

## Jevonian Criticism of Marx

A Comment on the Rev. P.H. Wicksteed's Article

George Bernard Shaw, *To-day*, January 1885

+ A *Rejoinder* by Wicksteed (below)

The October number of *To-Day* is memorable for containing an attack by a Socialist on the theory of value held by the late Carl Marx. A Roman Catholic impugning the infallibility of the Pope could have created no greater scandal. Sentence of excommunication was pronounced by *Justice*; the *Inquirer* and other papers well affected to the cause demanded impatiently, as the months passed, why the heretic remained unanswered. That he can easily be answered, refuted, exposed, smashed, pulverized, and economically annihilated, appears to be patent to many able Socialists. Without adding such an atrocious comment as that I am glad to hear it, I do not mind admitting that a certain weight will be removed from my mind when the attack is repulsed, and the formerly pellucid stream of the Ricardian labour value theory has deposited the mud which the late Stanley Jevons stirred up in quantities which, though expressed by differentials, were anything but infinitely small. Mr. P. H. Wicksteed, the assailant of Marx, has adopted the Jevonian theory. He is known as an accomplished Scriptural critic, and was perhaps in search of fresh Bibles to criticise when "Das Kapital," the Bible of Socialism, came under his notice and struck him as being vulnerable to Jevonian equations of utility. Socialists often dogmatize intolerably on the subject of what Marx taught, or what they suppose him to have taught, on the subject of value; and Mr. Wicksteed, being a sworn enemy of dogma, has in my opinion acted wisely as well as written ably in leading the assault which must have been made sooner or later upon the economic citadel of Collectivism. An odd effect of this assault is the appearance of Marx, for the first time since he defended Ricardo against Proudhon nearly forty years ago, in the ranks of the orthodox economists. As against Cournot, Jevons, Walras, Professor Marshall, and Mr. J. Y. Edgeworth, Marx is undoubtedly on the side of the standard English school of Adam Smith, Ricardo, Mill, and Cairnes. His disciples are still a little bewildered at being no longer scouted as the dupes of a revolutionist and incendiary, but patronized as the old-fashioned followers of an excellent writer of the past generation, whose ideas, all very well in their day, are now quite obsolete.

I have not the slightest intention here of defending Carl Marx against Mr. Wicksteed. It is impossible, in the face of the "Misère de la Philosophie," and several passages in "Capital," to suspect Marx of having lost sight of the supply-and-demand phenomena which make the actual world so different from the sphere of "catallactic atoms" with which he deals in the opening chapters of his great work. On the other hand it is equally impossible without access to the unpublished volumes of that work to answer for the way in which so subtle a reasoner may have reconciled these contradictions, or even to feel sure that Mr. Jevons might not, had he lived, have found himself anticipated in the very quarter from which he expected the most determined opposition. I write partly to draw further attention to a controversy which seems to me of great interest because it is one on which Socialists, without at all ceasing to be Socialists, are sure to divide very soon; and partly because I wish to have a word with Mr. Wicksteed as to my own perplexities concerning "final utility" before some more competent hand deals him the *coup de grâce* to which I have already alluded. Even were I economist enough to do that myself, I am not mathematician enough to confute Mr. Wicksteed by the Jevonian method. I somewhat mistrust mathematical symbols. I remember at school a

plausible boy who used to prove to me by algebra that one equals two. He always began by saying, "Let  $x$  equal  $a$ ." I saw no great harm in admitting that; and the proof followed with rigorous exactness. The effect was not to make me proceed habitually on the assumption that one equals two, but to impress upon me that there was a screw loose somewhere in the algebraic art, and a chance for me to set it right some day when I had time to look into the subject. And I feel bound to make the perhaps puerile confession that when I read Mr. Jevons's Theory of Political Economy, I no sooner glanced at the words "let  $x$  signify the quantity of commodity," that I thought of the plausible boy, and prepared myself for a theory of value based on algebraic proof that two and two make five. But as it turned out, Mr. Jevons, less ingenious or more ingenious than my school-fellow, arrived at no more remarkable conclusion than that if  $x$  equalled  $y$ ,  $y$  equalled  $x$ , which I should have granted freely without any formulae at all. And I was much relieved subsequently to find that the late Professor Cairnes regarded these formulae as identical propositions.

