

*Principles of Economics By Alfred Marshall. Principles of Economics An Introductory Volume. Economic conditions are constantly changing, and each generation looks.*

These well-known points require restatement because the positive effects of the Marshallian influence are questioned today as perhaps never before. It would indeed be deplorable if scientific ideas worked out almost one hundred years ago were still the last word. An analogy with the positions of Marx and Freud is appropriate here. However, much of the contemporary criticism goes deeper than this; it argues that the Marshallian tradition checked the development of economics by diverting attention from real issues by which is primarily meant macrotheory much as Ricardo was alleged to have done in an earlier generation. The merit of these criticisms will be examined carefully later in this article. Alfred Marshall was born in Clapham—a then a leafy London suburb—in His father, John Marshall, held the respectable middle-class position of cashier in the Bank of England, and the family lived in modest comfort. His education was planned as basically a preparation for ordination in the Anglican church. He was expected to go up to Oxford with a classics scholarship, which would lead to a fellowship and a church living. However, he rejected this plan—rebellious not against orthodox theology but against further study of the classics—and with funds borrowed from an uncle proceeded to St. Marshall was one of the best mathematics students of his generation in England in he was second wrangler in the tripos examination. This is an important point to bear in mind in evaluating his ambivalent attitude toward the use of mathematical methods in economics—in any event, his criticisms were not based on ignorance. Marshall came into economics with much more mathematics training than did Jevons or Walras. After graduation Marshall was elected to a fellowship in mathematics and gradually came under the influence of a group of philosopher-dons who were increasingly concerned with the social problems of industrial England. Indeed, to Marshall the problem of poverty was not only central to the study of economics but its ultimate rationale. In he married Mary Paley, a former student of his and one of the first women to be educated at Cambridge. Upon his marriage he was forced to resign his fellowship. He was for a short while principal and professor of political economy at the then University College of Bristol, became a fellow at Balliol in after the requirement of celibacy had been eliminated, and the following year returned to Cambridge, to the chair of political economy vacated by Henry Fawcett; there he reigned until his retirement in, when he was succeeded by his star pupil, A. Also, what little mathematical economics then existed was open to Marshall, although it was not to most of his contemporaries. He clearly learned a lot from Cournot—especially about the use of continuous functions in economics. German Hegelian philosophy and the historical school of economists are commonly mentioned as influencing him Marshall studied in Germany for a year. However, it is difficult to see concrete evidence of these systems of thought in his work. There is no dialectic and no historicism, although in his concern with empirical investigation he was closer to the historical school than to the English classical school. His emphasis on the continuity of growth and his perpetual references to biology suggest the influence of social Darwinism—acquired through Herbert Spencer. Methods Much of the discussion of Marshallian economics deals with his methods of analysis. These methods are not particular hypotheses or models proposed by Marshall but, rather, represent ways of setting up a problem or partitioning it so that it can be solved. The Marshallian partial equilibrium approach is frequently contrasted with the method of general equilibrium associated with Leon Walras, and the contrast is usually considered unfavorable to Marshall. Indeed, this approach is sometimes regarded as one of the major weaknesses Marshall bequeathed to economic science. Since the question of partial versus general equilibrium has loomed so large in the literature, some discussion of the central issues is imperative. As Marshall realized, the general equilibrium approach is not de facto a fruitful approach to such practical problems as measuring the effect of an import duty on the price of a commodity or the effect of a fall in the final product price on the demand for a particular grade of labor. Partial analysis is a method by which an economy is partitioned so that the main effects of a parameter shift in a particular micromarket can be highlighted without considering the spillover into other markets; hence, this method also ignores the feed-back effects from the spillover. There

