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CRITICAL COMMENTARY

on

MARSHALL'S "PRINCIPLES OF ECONOMICS"

INTRODUCTION

It has been generally admitted by modern economists that science of political economy is still very young and is in the act of rapid development. In fact, political economy has been acknowledged as a branch of science only at recent date. Nevertheless, the practical problems of economy presented themselves to men from the very beginning of human existence. With the increase of population in the world there was the increase of wants and the increase of efforts to satisfy those wants. The development of civilization outside the domestic affairs complicated the economic problems both national and international. There arose the necessity of investigating the social conditions regulating the production, distribution, exchange and the consumption of wealth. But the scope was so large, with so many ramifications of elements both social and ethical that it was doubtful whether political economy could be separated as a distinct science. As an independent scheme of knowledge meriting the title of science, political economy is little more than a century old, but the nucleus of modern economic doctrines is to be traced back to ancient times. In Greece Plato, Xenophon and Aristotle conducted investigations of economics from an ethical point of view. The Romans continued the investigations of the Greeks and found able exponents of agrarian theory in Cicero, Cato and Varro. In mediaeval period some of the ecclesiastical writers especially those of the school of St. Thomas Aquinas paraphrased the doctrines of Aristotle on trade, from the viewpoint of religion and condemned interests on loans of money and usury. Since the middle ages till modern times hosts of other economic writers contributed to or condemned some of the doctrines of their predecessors. There arose various schools of political economy in all civilized countries. The mercantalism in all the European countries promoted the idea of international trade; the physiocratic school led by Quesney in France in the 18th century emphasized the necessity of following the rules of nature in order to attain the highest well-being of men; later in England Adam Smith's "The Wealth of Nations" revolutionized the conceptions of political principles; to this, new elements were introduced by the population theory of Malthus and the theory of rent enunciated by Ricardo; John Stuart Mill"combined, restated and modified the teaching of Smith, Malthus and Ricardo", and exercised great influence on Professor Alfred Marshall the greatest economist in England today. It is with Marshall that we have to rest in the following pages with regards to his doctrines elaborated in one of his most noted productions the "Principles of Economics".

"PRINCIPLES OF ECONOMICS"

"Marshall's great work has been to take the classical economics at a time when it had fallen into considerable disrepute, and, by interpretation and modification, so to round it out and adjust it as to place it abreast of the best recent thought, and regain for it the respect of the world." (1) No doubt he has achieved his aim. Like John Stuart Mill he is not dogmatic in his teaching, he is very cautious in generalization of his principles, evidently warned by the errors of his predecessors. He carefully considered the opinions of other economists of different countries, since "varieties of mind, of temper, of training and of opportunities led them to work in different ways and to give their chief attention to different parts of the problem." He was not opposed to division of labor on the wide field of political ecomomy. But his aim was to bring this division into harmony of purpose.

The method employed by Marshall was not eccentric. He uses both induction and deduction but in different proportions for different purposes. He is very keen in analytics, and refers to history and statistics as the base for his doctrines. The science of economics is very complex and its laws are inexact; consequently, Marshall claims that "'law' is but statement of tendencies more or less certain more or less definite"; and he is very careful in establishing general laws. "Economic laws are statements with regard to the tendencies of man's action under certain conditions." The course of action which may be expected under <u>certain conditions</u> from the members of an industrious group is the <u>normal action</u> of the members of that group relatively to those conditions."

There is little comment to be made on the truth exponed in his preliminary survey of the "Principles of Economics". He argues that man is just as much a part of economic studies as wealth is. Man's character just as wealth is influenced by his

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(1) "History of Economic Thought" - Haney.

daily work; prosperity of man raises him to a higher level and poverty causes his degradation. Self-reliance, independence, deliberate choice and forethought have been proved to be more fundamental characteristics of modern industrial life than competition. He advocated co-operation in opposition to competition which often assumes a destructive character, although the former may limit to a certain extent the economic freedom.

Economics concerns itself chiefly with those motives which affect most painfully and most steadily man's conduct in the business part of his life. The chief motives are measured indirectly in money which however are of different significance with regard to poor and rich people. These motives are rarely selfish, they embody noble aspirations both spiritual and material.

Economics is the science which is concerned with the production, the distribution, the exchange and the consumption of wealth. Economics is the science of wealth as satisfying wants, which consist of goods either material or non-material; wealth may be personal, collective, national or cosmopolitan; goods have value which is intimately connected with wealth. The labor or efforts of producing wealth, the consumption of it, the capital which aids the production, and finally income, the reward for labour and waiting, are some of the fundamental notions on which Marshall's Principles of Economics are based.

As civilization advances, a variety of new wants and desires are felt; but the theory of wants can claim no supremacy over the theory of efforts. Marshall quoted McCulloch as saying: "The gratification of a want or a desire is merely a step to some new pursuit, In every stage of his progress (man) is destined to contrive and invent, to engage in new undertakings; and when these are accomplished to enter with fresh energy upon others."

However, the ultimate regulator of all demand is consumer's demand. Desires cannot be measured directly but only indirectly by the outward phenomena to which they give rise, i. e. by the price a person is willing to pay for a thing rather than go without it. And therefore Marshall states that utility and wants are used as correlative terms, having no ethical or prudential connotation.

The total utility of a thing does not increase proportionally with the increase in the stock of it. With every increase in the stock, even at a uniform rate, the utility increases at a diminishing rate. This is the law of satiable wants or, diminishing utility. When a man is in doubt if it is worth his while to purchase a thing and then is just induced to buy it, that purchase may be called the marginal purchase, and the utility of this marginal purchase may be called the marginal utility. All things being equal, the marginal utility of a thing to any one diminishes with every increase in the amount of it he already has. There is also a marginal demand price, i. e. the price which a person is just willing to pay and would decidedly not pay if it were any higher price. And therefore, the larger amount of a thing a person has, the less will be his marginal demand price. It becomes efficient if the seller on the other hand is just induced to sell at that price. If his demand increases, a person would buy more of a thing than before at the same price, and so throughout the whole list of prices at which he is willing to purchase different amounts.

The demand on the part of any individual for something is doscontinuous, that is, it cannot vary continuously with every small change in price. But in the course of action under certain conditions among the members of an industrial group, it shows a fall of demand price for every increase in quantity. From this Marshall deduces a general law of demand: "The greater the amount to be sold, the smaller must be the price at which it is offered in order that it may find purchasers, i. e. the amount demanded increases with a fall in price, and diminishes with a rise in price." As it has been already pointed out Professor Marshall is very careful in establishing general laws; so this one too he enunciates conditionally to be true (if other things are equal), i. e. "during a given time and under a given condition", if for example, there is no competition of a rival commodity which bears a great influence on demand.