of a known economic equivalent.

Measurable utility in the hands of the seller is manifested as value, and is limited by the point of exchange; but there is another form of measurable utility which manifests itself as net salvage to the buyer, and, lying above the point of exchange, is limited only by the point of alternative cost, that is, by the limit of measurable utility itself. On the other hand, all disutility is not in the form of cost to the buyer; there is a disvalue associated with every value in the hands of the seller. So that both measurable utility and measurable disutility appear upon both sides of the market in every exchange. It is of these, and these alone, that Economics seeks to know the natural laws.

By means of the foregoing analyses and illustrations we find that while commercial utility and commercial disutility are the only forms in which measurement actually

takes place, all relative utilities and disutilities are measurable by reduction to the commercial form; and that all forms of utility and disutility other than the relative forms are immeasurable. This gives us the fundamental economic classification of utilities and disutilities into those which are measurable and those which are immeasurable.

It will be remembered that the same labor-form which furnishes the marginal unit of utility also furnishes the marginal unit of disutility.

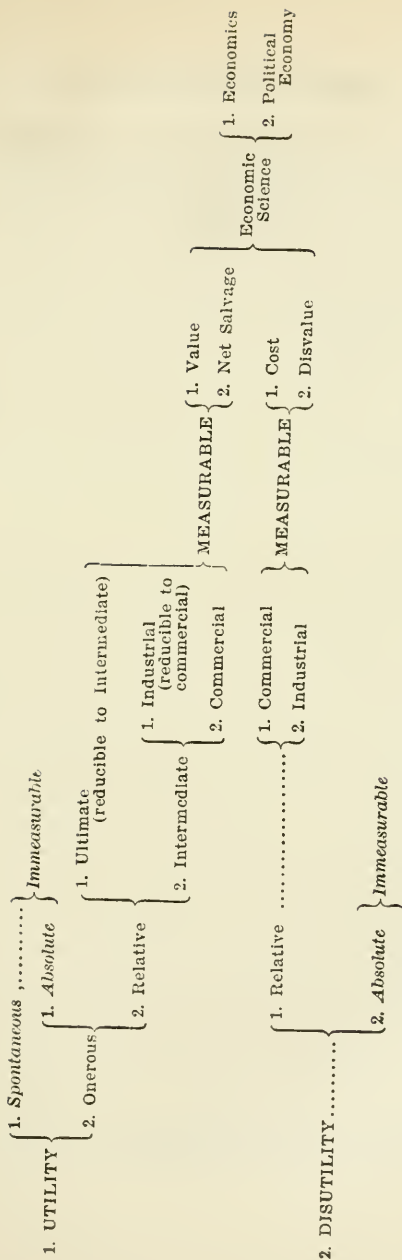
All measurable utilities and disutilities are within the province of Economic Science; all immeasurable utilities and disutilities are without its province. A complete discussion of Economic Science involves a study of Economics and Political Economy. These both treat of measurable utilities and disutilities—and of these only—but from different points of view. All measurable utilities are manifested in the market as value and net salvage; all measurable disutilities as disvalue and cost.

**Economic Science** is that science which treats of measurable utilities and disutilities.

**Economics** is that branch of Economic Science which treats of measurable utilities and disutilities in so far as they are unaffected by juridical institutions, laws or customs.

**Political Economy** is that branch of Economic Science which treats of measurable utilities and disutilities in so far as they are affected by juridical institutions, laws or customs.

The following outline will give a graphic view of our



entire discussion up to this point, and will assist the reader to fix in mind in simple form the analysis which results in measurable utility and disutility, and the synthesis which determines the scope of Economic Science and its branches, Economics and Political Economy. The subdivision of disutility into absolute and relative disutility is shown in inverse order as compared with the corresponding subdivision of utility, thus showing the negative or opposite character of disutility, and at the same time throwing the terms which are involved in Economic Science together in the main body of the outline. Those forms of utility and disutility which we have discarded as not pertinent to Economic Science are shown in *italics*.

Although value is not the whole of measurable utility—net salvage being its complement—it is its most important part inasmuch as net salvage must become the economic equivalent of value in order to be measured. It is, therefore, of interest as well as of importance that we now compare value as we have elaborated and defined it with value as elaborated and defined by standard writers upon economic subjects. Nearly all such writers have attempted a formal statement of the requisites of value, and have usually held with John Stuart Mill that in order to possess value a thing must have utility and must also be difficult of attainment; or, as is sometimes stated, it must be both useful and relatively scarce. This is practically the same as saying that it must have both utility and disutility.

Our discussion has carried us far beyond this distinction, and has led us to analyze the utility which is capable

of producing value. In order to result in value, according to our analysis, the utility of the thing in question must be not only onerous as distinguished from spontaneous; it must be relative—not absolute—and it must assume a commercial form so as to fit it for measurement by the common marginal unit of utility. This classification of the utilities which result in value furnishes an infallible test in that regard and avoids the mistiness created by Adam Smith's unfortunate classification of value into "value in use" and "value in exchange." Value in use, so-called, is simply utility, and does not necessarily have the slightest relation to value at all; while the term "value in exchange" is inexcusably tautological, as value is impossible in the absence of actual or potential exchange. If it be once thoroughly understood and then well remembered that utility does not result in value unless it is onerous in its origin, relative in its intensity, and commercial in its form, no further analysis is necessary, as these terms comprise all the requisites as to utility, and the term "onerous" also implies the requisite of disutility.