are, of course, obvious dangers inherent in this method, but the answer lies, not in the general equilibrium approach, but in better specification of the partial model. We can draw up a demand schedule for a commodity and show the amount demanded per unit of time as a decreasing function of the price of the good. The relationship is *ceteris paribus*, i. In a free market, if an equilibrium exists it will be where supply equals demand. If one of the *ceteris paribus* conditions is relaxed, the demand curve shifts, and the new partial equilibrium solution is then considered. This leads to the comparison of the two sets of equilibrium values of the variables under discussion. The method of comparing equilibrium solutions is called comparative statics because it does not permit the tracing of the time paths between the two points of equilibrium of the variables involved. Fragmentary static hypotheses are used as temporary auxiliaries to dynamical—or rather biological—conceptions: Yet, even within this restrictive framework he was able, by his use of the time-period concept, to approximate dynamic analysis. His approach was to divide the adjustment, say, of price to changing demand or supply conditions into a series of adjustment periods. These periods should be regarded as measured by operational, not clock, time—the market period for one sector or industry may be in terms of clock time a longer one than the market period for another industry. The important consideration is which *ceteris paribus* assumptions are relaxed in successive periods. The market period takes the production of the commodity in question as fixed, so that supply can vary only if sellers have a reserve price for their own product. The condition for equilibrium for all time periods is that the market be cleared, i. Short-run equilibrium considers supply to be partially adaptable, in the sense that increased production can occur but capital equipment and certain other overhead items are held constant. In modern economics, analysis of this short period with partial adaptation is equivalent to an analysis of the law of variable proportions, although it is not certain that Marshall himself was precisely clear about the distinction between variable proportions and returns to scale. The Marshallian long period allows for optimal capital stock adjustment. The market is cleared within a framework in which supply can be considered to be fully adaptable because all factors excluding entrepreneurship have adjusted to the situation. It was by means of this differential adjustment of supply that Marshall restated, within the supply and demand framework, his theory of value. The classical emphasis on costs is now seen as a particular hypothesis: Figure 1 illustrates this. With demand at DD, the long-run price is OP. In the absence of innovation, in this period the economy reaches the full equilibrium solution for a stationary state. Marshall was cautious and basically skeptical about the use of mathematics and theoretical statistics in economics; for better or worse, he did not foresee the mushrooming of mathematical economics and econometrics. The Marshallian attitude—which became embodied in the Cambridge tradition and especially in the work of Pigou and Keynes—is seen in the *Principles*, where the mathematical statements are in footnotes and in a mathematical appendix. The grounds for minimizing the formal use of mathematics in the final presentation although not in preparation were twofold: Marshall set out the matter squarely in a letter to A. Bowley dated February 27, 1890. This last I did often. He had no doubts, however, about the need to be steeped in the empirical facts of any situation under analysis. He always emphasized deep statistical and historical knowledge of the area being investigated and referred again and again to the complexity of economic problems and the naivete of simple hypotheses. Like Adam Smith, Marshall had a profound knowledge of the workings of economic systems. For Marshall this was not, of course, the ultimate end of economics—it was indeed but the preface. To point the way to the conclusion—the working out of a full-fledged growth model—Marshall interlarded his stationary-state framework with bits and pieces of the dynamic process. Theory of demand Marshall developed utility theory for two reasons: The Marshallian demand curve relates the demand for a commodity per unit of time to its own price. The relationship is *ceteris paribus*; in particular, other prices and incomes are assumed constant. There are certain ambiguities in this statement of inclusions within *ceteris paribus*, but for the moment these are set aside. This restriction on demand functions is derived a priori from the form of the utility function that he postulated, which is laid out most clearly in the mathematical appendix to the *Principles*. He used an additive, cardinal utility function; this means that one may think of utility as being a measurable quantity although in practice Marshall spoke of it as being only indirectly measurable, at the margin, by price and also that the total utility that a consumer derives from his consumption of goods and services is the sum of the individual utilities derived from the

consumption of each item in his budget. Symbolically, we have where  $U_i$  is the utility derived from the consumption of the  $i$ th commodity and  $U$  is total utility. The basic restriction given by the additive nature of the function is that interrelationships between goods are excluded all cross-partial derivatives are zero. Further, the law of diminishing marginal utility operates with respect to each good; this means that extra units consumed of a given commodity will increase total utility at a decreasing rate. Thus, the addition to total utility induced by the  $n$ th unit of a commodity will be less than the increase in utility induced by the  $(n-1)$ st unit. In terms of the function above, It is assumed that the consumer seeks to maximize utility, given incomes and prices. The principle of substitution comes into full play here. By substituting at the margin, a consumer reaches his maximum utility point. Maximizing the utility function, subject to the budget constraint  $i$ . These can be stated in the following equivalent terms: That formulation as Marshall realized avoids the implications of the income effects of a price change—this is the purpose of assuming constant marginal utility of income. Strictly speaking, a *ceteris paribus* demand curve requires that real income be held constant as price changes, so as to eliminate from the analysis the income effect of the price change. Holding money income constant is insufficient, since the real value of money income is its command over commodities and if commodity prices change, this changes also. Milton Friedman has since put the demand curve on a more satisfactory analytic footing. But for Marshall the object of demand theory was not just to place testable restrictions on demand functions; he also regarded the demand curve and the allied concept of consumer surplus as powerful tools of welfare economics. The emphasis on real cost seems to contrast with the Austrian notion of opportunity cost, but in fact it is easy to reconcile the two concepts. Central to his theory of cost and production is the principle of substitution, which works here the same way it does in his consumer theory. The entrepreneur substitutes at the margin until the total cost of a given output is at a minimum or, what is the same thing, until the output from a given set of inputs is maximized. Marshall tended to compare decreasing returns with increasing returns, as though they were similar. Although he postulated that diminishing returns were historically connected with agriculture and with a situation in which the labor-capital input had grown relative to fixed land, he did not see the logical connection between the principle of substitution and the law of variable proportions. Increasing returns, looked at in an analytic manner, occur where increase in output is proportionately greater than the simultaneous increase of all inputs. In the course of his discussion of increasing returns, Marshall made the crucial distinction between internal and external economies, from which the whole notion of externality started. External economies, on the other hand, are compatible with competition but raise serious welfare problems. Two questions in particular worried Marshall. First, in the real world, firms clearly are capable of expanding at falling marginal cost, yet industries do not become monopolized. The second, a closely related problem, concerns the estimate of the supply price of a product where industry output is taken as a given but the group of firms making up the industry are in a life cycle of birth, growth, decay, and death. A firm picked at random would not necessarily be typical in the sense that its costs would correctly reflect the sustainable degree of efficiency and level of economies for its aggregate output. It might be a firm about to disappear or one in the very early stages of growth. Nowhere in his work do we find the perfectly elastic demand curve of the current text-book version of perfect competition.

