

**Joseph Schumpeter (1908)**

## **On the Concept of Social Value.**

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### **Summary**

It is but recently that, in pure theory, the concept of social value came into prominence. The founders of what is usually called the "modern" system of theory, as distinguished from the "classical," never spoke of social, but only of individual value. (1) Recently, however, the former concept has been introduced by some leaders (2) of economic thought, and has quickly met with general approval. Today it is to be found in nearly every text-book. Since it is generally used without careful definition, some interest attaches to a discussion of its meaning and its role; and it is the purpose of this paper to contribute to such a discussion. The reader is asked to bear in mind, first, that our question is a purely methodological one and has nothing whatever to do with the great problems of individualism and collectivism; further, that we shall consider the question for the purposes of pure theory only; and, finally, that we confine our inquiry to the concept of social value without including several other concepts which also have social aspects. (3)

### **I.**

At the outset it is useful to emphasise the individualistic character of the methods of pure theory. Almost every modern writer starts with wants and their satisfaction, and

takes utility more or less exclusively as the basis of his analysis. (4) Without expressing any opinion about this *modus procedendi*, I wish to point out that, as far as it is used, it unavoidably implies considering individuals as independent units or agencies. For only individuals can feel wants. Certain assumptions concerning those wants and the effects of satisfaction on their intensity give us our utility curves, (5) which, therefore, have a clear meaning only for individuals. These utility curves, on the one hand, and the quantities of procurable goods corresponding to them, on the other, determine marginal utilities for each good and each individual. These marginal utilities are the basis and the chief instruments of theoretical reasoning; and they seem, so far, to relate to individuals only. It is important to note that, for the purposes of a theory of utility and value, it is not sufficient to know merely the quantities of goods existing in our theoretical country taken as a whole. Not only must the sum of individual wealth be given, but also its distribution among individuals. Marginal utilities do not depend on what society as such has, but on what individual members have. Nobody values bread according to the quantity of it which is to be found in his country or in the world, but everybody measures the utility of it according to the amount that he has himself, and this in turn depends on his general means. The distribution of wealth is important for determining values and shaping production, and it can even be maintained that a country with one and the same amount of general wealth may be rich or poor according to the manner in which that wealth is distributed. For two reasons we have to start from the individual: first, because we must know individual wants; and, secondly, because we must know individual wealth.

Marginal utilities determine prices and the demand and the supply of each commodity; and prices, finally, tell us much else, and, above all, how the social process of distribution will turn out. (6) We gather from the theory of prices certain laws concerning the interaction of the several kinds of income and the general interdependence between the prices and the quantities of all commodities. This, *in nuce*, is the whole of pure theory in its narrowest sense; and it seems to be derived from individualistic assumptions by means of an individualistic reasoning. We could easily show that this holds true not only for modern theories, but also for the classical system. It is submitted that this treatment of economic problems is free from inherent

faults, and, as far as it goes, fairly represents facts.

It now becomes clear that the same reasoning cannot be directly applied to society as a whole. Society as such, having no brain or nerves in a physical sense, cannot feel wants and has not, therefore, utility curves like those of individuals. Again, the stock of commodities existing in a country is at the disposal, not of society, but of individuals; and individuals do not meet to find out what the wants of the community are. They severally apply their means to the satisfaction of their own wants. Theory does not suggest that these wants are necessarily of an exclusively egotistical character. We want many things not for ourselves, but for others; and some of them, like battleships, we want for the interests of the community only. Even such altruistic or social wants, however, are felt and taken account of by individuals or their agents, and not by society as such. For theory it is irrelevant why people demand certain goods: the only important point is that all things are demanded, produced, and paid for because individuals want them. Every demand on the market is therefore an individualistic one, altho, from another point of view, it often is an altruistic or a social one.

The only wants which for the purpose of economic theory should be called strictly social are those which are consciously asserted by the whole community. The means of satisfying such wants are valued not by individuals who merely interact, but by all individuals acting as a community consciously and jointly.

