

SOME FAMOUS SCHOOLS OF THOUGHT:

MARGINALIST SCHOOL:

William Stanley Jevons (1835 - 1882)

Jevons was an English economist and is known as one of the great pillars of subjectivism. He was actually a social scientist and a theorist who tried to develop laws governing economic phenomena.

Jevons' chief economic ideas:

Consumption, Utility and Wants: Jevons tried to find out the system in which wealth could be consumed in the best possible manner. He considered consumption as the most important activity. As such, he placed it before production, distribution and exchange. He believed in the maximisation of comforts, and recognised their satisfaction constitute a centre around which all economic activity move.

In his opinion, utility is an

abstract feature of a commodity, and it is not found in any commodity inherently.

Utility, is thus a relative term, related with the human wants. Both the economic variables — utility and commodity are related in a manner if the quantity of the commodity increases, its utility decreases and vice versa. While distinguishing between total utility and degree of utility, Jevons says that the degree of utility of successive units decreases, but the total utility increases. He termed the final degree of utility as marginal utility.

THEORY OF EXCHANGE VALUE: On the basis of his concept of utility, Jevons developed his theory of exchange value with the mathematical equations.

His assumption is that value is determined by marginal utility. He advised for finding out a ratio between (i), change in the utility of a commodity and (ii), change in the number of units of a

commodity.

Sevens attacked both the theories of value on several grounds, namely the labour theory of value and the cost of production theory of value as propounded by the classical writers. He was confident that labour once used was lost forever and it had no influence on the future of any commodity.

Wages: Sevens believed that strikes to increase wages was not proper and they were unjustified and harmful. The reduction of the working hours of the workers would reduce their wages.

J. B. Clark (1847 — 1938)

J. B. Clark was a chief character relating to neo classical economics, a man of immense intellect and a great theorist of the USA.

His main economic ideas can be given as follows.

i. Factors of Production:

According to Clark, there are two fundamental factors of production i.e. labour and capital, while land was a very special type of capital good that would never end. He recognized capital as a "sum of productive wealth and that which consisted of concrete and material instruments of production."

ii. Problem of Distribution: His book "The Distribution of Wealth" which made Clark an economic theorist of world repute, still remains to be one of the greatest works in pure theory. For the proper distribution of the total product, Clark suggested the natural law.

According to Clark, competition was necessary for the purpose of justice in distribution.

iii. Theory of Wages: Clark advocated and developed his theory of wages based on the doctrine of diminishing productivity which he called the Marginal Productivity

Theory of wages. According to this theory the wages of the worker are determined by the marginal productivity of the worker.

(iv) Theory of Capital: By Clark, meant two things - the concrete capital goods, comprising raw materials, land, machinery and other equipments, and social and pure capital which is related with the permanent value of "transitory concrete goods."

(v) Theory of Value: According to Clark the value of a commodity is the quantitative measure of its utility. In this regard he developed the marginal utility theory of value independently. The most important part of his concept that needs to be noted is the acceptance of commodities as the bundles of different utilities. In his opinion the value of commodity differs from one person to another.

As a American theorist Clark was the first economist who perfected and developed the marginal utility analysis and earned largely an international reputation. He has been recognised as the founder of marginalism in USA. He recognised the existence of labour unions, so as to equalise the power of the workers and the capitalist. He was against monopoly. To him, "it was an end because it impeded competition, and once monopoly dominated the economy, the economic development would come to an end."