**Chapter 2 : Principles of Economics: An introductory volume, by Alfred Marshall,**

*British economist ALFRED MARSHALL () was one of the most prominent thinkers of his age on the philosophy of finance, and this, considered his greatest work, was for years the standard text on the subject.*

His father was a bank cashier and devout Evangelical. He began with metaphysics, specifically "the philosophical foundation of knowledge, especially in relation to theology. He saw that the duty of economics was to improve material conditions, but such improvement would occur, Marshall believed, only in connection with social and political forces. In he became professor of political economy at Cambridge, where he remained until his retirement in . Over the years he interacted with many British thinkers including Henry Sidgwick , W. Marshall founded the " Cambridge School " which paid special attention to increasing returns, the theory of the firm, and welfare economics; after his retirement leaderships passed to Arthur Cecil Pigou and John Maynard Keynes. Contributions to economics[ edit ] Elements of economics of industry, Marshall desired to improve the mathematical rigour of economics and transform it into a more scientific profession. In the s he wrote a small number of tracts on international trade and the problems of protectionism. In , many of these works were compiled into a work entitled *The Theory of Foreign Trade: The Pure Theory of Domestic Values*. Although Marshall took economics to a more mathematically rigorous level, he did not want mathematics to overshadow economics and thus make economics irrelevant to the layman. Accordingly, Marshall tailored the text of his books to laymen and put the mathematical content in the footnotes and appendices for the professionals. In a letter to A. Bowley , he laid out the following system: This I do often. He became the first principal at University College, Bristol , which was the institution that later became the University of Bristol , again lecturing on political economy and economics. He perfected his *Economics of Industry* while at Bristol, and published it more widely in England as an economic curriculum; its simple form stood upon sophisticated theoretical foundations. Marshall achieved a measure of fame from this work, and upon the death of William Jevons in , Marshall became the leading British economist of the scientific school of his time. Marshall returned to Cambridge, via a brief period at Balliol College, Oxford during 1894, to take the seat as Professor of Political Economy in on the death of Henry Fawcett. At Cambridge he endeavoured to create a new tripos for economics, a goal which he would only achieve in . Until that time, economics was taught under the Historical and Moral Sciences Triposes which failed to provide Marshall the kind of energetic and specialised students he desired. Principles of Economics [ edit ] Main article: Principles of Economics Marshall Marshall began his economic work, the *Principles of Economics*, in , and spent much of the next decade at work on the treatise. His plan for the work gradually extended to a two-volume compilation on the whole of economic thought. The first volume was published in to worldwide acclaim, establishing him as one of the leading economists of his time. The second volume, which was to address foreign trade, money, trade fluctuations, taxation, and collectivism , was never published. *Principles of Economics* established his worldwide reputation. It appeared in 8 editions, starting at 100 pages and growing to 1000 pages. It decisively shaped the teaching of economics in English-speaking countries. Its main technical contribution was a masterful analysis of the issues of elasticity , consumer surplus , increasing and diminishing returns , short and long terms, and marginal utility. Many of the ideas were original with Marshall; others were improved versions of the ideas by W. In a broader sense Marshall hoped to reconcile the classical and modern theories of value. John Stuart Mill had examined the relationship between the value of commodities and their production costs, on the theory that value depends on the effort expended in manufacture. Jevons and the Marginal Utility theorists had elaborated a theory of value based on the idea of maximising utility, holding that value depends on demand. He noted that, in the short run, supply cannot be changed and market value depends mainly on demand. In an intermediate time period, production can be expanded by existing facilities, such as buildings and machinery, but, since these do not require renewal within this intermediate period, their costs called fixed, overhead, or supplementary costs have little influence on the sale price of the product. Marshall pointed out that it is the prime or variable costs, which constantly recur, that influence the sale price most in this period. In a still longer period, machines and buildings wear out and have to be replaced, so that the sale price of the

