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An Application of

THE PRINCIPLE OF UTILITY

in the sphere of

PUBLIC EXPENDITURE .

Presented to the Political Economy Department
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INTRODUCTION.

CHAPTER ONE.

The value the principle of utility has been discussed not less by economists than by philosophers, and although it has been subjected to much severe criticism it is noticeable that almost all recent economists have made use of the notions of total and marginal utility in certain branches of the science.

"Economic Science", says Bentham (1), consists of laws of wealth deduced from the hypothesis that men are actuated exclusively by the desire to realize the fullest possible satisfaction of their wants with the least possible sacrifice".

"Every economic generalization," he goes on to say, "is the conclusion of a syllogism one of whose premises is the hedonic hypothesis". This view is somewhat one sided, over-emphasizing, as it does, the abstract, a priori side of the subject, and ignoring the importance of the empirical elements in the science.

Michelson, on the other hand, remarks regarding Utilitarianism: "The system of political philosophy ever propounded lends itself to casuistry so readily. All the virtues can be caught in its net so wide is its sweep, and every one of them can escape again so large are its meshes". (2)

(1) . Pure Economics, Ch. 1 .

(2) . Principles of Political Economy, p. 166 .

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accepting Nicholson's caution, and noting also, what Sidgwick admits, (>) that psychology does not furnish an exact quantitative and comparative study of the relative aggregate strengths of the various human desires and motives, we must never the less consider the fact that Political Economy is, "on its more important side, a part of the study of man" (+). Consequently the inexact and subjective idea of utility must, even where there is an appearance of exact quantitative measurement, play an important part. This is notably the case in the consideration of ideals in consumption and its counter-part Public Expenditure. Conceptions of total and marginal utility are, in these parts of the subject, useful in expressing more exactly ideas which otherwise might be vague and even misleading.

The aim of this essay is to apply the principle of utility to the general relation between public expenditure and taxation. In an era of increasingly collectivist tendencies, inevitably accompanied by increasing taxation, some ideal, however subjective and difficult of attainment, or even of practical application, is eminently desirable. In chapter two attention will be directed to the startling increase in taxation and expenditure in various states in modern times; chapter three will contain a discussion of the principle itself; chapter four will deal with the utilitarian ideal as to increasing budgets; in chapter five attention will be called to some indirect effects of these increases; and chapter six will be concerned with the relation between the ideal condition and that which the forces actually in operation are tending to bring about.