This case is realized in a communistic society. There, indeed, want and utility are not as simple as they are in the case of individuals. Altho it would have to be determined somewhat artificially what the wants of such a society were, it is clear that we could speak of social utility curves. Furthermore, society would have direct control of all means of production, and could dispose of them much as could an isolated man. Production and distribution would, in fact, be ruled by social value and social marginal utilities; and in this part of economic theory such concepts have a place.

But outside of the domain of communism we see, so far, only individual wants, values, and demands and their interaction. It is true that in some connections, and, in

particular, in applying pure theory to practical problems, it is desirable to combine all the individual demand and supply curves into general demand and supply curves. In similar connections we speak of general utility curves. But these are by no means the same as the utility curves of a communistic society. They resemble them and have about the same shape; but they refer to individual wants and to a given distribution of wealth. Being only combinations of individual curves, they cannot be understood without these, and they are not what they would be in a communistic society. In the two types of society different commodities would be produced, and the same commodities would have different values. They would be produced in different quantities and would be differently apportioned among the members. (7)

## II.

It follows from what we have said that no obvious or natural meaning attaches to the concept of social value in a non-communistic society. We shall proceed, therefore, to examine the uses made of it, in order to get a well-defined idea of the character and the importance of this instrument of economic thought.

Many writers call production, distribution, and exchange social processes, meaning thereby that nobody can perform them — at least the two last named — by himself. In this sense, prices are obviously social phenomena. (8) Others explain certain fundamental truths by means of a "representative firm"; that is to say, by considering society, for the moment, as one great establishment, (9) — a method which is very useful for certain purposes. It is very usual, finally, to speak of society as such consuming and producing, directing the agents of production, and so on. This is meant to emphasize the mutual interaction of individuals and the manifold social influences under which all of them live and work. Altho not quite precise, this way of expressing one's self is often a convenient . The concept of social value is frequently used in connection with such sayings, but here its role is not very important and its use does not involve any opposition to the individualistic methods and concepts of theory. It is a summary expression for certain phenomena, and its meaning is pretty clear. It expresses the fact of mutual interaction and interdependence between

individuals and the results thereof.

So far we have not, I think, travelled over very controversial ground. But we now approach two more important applications of our concept, which fairly cover the whole range of applications of it within the field of pure theory. In the first of these it is said that "it is society — and not the individual — which sets a value on things"; [\(10\)](#) and in the second that "exchange-value is social value-in-use." [\(11\)](#)

That it is society as a whole which sets values on things can be true in different senses, which are admirably stated by Professor Seligman. This dictum may be nothing more than the short expression already referred to. It is evidently true, moreover, that, if value means "exchange-value," it is, of course, not fixed by any single individual, but only by the action of all. Even then, however, it would not simply be the aggregate of wants that fixes values, but only this aggregate acting according to the self-interest of individuals and to the distribution of wealth among them. But our question is whether social value can be considered as an independent agency, which can be substituted, partly at least, for the idea of individual values; and we need to examine this wider claim. There are two important facts to support it. First, it is only so long as an individual is isolated that the total as well as the marginal utilities of all commodities he may possess depend exclusively on him. All utilities are changed when he lives within society, because of the possibility of barter which then arises. This possibility alters at once the individual's appreciation of his goods. It has an effect on their values similar to the discovery of new ways of using them. Our individual will now put a new value on his goods because of what he can get for them in the market; and this new value depends on how much other people want them. This fact may be said to show a direct social influence on each individual's utility curves.

Secondly, there are other influences of a similar kind. Every one living in a community will more or less look for guidance [\(12\)](#) to what other people do. There will be a tendency to give to his utility curves shapes similar to those of other members of the community. Every one's valuations will be influenced by the fact "that he compares them consciously or unconsciously with those of his neighbors."

The phenomenon of fashion affords us an obvious verification of this. Moreover, the same holds true of the "cost side" of economic phenomena. Every one's costs depend, in an easily perceptible way, on every one else's costs, so that the individual cost curves, — for each community, are interdependent and govern each other.