product must be high enough to cover such replacement costs. He was committed to partial equilibrium models over general equilibrium on the grounds that the inherently dynamical nature of economics made the former more practically useful. This model is now used by economists in various forms using different variables to demonstrate several other economic principles. These models are now critical throughout the study of economics because they allow a clear and concise representation of the fundamentals or theories being explained. Theoretical contributions[ edit ] Marshall is considered to be one of the most influential economists of his time, largely shaping mainstream economic thought for the next fifty years, and being one of the founders of the school of neoclassical economics. Although his economics was advertised as extensions and refinements of the work of Adam Smith , David Ricardo , Thomas Robert Malthus and John Stuart Mill , he extended economics away from its classical focus on the market economy and instead popularised it as a study of human behaviour. Marshall was one of those who used utility analysis, but not as a theory of value. He used it as a part of the theory to explain demand curves and the principle of substitution. While the term "value" continued to be used, for most people it was a synonym for "price". Prices no longer were thought to gravitate toward some ultimate and absolute basis of price; prices were existential, between the relationship of demand and supply. He popularised the use of supply and demand functions as tools of price determination previously discovered independently by Cournot ; modern economists owe the linkage between price shifts and curve shifts to Marshall. Marshall was an important part of the " marginalist revolution;" the idea that consumers attempt to adjust consumption until marginal utility equals the price was another of his contributions. The price elasticity of demand was presented by Marshall as an extension of these ideas. Marshall also identified quasi-rents. Gary Becker , the Nobel prize winner in economics, has mentioned that Milton Friedman and Alfred Marshall were the two greatest influences on his work. Another contribution that Marshall made was differentiating concepts of internal and external economies of scale. That is that when costs of input factors of production go down, it is a positive externality for all the firms in the market place, outside the control of any of the firms. Comments made by Marshall in Book 4, Chapter 10 of Principles of Economics [8] have been used by economists and economic geographers to discuss this phenomenon. The two dominant characteristics of a Marshallian industrial district [9] are high degrees of vertical and horizontal specialisation and a very heavy reliance on market mechanism for exchange. Firms tend to be small and to focus on a single function in the production chain. Firms located in industrial districts are highly competitive in the neoclassical sense, and in many cases there is little product differentiation. The major advantages of Marshallian industrial districts arise from simple propinquity of firms, which allows easier recruitment of skilled labour and rapid exchanges of commercial and technical information through informal channels. They illustrate competitive capitalism at its most efficient, with transaction costs reduced to a practical minimum, but they are feasible only when economies of scale are limited. Later career[ edit ] Marshall served as President of the first day of the Co-operative Congress. The work was never finished and many other, lesser works he had begun work on – a memorandum on trade policy for the Chancellor of the Exchequer in the s, for instance – were left incomplete for the same reasons. His health problems had gradually grown worse since the s, and in he retired from the university. He hoped to continue work on his Principles but his health continued to deteriorate and the project had continued to grow with each further investigation. The outbreak of the First World War in prompted him to revise his examinations of the international economy and in he published Industry and Trade at the age of This work was a more empirical treatise than the largely theoretical Principles, and for that reason it failed to attract as much acclaim from theoretical economists. In , he published Money, Credit, and Commerce, a broad amalgam of previous economic ideas, published and unpublished, stretching back a half-century. Final years, death and legacy[ edit ] From to he was the respected father of the economic profession and to most economists for the half-century after his death, the venerable grandfather. He had shied away from controversy during his life in a way that previous leaders of the profession had not, although his even-handedness drew great respect and even reverence from fellow economists, and his home at Balliol Croft in Cambridge had no shortage of distinguished guests. His most important legacy was creating a respected, academic, scientifically founded profession for economists in the future that set the tone of the field for the remainder of the 20th century. His archive is available for

consultation by appointment at the Marshall Library of Economics.

Chapter 3 : Principles of Economics (Marshall) - Wikipedia

*Principles of Economics* is a leading political economy or economics textbook of Alfred Marshall (), first published in It ran into many editions and was the standard text for generations of economics students.

II The Fertility of Land. The Tendency To Diminishing Return. IV The Growth of Population. V The Health and Strength of the Population. IX Industrial Organization, Continued. The Influence of Machinery. X Industrial Organization, Continued. XI Industrial Organization, Continued. Production on a Large Scale. General Relations of Demand, Supply, and Value. VI Joint and Composite Demand. Joint and Composite Supply. The Distribution of National Income. III Earnings of Labour. IV Earnings of Labour, Continued. V Earnings of Labour, Continued. VI Interest of Capital. IX Rent of Land. XI General View of Distribution. Marshall summarises how wealth is distributed through society. This competition is primarily "vertical": But meanwhile "horizontal" competition is always at work, and by simpler methods: By means of this combined vertical and horizontal competition there is an effective and closely adjusted balance of payments to services as between labour in different grades; in spite of the fact that the labour in any one grade is mostly recruited even now from the children of those in the same grade. The working of the principle of substitution is thus chiefly indirect. When two tanks containing fluid are joined by a pipe, the fluid, which is near the pipe in the tank with the higher level, will flow into the other, even though it be rather viscous; and thus the general levels of the tanks will tend to be brought together, though no fluid may flow from the further end of the one to the further end of the other; and if several tanks are connected by pipes, the fluid in all will tend to the same level, though some tanks have no direct connection with others. And similarly the principle of substitution is constantly tending by indirect routes to apportion earnings to efficiency between trades, and even between grades, which are not directly in contact with one another, and which appear at first sight to have no way of competing with one another. Marshall discusses the causes of economic development. The macadamized roads and the improved shipping of the eighteenth century broke up local combinations and monopolies, and offered facilities for the growth of others extending over a wider area:

**Chapter 4 : Alfred Marshall - Wikipedia**

*His book, Principles of Economics (), was the dominant economic textbook in England for many years. It brings the ideas of supply and demand, marginal utility, and costs of production into a coherent whole.*

