

Concerning Value

By H. M. Bartholomew.

Article 5.—Final Utility.

WE come, now, to a consideration of a theory of Value which is associated with the name of the late Prof. W. Stanley Jevons, and which has been accepted by many pseudo-Socialists as an integral part of Socialist philosophy. For instance, Shaw gravely tells us that:

"Now the exchange value is fixed by the utility, not of the most useful, but of the least useful part of the stock."—*Fabian Essays*, p. 14.

Jevons, in opening his case, says that:

"Repeated reflection and inquiry have led me to the somewhat novel opinion that value depends entirely upon utility."—*Theory of Political Economy*, p. 1.

We have seen, in a previous article, how Ricardo deals with this "somewhat novel opinion."

Jevons, in examining the exchange value of any given commodity, applies, to the realm of commerce the Utilitarianism of Bentham and of Mill. Indeed he tells us that

"I have no hesitation in accepting the Utilitarian theory of morals which does uphold the effect upon the happiness of mankind as the criterion of what is right and wrong."—*Ibid.* p. 23.

Jeremy Bentham advocated the Utilitarian theory in the most uncompromising manner. His words have become classical:

"Nature has placed mankind under the governance of two sovereign masters—pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand the standard of right and wrong, on the other the chain of causes and effects, are fastened to their throne. They govern us in all we do, in all we think; every effort we can make to throw off their subjection will serve but to demonstrate and confirm it. In words a man may pretend to abjure their empire; but in reality, he will remain subject to it all the while. The principle of utility recognizes this subjection, and assumes it for the foundation of that system, the object of which is to rear the fabric of felicity by the hands of reason and of law. Systems which attempt to question it deal in sounds instead of sense, in caprice instead of reason, in darkness instead of light."—*Principles of Morals and Legislation*, ch. 1.

It is upon the foundations of Utilitarianism as expounded by Bentham and elaborated by Mill that our learned Professor of Political Economy bases his analysis of exchange-value. He says:

"Pleasure and pain are undoubtedly the ultimate objects of the Calculus of Economics. To satisfy our wants to the utmost with the least effort . . . in other words, to maximize pleasure, is the problem of economics."—*Theory of Political Economy*, p. 37. (Emphasis Jevons).

This view of economics has been held by leading economists other than Jevons. There is no need to quote lengthy passages from John Mill. His arguments in favor of Utilitarianism are too well known to be cited here.*

But let us to Jevons and his theory of Value!

As we have seen, that theory is the application of Utilitarianism to Economics. A commodity possesses value only when it is useful, and its value is determined by the quantum of its utility. Senior says:

"Utility denotes no intrinsic quality in the things which we call useful; it merely expresses their relations to the pains and the pleasures of mankind." *Encyclopaedia Metropolitana*.

In other words, the value of any given article is determined by the amount of pleasure or pain which its possession gives to the possessor. And Jevons endeavors to measure, by mathematical formulae and algebraic expressions, the locus of the curve of human greed, and to found his conception of value upon that firm (?) foundation.

We have seen in a previous article, that a commodity possesses no exchange-value unless it is useful. We would think that there need be no laboring of this elementary point of economics, but our Professor is at great pains to make it clear, and is good enough to squirt all manner of mathematical

formulae to make this point clear. He says:

"The ore lying in the mine, the diamond escaping the eye of the searcher, the wheat lying unreaped, the fruit ungathered for want of consumers, have no utility at all."—*Theory of Political Economy*, p. 43.

That is platitude reduced to its final imbecility! But no matter. He grows eloquent and clear:

"Nor, when we consider the matter closely, can we say that all portions of the same commodity possess equal utility. Water, for instance, may be roughly described as the most useful of all substances. A quart of water per day has the high utility of saving a person from dying in a most distressing manner. Several gallons a day may possess much utility for such purposes as cooking and washing; but after an adequate supply has been secured for these uses, any additional quantity is a matter of comparative indifference. All that we can say, then, is, that water, up to a certain quantity, is indispensable; that further quantities will have various degrees of utility; but that beyond a certain quantity the utility sinks gradually to zero; it may even become negative, that is to say, further supplies of the same substance may become hurtful and inconvenient."—*Ibid.*, p. 44.

Or, a flood may sweep everything away and drown a "person" who might, without a quart of it have died of thirst!

This luminous method of economic analysis is applied by our professor to bread and to clothes and continues:

"Utility must be considered as measured by or even as identical with, the addition made to a person's happiness. It is a convenient name for the aggregate of the favorable balance of feeling produced,—the sum of the pleasure created and the pain prevented. We must now carefully discriminate between the total utility arising from any commodity and the utility attaching to any particular portion of it. Thus the total utility of the food we eat consists in maintaining life, and may be considered as infinitely great; but if we were to subtract a tenth part from what we eat daily, our loss would be but slight.** We should certainly not lose a tenth part of the whole utility of food to us. It might be doubtful whether we should suffer any harm at all.