Says Mr. Wicksteed: "The clue to the investigation we are now to enter on is furnished by the combined effects of the 'law of indifference' and 'the law of the variation of utility.'" Let us take an example of the law of the variation of utility. To a hungry man the utility of beef is high. The first few mouthfuls, which save him from actual starvation, are of very great utility to him indeed. But as he gets his fill, every successive mouthful has less and less utility, until finally he can eat no more, and the remainder of the beef is useless to him. Here the utility has varied constantly. Now by the law of indifference, which is that there cannot be two prices for like commodities at one time in one market, the last mouthful of beef costs just as much as the first. Consequently the man has not to pay more for the first mouthful than for the twentieth, though it is infinitely more useful to him, nor, when he has eaten so much that he can eat no more, could he buy another mouthful more cheaply than the first, useless as the beef has become to him. The value has not varied at all, whilst the direct utility has varied from infinity to zero. But the beef which is thus bereft of its direct utility may possess acquired utility; that is, its satiated possessor may have a hungry neighbour willing to pay him for it. Suppose, however, the man to be a member of a wholly improvident community, every member of which has just, like himself, had a sufficient dinner. The utility of his beef will then be at zero; the choicest undercut will be as valueless as it is in heaven, no matter how much labour its production may have cost. Utility, then, is evidently a condition of value. But let six hours elapse. In that space Nature produces "negative utilities" in the form of appetite - the universal discommodity. The utility of beef, useless and valueless six hours before, will rise to the utility of human life itself - from nothing to everything. Will the exchange value rise equally? By no means: it will rise to the cost of catching, killing, and cooking a cow: not a farthing higher. If a man demand a greater price from another, obviously that other will, in the last resort, catch, kill, and cook for himself, and so save the excess demanded from him. If the labour necessary to produce the beef be halved or doubled, neither the mass nor the final degree of utility in the beef will be altered one jot; and yet the value will be halved or doubled. Evidently, then, the utility does not determine the value. The utility of water to a thirsty man is exactly the same at Aldgate Pump as in the middle of the Sahara, yet he will give nothing at Aldgate for a gallon, whereas in the Sahara he may give all he possesses for a thimbleful. Even in the latter extreme instance of a monopolist demanding an outrageous bribe for a share of the means of subsistence, the price of the water would vary without the least regard to the utility. To half-a-dozen travellers dying of thirst, but having unequal possessions, half-a-dozen draughts of water would possess equal utility; yet a Jevonian sheikh with command of the water would receive

different quantities of commodity for each draught. And if the parties were in the same position a few hours later, the desperate necessity of the travellers would recur; the sheikh would still have command of the water, the final utility of which would again be infinite; yet the price of the water would be a mortgage on their future labour as slaves; the travellers having nothing else to give. I use this illustration because it shows that even a monopoly value is not determined by the final utility any more than a market value (such as that of beef), and because it directly illustrates the ordinary economist's habit of regarding the value of a thing as the maximum of blackmail which its possessor can extort from the person who desires to consume it. To the end of time a monopolist who cannot be expropriated by force will be able to force other men to do more labour for him than he does for them in return. If he be at once base and acute enough to extort the utmost his victims will give, then, in a community of infinitely rich men, the prices obtained by him might be said to be determined by the final utility of his commodity to the purchasers; but each of them would pay a different price, and would therefore have to be presupposed incapable of exchanging the commodity one with another after purchasing. Otherwise they would defeat the operation of final utility, precisely as rich people defeat it now when they borrow their servants' clothes and obtain gratuitous medical advice at hospitals.

"If I am willing," says Mr. Wicksteed, "to give the same sum of money for a family Bible and for a dozen of brandy, it is because I have reduced the respective satisfactions their possession will afford me to a common measure, and have found them equivalent." This may be so; but it does not at all follow that Mr. Wicksteed will find Bibles and brandy exchanging in that ratio. The price of neither would he raised or lowered by one farthing if Mr. Wicksteed suddenly got tired of the Bible and became a dipsomaniac. Apart from that, his nearest teetotal neighbour would probably give more money for a Bible than for a dozen hogsheads of brandy; whilst the nearest drunkard would eagerly offer a dozen Bibles for a single bottle of brandy, if the ratio of exchange were determined by the utility of the commodities. But as the rain falls alike on the just and the unjust, so is the price of Bibles and brandy the same to Mr. Wicksteed and his neighbours, though the utility differs in each of their cases, And even were it possible to determine an average ratio of utility between brandy and Bibles, the fact that this would remain the same although the ratio of the labour necessary to produce them should vary, and that the ratio of exchange would nevertheless immediately alter, shows that the ratio of exchange does not depend on utility. Mr. Wicksteed insists on "abstract" utility; but what he has really abstracted is not utility but value. He has accused Marx of having leaped from one category to another because, as it seems to me, he has mistaken the category to which his own abstraction belongs.