Note on Statistics of Consumption. Note on the Law of Diminishing Return. Note on the Statistics of the Growth of Wealth. Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing. Thus it is on the one side a study of wealth; and on the other, and more important side, a part of the study of man. Here and there the ardour of the military or the artistic spirit has been for a while predominant: Religious motives are more intense than economic, but their direct action seldom extends over so large a part of life. For the business by which a person earns his livelihood generally fills his thoughts during by far the greater part of those hours in which his mind is at its best; during them his character is being formed by the way in which he uses his faculties in his work, by the thoughts and the feelings which it suggests, and by his relations to his associates in work, his employers or his employees. It is true that in religion, in the family affections and in friendship, even the poor may find scope for many of those faculties which are the source of the highest happiness. But the conditions which surround extreme poverty, especially in densely crowded places, tend to deaden the higher faculties. Those who have been called the Residuum of our large towns have little opportunity for friendship; they know nothing of the decencies and the quiet, and very little even of the unity of family life; and religion often fails to reach them. No doubt their physical, mental, and moral ill-health is partly due to other causes than poverty: And, in addition to the Residuum, there are vast numbers of people both in town and country who are brought up with insufficient food, clothing, and house-room; whose education is broken off early in order that they may go to work for wages; who thenceforth are engaged during long hours in exhausting toil with imperfectly nourished bodies, and have therefore no chance of developing their higher mental faculties. Their life is not necessarily unhealthy or unhappy. Rejoicing in their affections towards God and man, and perhaps even possessing some natural refinement of feeling, they may lead lives that are far less incomplete than those of many, who have more material wealth. But, for all that, their poverty is a great and almost unmixed evil to them. Even when they are well, their weariness often amounts to pain, while their pleasures are few; and when sickness comes, the suffering caused by poverty increases tenfold. And, though a contented spirit may go far towards reconciling them to these evils, there are others to which it ought not to reconcile them. Overworked and undertaught, weary and careworn, without quiet and without leisure, they have no chance of making the best of their mental faculties. Although then some of the evils which commonly go with poverty are not its necessary consequences; yet, broadly speaking, "the destruction of the poor is their poverty," and the study of the causes of poverty is the study of the causes of the degradation of a large part of mankind. Slavery was regarded by Aristotle as an ordinance of nature, and so probably was it by the slaves themselves in olden time. The dignity of man was proclaimed by the Christian religion: Now at last we are setting ourselves seriously to inquire whether it is necessary that there should be any so-called "lower classes" at all: The hope that poverty and ignorance may gradually be extinguished, derives indeed much support from the steady progress of the working classes during the nineteenth century. The steam-engine has relieved them of much exhausting and degrading toil; wages have risen; education has been improved and become more general; the railway and the printing-press have enabled members of the same trade in different parts of the country to communicate easily with one another, and to undertake and carry out broad and far-seeing lines of policy; while the growing demand for intelligent work has caused the artisan classes to increase so rapidly that they now outnumber those whose labour is entirely unskilled. A great part of the artisans have ceased to belong to the "lower classes" in the sense in which the term was originally used; and some of them already lead a more refined and noble life than did the majority of the upper classes even a century ago. This progress has done more than anything else to give practical interest to the question whether it is really impossible that all should start in the world with a fair chance of leading a cultured life, free from the pains of poverty and the stagnating influences

of excessive mechanical toil; and this question is being pressed to the front by the growing earnestness of the age. The question cannot be fully answered by economic science. For the answer depends partly on the moral and political capabilities of human nature, and on these matters the economist has no special means of information: But the answer depends in a great measure upon facts and inferences, which are within the province of economics; and this it is which gives to economic studies their chief and their highest interest. It might have been expected that a science, which deals with questions so vital for the wellbeing of mankind, would have engaged the attention of many of the ablest thinkers of every age, and be now well advanced towards maturity. But the fact is that the number of scientific economists has always been small relatively to the difficulty of the work to be done; so that the science is still almost in its infancy. One cause of this is that the bearing of economics on the higher wellbeing of man has been overlooked. Indeed, a science which has wealth for its subject-matter, is often repugnant at first sight to many students; for those who do most to advance the boundaries of knowledge, seldom care much about the possession of wealth for its own sake. But a more important cause is that many of those conditions of industrial life, and of those methods of production, distribution and consumption, with which modern economic science is concerned, are themselves only of recent date. It is indeed true that the change in substance is in some respects not so great as the change in outward form; and much more of modern economic theory, than at first appears, can be adapted to the conditions of backward races. But unity in substance, underlying many varieties of form, is not easy to detect; and changes in form have had the effect of making writers in all ages profit less than they otherwise might have done by the work of their predecessors. The economic conditions of modern life, though more complex, are in many ways more definite than those of earlier times. Business is more clearly marked off from other concerns; the rights of individuals as against others and as against the community are more sharply defined; and above all the emancipation from custom, and the growth of free activity, of constant forethought and restless enterprise, have given a new precision and a new prominence to the causes that govern the relative values of different things and different kinds of labour. It is often said that the modern forms of industrial life are distinguished from the earlier by being more competitive. But this account is not quite satisfactory. The strict meaning of competition seems to be the racing of one person against another, with special reference to bidding for the sale or purchase of anything. This kind of racing is no doubt both more intense and more widely extended than it used to be: There is no one term that will express these characteristics adequately. They may and often do cause people to compete with one another; but on the other hand they may tend, and just now indeed they are tending, in the direction of co-operation and combination of all kinds good and evil. The term "competition" has gathered about it evil savour, and has come to imply a certain selfishness and indifference to the wellbeing of others. Now it is true that there is less deliberate selfishness in early than in modern forms of industry; but there is also less deliberate unselfishness. It is deliberateness, and not selfishness, that is the characteristic of the modern age. In a modern society the obligations of family kindness become more intense, though they are concentrated on a narrower area; and neighbours are put more nearly on the same footing with strangers. In ordinary dealings with both of them the standard of fairness and honesty is lower than in some of the dealings of a primitive people with their neighbours: Thus it is the ties of neighbourhood alone that have been relaxed: That country which is the birthplace of modern competition devotes a larger part of its income than any other to charitable uses, and spent twenty millions on purchasing the freedom of the slaves in the West Indies. In every age poets and social reformers have tried to stimulate the people of their own time to a nobler life by enchanting stories of the virtues of the heroes of old. But neither the records of history nor the contemporary observation of backward races, when carefully studied, give any support to the doctrine that man is on the whole harder and harsher than he was; or that he was ever more willing than he is now to sacrifice his own happiness for the benefit of others in cases where custom and law have left him free to choose his own course. Among races, whose intellectual capacity seems not to have developed in any other direction, and who have none of the originating power of the modern business man, there will be found many who show an evil sagacity in driving a hard bargain in a market even with their neighbours. No traders are more unscrupulous in taking advantage of the necessities of the unfortunate than are the corn-dealers and money-lenders of the East. Again, the modern era has undoubtedly given new