This is important. Social influences like these are the keys to a deeper understanding of the whole life of the functions of the body politic, and the analysis of them may lead to new and valuable results. To-day we know very little about our utility curves, and are forced to make assumptions [\(13\)](#) about their shape. [\(14\)](#)

We must look at individual demand curves and marginal utilities as the data of purely economic problems outside a communistic society. Social influences form them, but for us they are data, at once necessary and sufficient, from which to deduce our theorems. We cannot substitute for them "the community of wants" or the idea of society as such fixing values. That this is so we shall try presently to prove; but, if so, it would follow that this way of expressing things has, except for the case of a communistic society, no other than a metaphorical meaning; that it may not be wrong, but that it is superfluous and only synonymous with what the concept of "interaction of individuals" expressed; and that we had better avoid it, since it lends itself to doubts and to misinterpretation.

If it be really society that fixes values, then the exchange values of things could be called social values-in-use. This theory we may proceed to discuss now. Rodbertus held this view, and it amounts to saying that exchange-values, as represented by prices in a market, are identical with the values which the same commodities should have in a communistic society. Perhaps it is implied that, if society as such should value things, it would put the same values on them as are expressed by their prices under present circumstances, or that market prices express relative values of things which correspond to what they are worth from the standpoint of society as a whole. It may, in explicit terms, be held that what appears prima fade as the result of individual actions turns out, in the end, to be the very thing that would be brought about by the conscious action of society itself. This would, at any rate, be the proper and the most

interesting meaning of the formula. This interpretation is confirmed by sayings like these: "The group finds, after comparing individual preferences, that the desire unsatisfied, for instance, by the lack of an apple is three times as great as that unsatisfied by the lack of a nut." "Value is the expression of social marginal utility." (15)

Is this true, and under what conditions? It is obviously true for a communistic society. But for a noncommunistic one it would be a fair representation of facts on these conditions only', —

- (1) if its members were in the habit of meeting to express their wants and if equal account were taken of all of them, regardless of their wealth;
- (2) if the same kinds and amounts of commodities were produced in both cases;
- (3) if the principle of distribution were the same in both cases.

These conditions are not fulfilled. We have already touched upon the first. As to the second, it seems to be beyond doubt that production, under the influence of demand from individuals possessing different amounts of wealth, will take a different course from that which it would take in a communistic society, and that different kinds and amounts of commodities will be produced. This fact will alter the values of the products. The principle of distribution might, indeed, conceivably be the same in either case. But the principle now in operation is that of marginal efficiency; and it is probable that, in many cases, another principle — that of want, for example — would more commend itself to a socialistic community. Such a community might apportion goods among its members according to their several needs. But, disregarding this, we easily see that, even if the principle of efficiency were applied in both cases, it would mean, in the one case, distribution according to personal efficiency, in the other distribution according to the efficiency of the productive agency one may possess. Land and capital are factors in the second case, and this makes a decisive difference.

Hence it follows that to substitute for the many individual values the idea of a social

value cannot lead to more than an analogy. This analogy is separated from reality by a great gulf, — by the fact that values, prices, and shares in the social product all depend on, and are dominated by, the original distribution of wealth. Rodbertus's saying, taken verbally, is altogether wrong. This we shall prove more fully by discussing its application to the problem of distribution.

### III.

We now approach the most important aspect of the theory of social value, and that which makes the subject worth discussing. The concept of social value is chiefly instrumental in opening up a thoroughly optimistic view of society and its activities. It affects an important theory and great practical conclusions, and in these the chief interest of the subject centres. Vastly more than terminology is at stake. As the reader knows, the theory is that even in a non-communistic society each factor of production ultimately gets what its services are worth to the community.

The practical importance of this theory is obvious. It tends to show that economic forces are not only of the same nature, at all times and everywhere, but also that they lead, under a régime of free competition, to the same results as in a communistic society. Competition and private ownership of productive agents are held to bring about a distributive process quite similar to one regulated by a benevolent and intelligent ruler. This theory attributes, indeed, to the law of social value the functions of such a ruler. Society itself is called upon to sanction what is actually happening, and it is assumed. that, apart from minor grievances, there is little to complain of.