Every appreciative reader of Mr. Wicksteed's article will at once conclude that these considerations are as obvious to him as they are to me, and that his theory must in some way explain them. "For example," he says, "a watch of a certain quality is *worth* £15 to me, i.e., it would have as great a utility to me as anything else which I have not got, and which I could obtain for £15." But again it does not follow that the watch will therefore cost Mr. Wicksteed £15. It may only cost him £5. All that does follow from the conditions laid down is that, if necessary, he will go as high as £15 for the watch, but that if the price rises to fifteen guineas he will go without a watch. That does not mean that the utility of the watch to him will fall to zero the moment the odd shillings are added to the price. It simply means that though the utility remains the same, he will not be able to afford the price, or will think that he might spend fifteen guineas to better advantage on a writing-table than on a watch. The

comparison of utility which he has made between them does not change the value of either. The order in which desires arise does not effect the cost of satisfying them, which is always ultimately a cost of labour. On the contrary, the labour cost of satisfying our desires generally determines the order of them. A child sometimes quarrels with its bread-and-milk and cries for the moon; hut eventually it succumbs to economic conditions and puts off thinking about the moon until its bread-and-butter is secured.

Mr. Wicksteed maintains that if 25 per cent. of the labour necessary to make a watch he saved by an improvement in manufacture, the value of watches will fall "not because they contain less labour, hut because the recent increments have been less useful." By this he appears to mean, not that a watch is less useful to a workman with a pound a week than to a lord with a hundred pounds a day, which is obviously not the case; but that the workman can now afford to buy a watch whereas he could not do so before. Now as the determination of the ratio of exchange (or the measure of exchange value) by duration of labour is founded on the fact that if two "catallactic atoms," A and B produce and exchange commodities, A cannot afford to give more than the product of an hour of his labour to B in exchange for the product of an hour of B's labour, and that B cannot afford to take less, it is not clear to me that Mr. Wicksteed advances the matter by calling exchange value "utility at the margin of supply." He certainly does not simplify it to the Socialist proletariat who, face to face with the monopolist, does not achieve quite so fair a bargain as a couple of "catallactic atoms" might strike on Marx's principles.

I regret that the utility of space at the margin of supply, the obscurity of the Jevonese language, and the extreme unpopularity of our subject, have compelled me to put forward a counterblast to Mr. Wicksteed rather than a thorough analysis and discussion of his interesting contribution. Some considerations which arise from his paper are important from a domestic point of view. At present a middle-class man, when his immediate needs are satisfied, furnishes himself with commodities in a certain order, as, for instance, wife, house, furniture, pianoforte, horse and trap. The satisfaction of each desire leaves the mind free to entertain the next, so that you actually make a man feel the want of a horse by giving him a pianoforte. Let the cost of a pianoforte suddenly rise to a figure exceeding that of a horse and trap; and the conventional order of furnishing will be altered: the horse and trap will be bought before the family venture on the extravagance of a pianoforte. A collectivist administration, bound to preserve the catallactic atomicity of the markets by adjusting supply to demand, may yet find themselves compelled by the operation of purely subjective notions of utility to admit that Jevons was on the right track when he broke away from economics into psychology, and that the comparative utilities of things are of far greater moment to the community than their ratio of exchange, to which our social system has given a factitious importance. Marx saw this when, many years ago, he compared the utility of the capitalist commodities, potatoes and cotton stuffs, with that of the pre-capitalist commodities, wheat and woollens. My own hopes centre in a Socialist state in which Mr. Wicksteed and I, as perfect and regenerate catallactic atoms, shall dispute about utilities alone, forgetful of the very existence of a ratio of exchange.

## The Jevonian Criticism of Marx (A Rejoinder)

Philip H Wicksteed, *To-day*, April 1885

Bernard Shaw's brilliant but good-natured "comments" on my article on the theory of value seem to invite a few words of reply from me.