openings for dishonesty in trade. The advance of knowledge has discovered new ways of making things appear other than they are, and has rendered possible many new forms of adulteration. The producer is now far removed from the ultimate consumer; and his wrong-doings are not visited with the prompt and sharp punishment which falls on the head of a person who, being bound to live and die in his native village, plays a dishonest trick on one of his neighbours. The opportunities for knavery are certainly more numerous than they were; but there is no reason for thinking that people avail themselves of a larger proportion of such opportunities than they used to do. On the contrary, modern methods of trade imply habits of trustfulness on the one side and a power of resisting temptation to dishonesty on the other, which do not exist among a backward people. Instances of simple truth and personal fidelity are met with under all social conditions: It is even more difficult to dispense with imported assistance for work, which calls for a strong moral character, than for that which requires great skill and mental ability. Adulteration and fraud in trade were rampant in the middle ages to an extent that is very astonishing, when we consider the difficulties of wrong-doing without detection at that time. In every stage of civilization, in which the power of money has been prominent, poets in verse and prose have delighted to depict a past truly "Golden Age," before the pressure of mere material gold had been felt. Their idyllic pictures have been beautiful, and have stimulated noble imaginations and resolves; but they have had very little historical truth. Small communities with simple wants for which the bounty of nature has made abundant provision, have indeed sometimes been nearly free from care about their material needs, and have not been tempted to sordid ambitions. But whenever we can penetrate to the inner life of a crowded population under primitive conditions in our own time, we find more want, more narrowness, and more hardness than was manifest at a distance: We ought therefore not to brand the forces, which have made modern civilization, by a name which suggests evil. It is perhaps not reasonable that such a suggestion should attach to the term "competition"; but in fact it does. In fact, when competition is arraigned, its anti-social forms are made prominent; and care is seldom taken to inquire whether there are not other forms of it, which are so essential to the maintenance of energy and spontaneity, that their cessation might probably be injurious on the balance to social wellbeing. The traders or producers, who find that a rival is offering goods at a lower price than will yield them a good profit, are angered at his intrusion, and complain of being wronged; even though it may be true that those who buy the cheaper goods are in greater need than themselves, and that the energy and resourcefulness of their rival is a social gain. In many cases the "regulation of competition" is a misleading term, that veils the formation of a privileged class of producers, who often use their combined force to frustrate the attempts of an able man to rise from a lower class than their own. Under the pretext of repressing anti-social competition, they deprive him of the liberty of carving out for himself a new career, where the services rendered by him to the consumers of the commodity would be greater than the injuries, that he inflicts on the relatively small group which objects to his competition. If competition is contrasted with energetic co-operation in unselfish work for the public good, then even the best forms of competition are relatively evil; while its harsher and meaner forms are hateful. And in a world in which all men were perfectly virtuous, competition would be out of place; but so also would be private property and every form of private right. Men would think only of their duties; and no one would desire to have a larger share of the comforts and luxuries of life than his neighbours. Strong producers could easily bear a touch of hardship; so they would wish that their weaker neighbours, while producing less should consume more. Happy in this thought, they would work for the general good with all the energy, the inventiveness, and the eager initiative that belonged to them; and mankind would be victorious in contests with nature at every turn. Such is the Golden Age to which poets and dreamers may look forward. But in the responsible conduct of affairs, it is worse than folly to ignore the imperfections which still cling to human nature. History in general, and especially the history of socialistic ventures, shows that ordinary men are seldom capable of pure ideal altruism for any considerable time together; and that the exceptions are to be found only when the masterful fervour of a small band of religious enthusiasts makes material concerns to count for nothing in comparison with the higher faith. No doubt men, even now, are capable of much more unselfish service than they generally render: But he must not decry competition in general, without analysis: We may conclude then that the term "competition" is not well suited to describe the special characteristics of industrial life in the modern age. We need a term that does not

imply any moral qualities, whether good or evil, but which indicates the undisputed fact that modern business and industry are characterized by more self-reliant habits, more forethought, more deliberate and free choice. There is not any one term adequate for this purpose: Of course this deliberate and free choice may lead to a certain departure from individual freedom when co-operation or combination seems to offer the best route to the desired end. The questions how far these deliberate forms of association are likely to destroy the freedom in which they had their origin and how far they are likely to be conducive to the public weal, lie beyond the scope of the present volume 3. This introductory chapter was followed in earlier editions by two short sketches: They have no claim to be systematic histories, however compressed; they aim only at indicating some landmarks on the routes by which economic structure and economic thought have travelled to their present position. They are now transferred to Appendices A and B at the end of this volume, partly because their full drift can best be seen after some acquaintance has been made with the subject-matter of economics; and partly because in the twenty years, which have elapsed since they were first written, public opinion as to the position which the study of economic and social science should hold in a liberal education has greatly developed. There is less need now than formerly to insist that the economic problems of the present generation derive much of their subject-matter from technical and social changes that are of recent date, and that their form as well as their urgency assume throughout the effective economic freedom of the mass of the people. The relations of many ancient Greeks and Romans with the slaves of their households were genial and humane. But even in Attica the physical and moral wellbeing of the great body of the inhabitants was not accepted as a chief aim of the citizen. Ideals of life were high, but they concerned only a few: Much of modern economics might indeed have been anticipated in the towns of the Middle Ages, in which an intelligent and daring spirit was for the first time combined with patient industry. But they were not left to work out their career in peace; and the world had to wait for the dawn of the new economic era till a whole nation was ready for the ordeal of economic freedom. England especially was gradually prepared for the task; but towards the end of the eighteenth century, the changes, which had so far been slow and gradual, suddenly became rapid and violent.

