REVIEWS OF THE THEORY OF POLITICAL ECONOMY
I MR JEVONS' THEORY OF POLITICAL ECONOMY
by Alfred Marshall, The Academy, 1 April 1872

THIS book claims to “call in question not a few of the favourite doctrines of economists.” Its main purpose is to substitute for Mill’s Theory of Value the doctrine that “value depends entirely upon utility.” The rate of exchange of two commodities will, when the equilibrium has been attained, be such that the utility to each individual of the last portion of the commodity which he obtains is only just equal to that of the last portion of the other commodity which at this rate he gives in exchange for it. The utility of a commodity is in part “prospective,” that is, dependent on the benefit which will at a future time accrue from its possession: and this depends partly upon the difficulty that there might be in obtaining something before that time to supply its place. Though “labour is often found to determine value,” it yet does so “only in an indirect manner by varying the degree of the utility of the commodity through an increase in the supply.” Bearing in mind what has been said about prospective utility, it is almost startling to find that the author regards the Ricardian theory as maintaining labour to be the origin of value in a sense inconsistent with this last position. But the language of Ricardo on this point was loose with system: and that of many of his more prominent followers differs from his only in that its looseness is not systematic. By a natural reaction, attempts have been made by a series of able men to found the theory of value exclusively upon the neglected truth.

Although the difference between the two sets of theories is of great importance, it is mainly a difference in form. We may, for instance, read far into the present book without finding any important proposition which is new in substance. But at length he definitely commits himself: at the end of his Theory of Exchange we read—

Labour affects supply, and supply affects the degree of utility which governs value, or the ratio of exchange. But it is easy to go too far in considering labour as the regulator of value; it is equally to be remembered that labour is itself of unequal value . . . I hold labour to be essentially variable, so that its value must be determined by the value of the produce, not the value of the produce by that of the labour.

The confusion here implied is not merely one of words. He returns again in his concluding remarks to his attack upon the ordinary theory of the variation of wages in different employments, and says “the wages of a working man are ultimately coincident with what he produces after the deduction of rent, taxes, and the interest on capital.” He does not see that, since rent, taxes, etc. are not paid in kind, we must have before us a