I will, however, make them very short. After admirably illustrating the fact that to each individual the utility of beef runs daily and weekly through enormous variations, Mr. Shaw declares that this does not affect the exchange value of the article. No more it does, if the variations counteract each other. If they are all in the same direction at the same time they do affect the exchange value - as Mr. Shaw would know were he a butcher or a housekeeper. But at any rate, says Mr. Shaw, the exchange value cannot rise above the "cost of catching, killing and cooking a cow." Had I Mr. Shaw's pen in my fingers I could give my readers a delectable picture of the indignant housekeeper defeating the extortionate butcher by sallying forth to catch, kill and cook "a cow" for dinner, but I will not enter upon an unequal combat in badinage with Mr. Shaw. I presume he means that the price of beef cannot rise above the cost of bringing it into the market. No more it can, permanently. Temporarily it can, and often does. The only reason why it cannot do so permanently is because as long as labour can produce a higher average utility by bringing beef into the market than by taking - any other direction it will put itself to that special task by preference and so will *reduce the final utility of beef* by supplying the want of it down to a lower point.

I am quite at a loss to know what Mr. Shaw means by saying that "If the labour necessary to produce the beef be halved or doubled, neither the mass nor the final degree of utility in the beef will be altered one jot; and yet the value will be halved or doubled." Unless and until both the total and the final utilities *are* altered the exchange value will remain exactly the same. It is only by producing more beef, and thus at the same time increasing its total and lowering its final utility, that the increased facilities of beef-making can produce any effect on the price whatever.

As for Mr. Shaw's extortionate sheikh he simply illustrates my contention that *some* of the consumers always get the whole, and every consumer may sometimes get a part of the commodity he consumes at something less than it is worth to him (the first mouthful of beef costs no more than the twentieth), but that all pay the price represented by the minimum or final utility of the last increment to that one of the consumers, to whom it has, relatively to other commodities, the least utility.

Similar remarks apply to Mr. Shaw's remaining criticisms; but I should like to say a word in elucidation of my statement that when the supply of any commodity is increased the successive increments meet an ever less urgent want, and are in fact less and less useful. I admit that in a certain sense this language is misleading, for if we are speaking of *absolute* utilities the presumption is that if the supply of beef is increased till it falls to 6d. a pound, the final increments which get into the workman's alimentary canal are more useful than previous ones, the fate of which we need not pursue beyond the servants' hall. But I never compare absolute utilities and I do not see how such a comparison could be instituted on any scientific basis. All contend for is that if yesterday no one had a watch except those to whom a watch was as useful as anything that could be got for £15, and *if* to-day a number of men possess watches to whom they are only as useful as other things which could be got for the new watches are *relative to other things* less useful than the former ones were.

Mr. Shaw's youthful experiences about  $x$  and  $a$  are so highly instructive that I cannot refrain from dwelling upon them for a moment. His friend induced him to "let  $x = a$ ," and Mr. Shaw - not expecting that  $x$  would take any mean advantage of the permission - granted the request. But he did not understand that in letting  $x = a$  he was also letting  $x - a = 0$ , and the proof (of the proposition,  $2 = 1$ ) that "followed with rigorous exactness," assumed that  $x - a$  did *not* equal 0.

Mr. Shaw arrived at the sapient conclusion that there was "a screw loose somewhere" - not in his own reasoning powers, but - "in the algebraic art;" and thenceforth renounced mathematical reasoning in favour of the literary method which enables a clever man to follow equally fallacious arguments to equally absurd conclusions *without seeing that they are absurd*. This is the exact difference between the mathematical and literary treatment of the pure theory of political economy.

Only a single word, in conclusion, on the importance of this controversy. It is not a mere question of abstract reasoning (although, if it were, that could hardly be urged in its disparagement by an admirer of Marx). It affects the whole system of economics, and more particularly Marx's economics, in admitted contradiction to apparent facts, and without (at present) any attempt to remove the apparent contradiction, Marx by sheer logic attempts to force us into the admission that "profits," "interest," and "rent," *must* have their origin in the "surplus-value" that results from purchasing "labour-force" at its value and selling wares at their value. The keystone of the arch is the theory of value adopted by Marx, and I have tried to show that it is not sound. In doing so I have found an unexpected but powerful ally in Mr. John Carruthers, whose elaborate and thoughtful essay on "The Industrial Mechanism of a Socialist Society," shows the phenomena of "profits" reappearing, in a modified form, in communal industry. My own rather clumsy illustrations of the varying utilities and values of "coats and hats," etc., laboured under the disadvantage of requiring my readers to imagine the wants of society in part at least supplied successively, not contemporaneously. Mr. Carruthers escapes this, and shows how in a communal industry the price (though he would not say the "exchange" value) of each article depends on its final utility, and that it is only when, *as a consequence* of the indications thus afforded, labour has been properly apportioned amongst the industries, that prices are apportioned to labour cost.