

**XVII WELFARE AS
AN ECONOMIC
QUANTITY**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649285822

XVII Welfare as an economic quantity by G. P. Watkins

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

G. P. WATKINS

**XVII WELFARE AS
AN ECONOMIC
QUANTITY**

726

Hart, Schaffner & Marx Prize Essays

XVII

WELFARE AS AN ECONOMIC QUANTITY

WELFARE AS AN ECONOMIC QUANTITY

BY

G. P. WATKINS



UNIV. OF
CALIFORNIA

BOSTON AND NEW YORK
HOUGHTON MIFFLIN COMPANY
The Riverside Press Cambridge
1915

PREFACE

THIS series of books owes its existence to the generosity of Messrs. Hart, Schaffner & Marx, of Chicago, who have shown a special interest in trying to draw the attention of American youth to the study of economic and commercial subjects. For this purpose they have delegated to the undersigned committee the task of selecting or approving of topics, making announcements, and awarding prizes annually for those who wish to compete.

For the year ending June 1, 1913, there were offered:—

In Class A, which included any American without restriction, a first prize of \$1000, and a second prize of \$500.

In Class B, which included any who were at the time undergraduates of an American college, a first prize of \$300, and a second prize of \$200.

Any essay submitted in Class B, if deemed of sufficient merit, could receive a prize in Class A.

The present volume, submitted in Class A, was awarded the second prize in that class.

- J. LAURENCE LAUGHLIN, *Chairman.*
University of Chicago.
- JOHN B. CLARK,
Columbia University.
- HENRY C. ADAMS,
University of Michigan.
- HORACE WHITE,
New York City.
- EDWIN F. GAY,
Harvard University.

AUTHOR'S PREFACE

THIS essay is a study in the neglected field of economic consumption. It is a fragment of what was planned as a comprehensive treatise of this division of economics, and largely developed during my graduate work at Cornell University. But the part may be the better for standing by itself. It is frankly theoretical in general character. I quite agree that questions susceptible of detailed inductive or statistical investigation should receive such treatment instead of merely being given their place in a theory. That, however, must come later.

Most of the essay assumes familiarity with the concepts and terms of recent economics and is technical in its interest. Certain chapters, however, — which are not among the earliest, — may perhaps be intelligible and interesting to the reader whose chief equipment is common knowledge and common sense. These are especially chapters VIII (with VII as preliminary) and XVI; and also, though to a less degree, chapters V, XI, XIII, XIV, and XV. Whether a person of practical or reformatory interest would be justified in going directly to the concluding chapter is to be doubted.

No fundamental premises of economic thought are essentially affected by the ideas contained in this essay. It does propose certain qualifications and extensions of accepted principles. What may be considered the general contribution it makes consists in the incorporation into systematic economic thought of some ideas that are, if not themselves new, such as can be found elsewhere — perhaps in common thought or in writings of no scientific standing — only as disconnected *aperçus*.

My scientific obligations, and the interrelations of the ideas developed to those of others, are indicated in text

and in footnotes, but I am not sure that all have been duly noted, since the matter was originally written some time ago and has undergone many changes. Though much that is characteristic of the Austrians — Menger, Wieser, and Böhm-Bawerk — is not accepted here, my point of departure is obviously the same as theirs. The development from that point is in a different direction. The differences that emerge are partly, though not wholly, due, to this divergence of the subjects treated. The essay is, however, largely a criticism of the usual exposition of utility doctrine. Suggestions received from recent American theory are also frequently negative, belonging, that is, in the category of association by contrast or opposition.

The manuscript has been subjected to the criticism of Professor Alvin S. Johnson, who acted in place of Professor Clark as a judge of the papers submitted to the Hart, Schaffner & Marx Committee and has reviewed on its behalf the essay here published. He has made important suggestions regarding terminology and also toward connecting up the ideas presented with those of other economic theorists, and he has made it necessary for me to elaborate and defend or to amend certain points. But I have no reason to suppose that he would accept as valid all the theories here set forth. With this exception the essay has not had the benefit of the friendly criticism of economists. But I am much indebted to two of my associates in the Bureau of Statistics and Accounts of the Public Service Commission, namely, to Mr. James L. Bahret, for numerous valuable editorial suggestions, and to Mr. L. H. Lubarsky, not only for drafting the diagrams, but for important mathematical assistance, including certain notes bearing his initials. Acknowledgment is also due to Professor John B. Clark for encouraging me to complete and publish this little book, which was first presented on somewhat the present plan as a paper in his seminar.

G. P. WATKINS.

NEW YORK CITY,
May 31, 1914.

CONTENTS

INTRODUCTION. WELFARE AND UTILITY xix

The title of this essay implies a dependence of welfare upon economic conditions — The "variation of utility" a technical description of the subject — What constitutes welfare — Relation of utility to welfare — Neither word is definitely objective or definitely subjective in meaning — The sense in which welfare is an economic quantity — That "welfare" connotes sociality more than does "utility" is not an essential difference — The quantitative variation of utility is the connecting link between goods and welfare — There are several species of utility and their variation is complex — The economic aspect of welfare is essential, though not exhaustive — Moral judgment requires economic as well as other knowledge — Scope of following chapters — Underlying assumption that men are in general reasonable.

CHAPTER I. UTILITY DEFINED 1

Utility the basic idea of a theory of consumption — The term defined — The abstract term for a relation — The concept is quantitative — The term has a collective significance — Specialization of goods obscures auxiliary uses — The discovery of new uses and the refinement of old.

The quantitative conception of utility requires a measure — The conceptual measure of utility is contribution to satisfaction — The power to satisfy must be susceptible of generalization — Expectations must be reasonable — Utility is not proportioned to merely marginal satisfaction; instance the good that is, for the consumption of a small private economy, unique — Equating the satisfactions of different individuals — The absence of definite allocation of super-marginal utility explains but does not justify its neglect.

CHAPTER II. THE SPECIES OF UTILITY 10

The classification of the relatively homogeneous is not impossible — Familiar divisions of utility: Positive and negative; marginal, super-marginal and free; direct and indirect — Three-fold relation of goods to satisfaction: (1) independent; (2) dependent on other goods; (3) dependent on other persons — Definition of utility proper — Particular utility — Comple-