"Let us imagine the whole quantity of food which a person consumes on an average during the twenty-four hours to be divided into ten equal parts. If his food be reduced by the last part he will suffer but little; if a second tenth part be deficient, he will feel the want distinctly; the subtraction of a third tenth part will be decidedly injurious; with every subsequent subtraction of a tenth part his sufferings will be more and more serious, until at length he will be upon the verge of stravation."—*Ibid.* p. 45-6.

All of which, no doubt, is very illuminating and advances our knowledge of value greatly!

Then our learned Professor is kind enough to indulge in his favorite mathematics in order to illustrate, this, his most exquisite reasoning on the theory of value in exchange. But he returns, at length, to his water illustration. Thus:

"We cannot live without water, and yet in ordinary circumstances we set no value on it. Why is this? Simply because we have so much of it that its final degree of utility is reduced nearly to zero. We enjoy every day the almost infinite utility of water, but then we do not need to consume more than we have. Let the supply of water run short by drought, and we begin to feel the higher degrees of utility of which we think little at other times."—*Ibid.*, pp. 52-3.

These "higher degrees of utility" are the determinant factors in exchange value. According to Jevons, one umbrella is very useful; a second umbrella is a luxury, and a third mere useless lumber. And he tells us that the exchange-value of an umbrella is determined by the "final utility" of the least useful umbrellas.

Let us, to cite Jevons' pet phrase, "examine this matter a little more closely." If the stock of umbrellas upon the market is sufficiently large that each member of the community is enabled to purchase two umbrellas, then, since the second umbrella

is not so useful as the first, it would be policy to ticket half the umbrellas at \$3 and the remainder at \$1.50. But no man will purchase an umbrella at \$3 when it can be obtained for \$1.50, and so the umbrellas are purchased at the latter price. Or, to quote the words of Jevons himself:

"I shall, therefore, commonly use the expression final degree of utility, as meaning the degree of utility of the last addition, or the next possible addition of a very small, or infinitely small, quantity to the existing stock."—*Ibid.*, p. 51.

Again:

"In exchange for a diamond we can get a great quantity of iron, or corn, or paring-stones, or other commodity of which there is abundance; but we can get very few rubies, sapphires and other precious stones. Silver is of high purchasing-power compared with zinc, or lead, or iron, but of small purchasing power compared with gold, or platinum, or iridium. . . . Nothing can have a high purchasing power unless it is highly esteemed in itself; but it may be highly esteemed apart from all comparison with other things,*** and though highly esteemed, it may have a low purchasing power, because those things against which it is measured are still more esteemed."—*Ibid.* pp. 80-1.

So that, we find, that not "utility" but "esteem" is the measure of value of commodities. But then Jevons sets the whole matter right in this way:

- 1—"Value in use equals total utility.
- 2—"Esteem equals final degree of utility.
- 3—"Purchasing power equals ratio of exchange."

—*Ibid.*, p. 81.

How scientific, how enlightening, how truly, truly philosophic is all this!

Turning from the mathematical formulae and the logical ambiguities of Jevons for a moment, let us seek a short and concise exposition of "final utility" from the hands of Prof. J. S. Nicholson:

"Suppose that on a desert island A possesses all the food, so many measures—(say) pecks—of corn, and B all the drinking water, so many measures (say) pints. Then A, taking into account present and future needs, might ascribe to the possession of each portion of his stock so much utility. The utility of the first few portions of corn might be regarded as practically infinite, but if his stock were abundant, and a speedy rescue probable, the utility ascribed to successive portions would be less and less. In the same way B might make an estimate of the utility of successive measures of his drinking water. Now if we regard only total utilities from the point of view of each, both are infinite. If an exchange were made of the total stocks of the two men, the position of neither would be improved. But if A sets aside (say) half his stock, then it may well happen that he could advantageously exchange the rest against part of B's drinking water. In precisely the same way B might set aside so much of his stock for his own consumption, and then the utility of the remaining portion would be much less than the utility he would gain if he obtained in exchange A's surplus. Thus, if the two men exchange their remainders, both will gain in utility. . . . The utility of the last portion of corn retained by A (or of the water by B) is the final utility of the stock retained, and similarly the utility of the last measure obtained in exchange may be called the final utility of the stock purchased."—*Encyclopaedia Britannica*, sect., re "Value."

Such is the theory of Value which is associated with the name of the late Prof. Stanley Jevons, and which has received considerable support from economists and publicists during the last few years.

Next Article: "The Final Futility of Final Utility."

*It should be noted that Mill did not apply Utilitarianism to his analysis of exchange-value. See his "Principles."

**It is obvious that Jevons had the wealthy and well-to-do class in mind when he wrote these lines.

***What has this to do with exchange-value then? Compare this sentence with his statement: "But the word Value so far as it can be correctly used, merely expresses the circumstance of it exchanging in a certain ratio for some other commodity."—*Ibid.* p. 77.