Chapter 5 : Principles of Economics - Alfred Marshall - Google Books

*English economist Alfred Marshall (Principles of Economics, 8th ed., ), considers prices to be determined simultaneously by cost and demand considerations. The analysis also recognizes the complex interdependencies in the system, with demands and supplies of various commodities affecting one another.*

Or better, a mausoleum. This large tome represents all the knowledge that British economics offered and economists thought fit to encapsulate and bury as truth in The cool Keynes thought Marshall a bit too preachy to be a proper economist. In fact, Marshall does wear his heart on his sleeve throughout this work. A reader is never far from the impression that Marshall is a caring man who believes the business man is a natural humanist bringing material benefit to employees and customers alike. Still, the age of Marshall is one where finance was fairly simplistic, trade was just that, and employment meant material production, and its ally, consumption. Marshall lauds the thinker, the achiever, and, to a lesser extend, the common worker. The mechanics of marginal utility would attend to the rest. Marshall has been credited with creating the concept of the consumer surplus. This is the remainder left over to a consumer when he purchased an item for less than he otherwise would have. What to do with this consumer surplus was worked out by his students, Keynes and Pigou. Actually, the last is a glib statement, but one not completely bereft of point. Just a word of warning: Many others editions are cheaper, but also cheaply butchered of content. Granted, this was from a European perspective. Nothing new under the sun. Not much has changed since those days, except the means by which they collect data to make predictions, and of course, the government is now involved at every turn. Though a few conditions have improved for low-wage workers, the one thing that remains the same as in years past is this: It is an interesting beginning study into the relationship between economics and the study of human behavior. Reads like a policy piece and is very straightforward.

*Principles of economics [Alfred Marshall] on [calendrierdelascience.com](http://calendrierdelascience.com) \*FREE\* shipping on qualifying offers. This is a reproduction of a book published before This book may.*

Alfred Marshall, Principles of Economics , ; online at marxists. But great mischief seems to have been done by yielding to this temptation, and drawing broad artificial lines of division where Nature has made none. The more simple and absolute an economic doctrine is, the greater will be the confusion which it brings into attempts to apply economic doctrines to practice, if the dividing lines to which it refers cannot be found in real life. There is not in real life a clear line of division between things that are and are not Capital, or that are and are not Necessaries, or again between labour that is and is not Productive. If we compare one country of the civilized world with another, or one part of England with another, or one trade in England with another, we find that the degradation of the working-classes varies almost uniformly with the amount of rough work done by women. The most valuable of all capital is that invested in human beings; and of that capital the most precious part is the result of the care and influence of the mother, so long as she retains her tender and unselfish instincts, and has not been hardened by the strain and stress of unfeminine work. Quotes about Alfred Marshall[ edit ] Our understanding of how markets and businesses operate was passed down to us more than a century ago by a handful of European economists – Alfred Marshall in England and a few of his contemporaries on the continent. It is an understanding based squarely upon the assumption of diminishing returns: But steadily and continuously in this century, Western economies have undergone a transformation from bulk - material manufacturing to design and use of technology – from processing of resources to processing of information, from application of raw energy to application of ideas. As this shift has occurred, the underlying mechanisms that determine economic behavior have shifted from ones of diminishing to ones of increasing returns. One of the most important skills of the economist, therefore, is that of simplification of the model. Two important methods of simplification have been developed by economists. One is the method of partial equilibrium analysis or microeconomics , generally associated with the name of Alfred Marshall and the other is the method of aggregation or macro-economics , associated with the name of John Maynard Keynes. Kenneth Boulding , The Skills of the Economist, , p. The study of economics does not seem to require any specialized gifts of an unusually high order. Is it not, intellectually regarded, a very easy subject compared with the higher branches of philosophy and pure science? Yet good, or even competent, economists are the rarest of birds. An easy subject, at which very few excel! The paradox finds its explanation, perhaps, in that the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher – in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician. Much, but not all, of this many-sidedness Marshall possessed. Jevons saw the kettle boil and cried out with the delighted voice of a child; Marshall too had seen the kettle boil and sat down silently to build an engine. Though a skilled mathematician, he used mathematics sparingly. He saw that excessive reliance on this instrument might lead us astray in pursuit of intellectual toys, imaginary problems not conforming to the conditions of real life: Arthur Cecil Pigou ed. Memorials of Alfred Marshall, New York: He changed the question. For Ricardo the Theory of Value was a means of studying the distribution of total output between wages, rent and profit, each considered as a whole. This is a big question. Marshall turned the meaning of Value into a little question: Why does an egg cost more than a cup of tea? It may be a small question but it is a very difficult and complicated one. It takes a lot of time and algebra to work out the theory of it. They had no time to think about the big question, or even to remember that there was a big question, because they had to keep their noses right down to the grindstone, working out the theory of the price of a cup of tea. Joan Robinson , "An open letter from a Keynesian to a Marxist"