It would be possible to trace this view to a period far back in the past. Some of the classical economists and their immediate followers inclined toward it. With McCulloch political economy was not always a dismal science; and others went much farther in this direction, — Bastiat and such later writers as M. Block, P. Leroy-Beaulieu, and G. de Molinari. But it is essential to distinguish this group of economists, whose importance, never very great, is now rapidly declining, from those modern writers with whom we are here concerned. While the former confine

themselves to general philosophies about the excellence of free competition and laissez faire, the latter have developed a scientific theory, the originality and merits of which have rightly led to its present vogue. The former are individualists in every sense, the latter emphasize the social aspect of economic things. This new theory was first expounded by J. B. Clark and v. Wieser. (16) The work most typical in this respect is, as far as I know, Carver's *Distribution of Wealth*. (17)

For the system of economic science the main importance of this theory lies in the fact that, if distribution can be described by means of the social marginal utilities of the factors of production, it is not necessary, for that purpose, to enter into a theory of prices. The theory of distribution follows, in this case, directly from the law of social value. This theory, indeed, seems to be the starting-point of the concept of social value and the main theoretical reason for its introduction; and it helps to set forth all economic phenomena, and especially those of wages and interest, in a very simple manner, — one that is much more lucid and attractive than that derived from an intricate and cumbersome theory of prices. The first step is to describe things in a communistic society. Then it has to be shown or assumed that what happens in a non-communistic society is not essentially different, and that the same theorems apply in both cases. From this follows, on the one hand, the theory of social value as the guiding principle of economic activity, and, on the other hand, that brighter view of everything happening in competitive society.

This last step follows as a consequence of the two others. There is no doubt about the first step; for, certainly, the concept of social value is the only available instrument for explaining the economic life of a communistic society. It enables us to show satisfactorily how such a society carries on its daily existence, how the values of all its commodities will be adjusted, how its means of production will be employed, how they will be arranged on fixed scales of social utility, and how their marginal utilities will be determined. These marginal utilities, in their turn, are the barometer of the social importance of the means of production and fix the share of the value of the product which each productive agent may claim. There is no doubt that v. Wieser's work gives a thoroughly sound theory of a communistic and static society. But it is

the second step — the extension of the domain of social value to competitive society — that requires discussion. If tenable, it would much simplify matters and constitute a great step in advance. The concept of social value would, in this case, acquire in economics an importance similar to that of the fiction of a "central sun" in astronomy.

This is what has been tried; and, surely, success has been attained to a certain extent. The fundamental theorems concerning value can be applied, whatever may be the organization of society. Therefore, some of the results obtained by the study of communistic society can serve usefully as a foundation of, and introduction to, the study of economic phenomena in general, — a role which formerly Crusoe was called upon to fulfil. But what we have to decide is whether this study can do more, and whether it gives a perfectly sufficient and correct view of all the features of competitive distribution. The writers referred to have used an interesting device to obtain this end. Whilst retaining the idea of values governed by society as such, they have introduced into their picture of a communistic economy some characteristics of a non-communistic one. They speak of land-owners and capitalists, and even of competition. The society they deal with is one which admits private ownership of factors of production, but retains a control of production and distributes the national product according to the principle of efficiency. Land-owners and capitalists have to submit to this social control, and really are land-owners and capitalists only in so far as they receive rent and interest. Every one, so to speak, keeps his factor of production, but gets his orders from society as to what to do with it; or, to put it differently, every one is regarded according to the social appreciation of what he produces. It is held, not that this is a description of an existing organization, but that, given a régime of free competition, everything happens in the way that it would if society were so organized. This, at least, would be the last consequence of the theory of social value.

We seem to be faced by this alternative: either we are to assume social utility curves, — in which case society must be the sole owner of capital and land, the society is communistic, and no rent or interest will be paid to individuals; or rent and interest are paid, in which case there are no social values, but only individual ones, and society as such does not control production. It may still be held that the final results

are the same as they would be if society were in control; and this theory we shall further discuss.