The mistiness which has enveloped the requisites of value has also obscured the perceptions of men as to the nature and functions of value itself. The early writers in every field of inquiry have been misled by appearances, and have failed to recognize necessary and fundamental distinctions. The writers upon economic subjects form no exception to this rule. Adam Smith took a superficial view of the phenomenon of value and gave to the world the idea that value, i. e., what he called "value in exchange," is power—"purchasing power."

Never was a mistake more grievously made or more tenaciously adhered to by subsequent writers than this. The idea that value is "purchasing power" runs through nearly all the current treatises on Political Economy, and many of them bluntly define value *as* purchasing power. Some writers speak of this power as if it were something inherent in the object itself, and could reach out and do something in the process of exchange—for "power" denotes ability to act or to do. On the other hand, there prevails a notion, countenanced by many of those high in authority, that value is a sort of force like gravity or magnetism which draws desired commodities to the possessor of the valuable thing, as bodies are drawn toward the center of the earth, or iron filings toward a magnet. Other writers, like Adam Smith, assign this mystical power not to the valuable thing itself, but to the possessor, and make of him a sort of hypnotist or mesmerist of the physical phenomena about him, so that he can control them at will.

Now the simple fact is, as we have seen, that a thing may be useful for the direct satisfaction of a desire, or it may be useful for the indirect satisfaction of that desire through an exchange in the market. It may have fitness—not power—as a trade-form as well as fitness as a satisform; or, again, its distinctive fitness may be that of an aid-form. In any case its present distinctive fitness to satisfy desire determines the use to which it is put, and fitness to satisfy desire is not power, but utility.

We enjoy both spontaneities and labor-forms; but we value only the latter; and this, not because disutility creates or involves any occult power, but because it results



in giving to utility a commercial aspect. Men do not compete for spontaneities however useful, but only for those useful things which involve disutility; and the competition thus engendered by disutility gives to utility a competitive and measurable form which we call value. The disutility likewise takes on a competitive and measurable form which we call cost. Half of the difficulties of the "dismal science" are solved when we get thoroughly instilled into the mind two ideas; first, that utility is fitness to satisfy desire; and, second, that value is nothing in the world but a form of utility, viz., measurable utility at the point of exchange.

Although the doctrine of Adam Smith that value is "purchasing power" or "power in exchange" has been adopted by John Stuart Mill, Francis A. Walker, Francis Wayland and many other prominent writers, it has not gone unchallenged to the present time. Indeed, Mr. Mill at times apparently abandons the theory that value is power, and speaks of the value of anything as "the quantity of some other thing, or of things in general, which it exchanges for." This reduces value to a mere equation, and is a naïve suggestion that in Economics, as in Mathematics, things which are equal to the same thing are equal to each other. This form of descriptive definition has been followed by a number of writers who apparently have not pursued the matter far enough to see that it amounts to defining (if not reasoning) in a circle. For instance, if we define the value of a hat as the amount of shoes that it will exchange for, and assume that it will exchange for one pair of shoes, then the value of a pair of



shoes is certainly a hat. But what from this do we know about value itself?

It certainly is not asking too much of one who presumes to teach Economic Science to distinguish between value and the measure of value when comparisons are expressed in terms of barter, and between value and price when expressed in terms of money. When we say that the value of a hat is three dollars we do not mean that *value* is *money*, but that the particular value in question is measured in terms of money. What should we think of a writer on Natural Philosophy who defined weight as the quantity of something which would tip the other end of a scale beam? or the weight of atmospheric air as the height of the mercury in a barometric column?

Jevons, an English writer, saw the inconsistency of defining value as a power, and preferred to discard the word *value* entirely and to use instead the expression "ratio of exchange." Under his theory value is a mere relation which one thing holds to another or to all things in general. Francis A. Walker held that value is merely a relation and, therefore, not measurable, but capable of expression only as a term of a ratio. A. L. Perry has amplified this idea by claiming that men really exchange services when they exchange commodities (which is true), and by defining value as "the relation of mutual purchase established between two services by their exchange," which is incomprehensible. Why not define value as something which tends to superinduce mental strabismus, and have done with it? The principles of the science of Economics must be reduced to intelligible ideas, and its

definitions must be clothed in comprehensible language, if this science is not wholly to lose its prestige. As the subject is often treated it is no wonder that ordinary mortals look upon Political Economy as good enough (perhaps) in theory, but useless in practice. A certain amount of congruity must be maintained, if it is expected that people are to treat the matter seriously. When a present day college professor and economist gravely tells us in *italics* that "*value is the capacity to excite desire,*"\* men may be excused for concluding, by parity of reasoning, that hunger is capacity to excite appetite; lightning, capacity to excite fear; and Political Economy, capacity to excite credulity.

Utility is fitness to satisfy desire, and value is simply measurable utility at the point of exchange.

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\* Richard T. Ely: *Outlines of Economics*, page 125.