## IV.

We have had stress on the theory of prices as necessary for dealing with distribution, since its explanation rests on individual marginal utilities; but we have also seen that we can represent the phenomena of the market, and therefore of distribution, by what we called general demand and supply curves. This does not, however, enable us to leave out of account the theory of prices. For, as has been explained, these "general curves" cannot be constructed without the help of the concept of prices; they, in fact, embody the whole theory of prices and represent its results.

Now, to make it quite clear that the theory of distribution cannot be based on value sans phrase, but can only be indirectly so based with the help of the theory of prices, let us discuss the following example. Let us, for the moment, consider land-owners, capitalists, and workmen as three distinct groups, each organized so as to exclude competition between its members and enable the group to act as a unit. Then rent, interest, and wages appear to be the result of a barter between these groups. The outcome, as we are taught by the theory of prices, is indeterminate; we cannot give an exact formula fixing it, but only limits between which it must fall. An equilibrium will be attained in each concrete case, but other equilibria would be, from the standpoint of pure theory, just as possible as the one which happens to result, — and just as unstable.

What our case teaches us is this: the utilities of the services of land, capital, and labor are perfectly determined, — since each group values its agent according to a definite scale, — and so are their marginal utilities. Nevertheless, their prices and consequently their share in the social product lack determination. Hence we see, at least in one special case, that values of productive factors do not necessarily determine their shares of products, and that we cannot find the shares if we do not know their prices. We may conclude that distribution has directly more to do with

prices than with values, in spite of prices being, in their turn, dependent on values. Nor is this all. If society, consisting of our three groups, would form utility curves of its own and enforce them upon the groups, even then, if they were allowed to fight for their shares, the results of distribution could not be foretold. Determination of values and determination of prices, therefore, are vastly different things.

There is, however, one possibility of making our problem determinate. If our three groups aim at the greatest satisfaction, not of their own wants, but of those of all of the three, — that is, those of "society," — then their shares become determinate. But, in this case our society realizes all the characteristics of a communistic one, and is so for all intents and purposes. Here social value would become a reality and play its true role. But this shows more clearly than anything that, at least in the case supposed, a theory based on the concept of social value leads to results that differ from those reached under the assumption of individual values, — to results which are true for certain cases, but cannot be extended to others.

It could be replied that competition alters all that. Indeed, only for a régime of perfect competition is it held that every one gets what his contribution is worth to the community. Free competition only is said to bring about results such as can be represented by social utility curves and social marginal utilities, — results which are identical with what they would be if brought about by the conscious action of society as a whole. Competition is supposed to fix marginal utilities determining the shares of productive agents and having every right to be called social ones. Distribution, so regulated, works out for all members of the community and for the community as a whole in such manner that they reap a maximum of benefit, and hence competition overcomes all the difficulties we found in the case just discussed. It indicates and justifies the representation of distribution in a non-communistic society by social curves and the theory that distribution can be directly explained by the phenomenon of value.

To this we offer the following remarks: —

(1) What is determined now (competition having been introduced), and has not been

determined before, is not values, but prices. Values — utility curves as well as marginal utilities — were fully determined before. It is, therefore, due only to the phenomena described by the theory of prices that the concept of social value can be applied at all in a non-communistic society, and that we are able to speak of social marginal utilities regulating distribution. To understand thoroughly how it is that in a non-communistic society things work out in some such way, it is not sufficient to say that "social valuation decides," but it is necessary to study the theory of prices. Some knowledge of it is indispensable, and, even if the theory of social value were otherwise quite satisfactory, it would not enable us to explain distribution without the theory of prices.

(2) Nobody gets, or can get, all that his productive contribution is worth to the community, which is its *total-value*. For total-value is an integral of the function representing marginal utility. Nobody gets as much as that, but everybody is, by the theory under discussion, supposed to get what Professor Irving Fisher has called *utility-value*; that is, the product of the social utility of the productive agent he has to offer with the quantity of it he sells. This product, depending on marginal value only, is very independent of total-value. Every one, therefore, necessarily gets less than his contribution is worth to the community. Even if the total-utility of what he contributes were very great, he might get very little if the marginal utility of it happened to be small.

(3) It is true that equilibrium in a non-communistic society corresponds to a maximum of satisfaction, just as does equilibrium in a communistic one; but the two maxima are different, for they are subject to the conditions of given circumstances. Both are maxima of that satisfaction which can be attained under those circumstances. Among the circumstances, in a non-communistic society, is a given distribution of wealth, where only that maximum will be attained which is compatible with the existing distribution. In the case of a communistic society there is no such condition. If we represent the phenomena of distribution under a competitive régime by "general curves," then it must be borne in mind that they relate not to given quantities of productive agents simply, but to given quantities in a given distribution among the members of the community; and the consequences of this, as contrasted

with what would happen in a communistic society, can be explained only by the study of the phenomenon of prices.

Only one point remains to be mentioned. The smallest or marginal utilities of commodities within the community can be said to decide what each commodity will fetch in the market; and so the smallest or marginal utilities of land, capital, and labor may, in the same sense, be said to determine the distribution of the social product. There is, for this reason, some ground for calling them social marginal utilities as distinguished from those of the individuals. In fact, if there is any phenomenon in the market which has a claim to that name, it is such marginal utility, and we are far from denying the value of this terminology. But there are social reservations to be made. It is clear, to begin with, that they cannot be called marginal utilities of society in the same sense as individual marginal utilities are the marginal utilities of some individual. For they are not derived from social utility curves, but are merely marginal utilities of those individuals who, in each case, happen to be "marginal sellers" or "marginal buyers." They do not enable us to do without the theory of prices, since we need it to tell us why these marginal utilities play their role and by what influences they are put in the position to play it. Not being derived from social wants and social utility curves, but representing the outcome of a struggle between individuals, they do not tell us all that might naturally be expected from them. They do not reflect the state of satisfaction of the community as a whole, — do not indicate up to what degree society is able to satisfy its wants. There may be wants, much more important from the social standpoint, which remain unsatisfied for lack of means of those who feel them, so that it would be wrong to represent the social marginal utility as the lowest ordinate of a steadily declining social curve. We cannot say whether the weakest buyer, whose marginal utility is the social one, is the weakest because he is the poorest, or because he cares least for the good, — a fact which deprives this marginal utility of much of its interest. It is also not sure whether what in this sense is the social marginal utility of labor — that which has been said to determine wages — is equal to social marginal disutility. For the workman who is the weakest in one sense is not necessarily the one who feels the pain of labor most heavily, but perhaps the one who, having some other means of subsistence, does not compete keenly for

work. This case may be of little practical importance, but it helps to clear up the question of principle.

Finally, we must not overrate the importance of these marginal utilities. It is true that, in a certain sense, they determine prices; but they cannot be called the cause of them. It would, in some cases, be just as true that prices determine the marginal utilities of productive agents, because they decide how much of them will be offered for the production of a certain commodity. There are several ways of expressing these facts, and none of them has an exclusive claim to use. The whole truth is not contained in any of them; but the key to it under any form of expression is the clear recognition of mutual interdependence of all individual quantities, values, marginal values, and prices of all commodities within society. All these things govern each other, as is shown by the theory of prices. It is possible, for many purposes, to call some of them the causes of the others; but the reverse is also true. Besides, four social marginal utilities are said to determine prices. This does not mean that all the other marginal utilities of those individuals who are not marginal sellers or buyers are indifferent. Every one has his marginal utility for each commodity; and for every one, if equilibrium is to be attained, it must be true that for the commodities to which they relate prices must express ratios between his marginal utilities, and that prices must have the same proportions to each other as every one's marginal utilities for the same commodities.

But this is brought about only by the joint action of marginal and intra-marginal sellers and buyers; and the result would be different if the marginal utilities of any of them were not what they are. All of them contribute towards fixing prices. It appears, therefore, that the theory of prices is not to be dispensed with in a full explanation of social distribution; and this theory of prices is based on individual values.

## V.

To summarize: First of all, it is here claimed that the term "methodological individualism" describes a mode of scientific procedure which naturally leads to no

misconception of economic phenomena. (18) It is further chimed that in a non-communistic state no reality corresponds to the concept of social values and social wants properly so called. It has been shown, on the other hand, that this concept has its great merits. By its help the great fact has been pointed out that society forms individuals and directly influences their economic value, so as to give them a remote approach to similarity. Further, it has been shown that the concept of social value is indispensable in the study of a communistic society. But its importance does not stop here. For some purposes it is most useful to introduce it, by way of a scientific fiction, in the study of non-communistic society. In this case, however, the theory of social value cannot be accepted as a fully satisfactory statement of facts. It is never true, moreover, that in this case social industry yields the same results as if society itself were directing it. No conclusions as to the justification of the competitive régime can be drawn from this theory, and, on the other hand, it does not enable us fully to explain distribution without the theory of prices. The present way of testing economic phenomena emerges justified out of our discussion. It is — in the respect investigated here — a fair picture of facts, and does not, so far, need reform. Whatever may be said against it, there seems to be far more in its favor.

## NOTES:

1. Jevons, Walras, and others.
2. Especially Professor J. B. Clark, whom the writer desires especially to thank for his kindness in revising this manuscript. It is interesting to note that Professor v. Wieser's "natural value" is a kind of "social value," too. Much less importance than to either of these attaches to Stolzmann (*Die soziale Kategorie*, 1896).
3. For instance. social capital, national dividend, national income. *Volksvermögen*, *richesse sociale*. They were mostly used by Adam Smith and have been carefully discussed often since. Marshall, Held, A. Wagner, among others, have paid special attention to them. CA also R. Meyer, *Wesen des Einkommens*.
4. In case there should be any doubt about this point of our argument, cf. Marshall's

*Principles*, which can be taken as typical.

5. Cf. W. S. Jevons's theory. These curves are what Professor v. Wieser calls *Nützlichkeitskalen*.

6. The reader will observe that here and elsewhere Dr. Schumpeter uses the word "price" in the manner of the German Preis, — substantially in the sense of value-in-exchange. Editors.

7. The principle upon which our general demand curves are constructed is this: their abscissas represent quantities demanded in a market, and the ordinates equilibrium prices corresponding to those quantities. These equilibrium prices are given by the individualistic theory of prices, and the curves which describe them are different from what we should call social demand curves or curves of a communistic society. The expressions "general curves" and "social curves" ought to be kept distinct.

8. Cf. Professor J. B. Clark's *Essentials of Economic Theory*,

9. This metaphor is very often used, especially by Marshall

10. Cf. professor Seligman's *Principles*, p. 179 seq. The present writer agrees entirely with most of his statements. This paper analyzes our concept more with a view to what can be expected from it in future than to a criticism of its present uses.

11. "*Tauschwert ist gesellschaftlicher gebrauchswert.*" Cf. Rodbertus, "*Zur Erkenntnis unserer staatswirtschaftlicher Zustände*," *passim*.

12. Cf. Seligman, *loc. cit.*

13. A most interesting assumption would be that, at a given time and in a given place, individual utility curves for each commodity do not differ very much from each other. To-day we do not assume anything of this sort, but fashion, imitation, etc., might support such an hypothesis, the importance of which it is needless to emphasize.

14. This has been tried, without however meeting approval, by W. Launhardt.

15. Seligman, pp. 180, 182.

16. I know not of any followers of v. Wieser in the respect under discussion.

17. The reader who is interested in Professor Carver's views should compare with this statement his own interpretation of the social bearing of the theory under discussion.

See this *Journal*, vol, xv. p. 579. Editor.

18. This point is more fully elaborated in the present writer's recently published book, *Wesen und Hauptinhalt der theoretischen Nationalökonomie* (1908).

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