**Chapter 7 : Alfred Marshall**

*"Alfred Marshall's Principles of Economics is an outstanding contribution, one of the foundations of neoclassical economics, and shaped the thought of economists from John Maynard Keynes to Milton Friedman.*

Resources Alfred Marshall, Prominent English economist, one of the leading propagators of Neoclassical economics, founder of the " Cambridge " school of Neoclassicism and author of its most successful textbook, Principles of Economics

Early years Alfred Marshall was born in London, of modest bourgeois background, the second son of William Marshall, a clerk at the Bank of England. He was educated at Merchant Taylors, a non-residential private school, and acquired a school record of some distinction, demonstrating a strong early aptitude and skill for mathematics. With the financial backing of an uncle, Marshall enrolled in St. Marshall would spend the next few years as a tutor, and was finally appointed lecturer in moral sciences at St. He moved away from mathematics and grew interested in moral philosophy and ethics, then metaphysics, and eventually gravitated towards economics. Marshall would later controversially claim in a famous letter to J. Clark and still later in a fragment that he had come up with the Neoclassical theory of value on his own during this time, before reading Jevons book. But it is not out of the question. Marshall had already begun translating his economic thinking into diagrams and curves. Among the "moral sciences" students that passed through Marshall while he was a lecturer at St. From , Marshall was also assigned to lecture female students at St. He got engaged to Mary Paley upon his return in , and they got married in Under Cambridge regulations then in place, marriage meant both had to resign their positions at the university. Boggled down by his administrative duties, Alfred assigned Mary to take over most of the work for the economics class. This would eventually produce, Economics of Industry in , a textbook authored jointly by Alfred and Mary but historians estimate to be primarily Mary. That same year, at the instigation of Henry Sidgwick , Marshall had two of his small tracts, Pure Theory of Foreign Trade and Pure Theory of Domestic Values, privately printed for circulation among economists. Overwork and a bout of ill-health prompted Marshall to resign from Bristol in The couple sojourned to continental Europe, wintering in Palermo, Sicily, to help Marshall recover. It was there that Marshall began writing what would eventually become his most famous work, the Principles of Economics, using his tract on domestic values as the kernel to a larger, wide-ranging treatise. But it would take a decade to complete. In , the Marshalls returned to England, and taught at Bristol for a year. He would remain at Oxford for two years, L. Price being perhaps his prize pupil there. From this perch, Marshall would preside over Cambridge economics for the next two decades. Marshall helped designed Balliol House, which they moved into in He was a member of the Labour Commission , and in wrote a significant memorandum of fiscal policy and trade published As it happens, it was the first book published in Britain with a "net book agreement" - that is, the publisher Macmillan decided to force booksellers to agree not to discount its price at retail. Marshall was wary, worried that without bookseller discounts, poorer students would not be able to buy the book. In the end, it was agreed to sell the Principles at a fixed price of 12s 6d. The title page contained his famous epigram, "Natura non facit saltum" "Nature does not make jumps" and, more perplexingly, the appellation "Vol. Marshall envisaged this to be merely the theoretical part, that it would be followed up by other volumes applying the theory to specific topics - foreign trade, money and banking, business cycles, growth, taxation, regulation, trade unions etc. The Principles itself was divided into six books. Book I "Preliminary Survey" is merely introductory. In the original edition, its first chapter I. Its second chapter I. The fourth chapter I. Here, Marshall lionizes Adam Smith but is a bit critical of David Ricardo , whom he characterizes as "narrow". He lauds John Stuart Mill as the first to begin moving away from the mechanical view of man, incorporating the "pliability of human nature" and its dependence on economic circumstances, an insight for which Marshall credits the advances in "biological sciences" and the critiques by socialists. He laments the dogmatism surrounding Mill and the Classical school, and acknowledges the recent opening of new avenues - explicitly mentioning the marginalism of W. Jevons , the historicism of T. Cliffe-Leslie and the contributions of Walter Bagehot and J. Among French economists, he lauds Cournot , "a constructive thinker of the highest genius". He only mentions Carey among Americans, and only List among Germans - although

he warmly lauds the German Historical School for overcoming the narrowness of economic theory and emphasizing the evolution of institutions "one of the great achievements of our age", p. He also refers to the ideas of Karl Marx albeit not by name. The fifth chapter I. The sixth chapter I. The seventh chapter I. In his summary eighth chapter I. By the final 8th, edition, Chs. Chapters 6, 7 and 8 were completely rewritten and became Chs. Book I chapters I. Its opening chapter II. The second chapter II. Unlike prior economists e. Senior, Marshall does not limit the scope of economics to any particular definition. The third chapter II. The fourth chapter II. The fifth chapter II. The core of this book was already in his Theory of Domestic Values. The first chapter III. The second chapter III. He avoids "utils" as a measure, and instead uses a monetary stick, the "willingness to pay", as a measure of marginal utility. He notes that this varies across people and incomes - although asserts these differences can be buried in averages. He makes special note of impatience and utility discounting over time. Curiously, while Marshall starts out by explaining how demand is a quantity conditional on price, he goes on to draw a demand curve with quantity on the horizontal axis and price on the vertical axis p. He makes note of shifts, and explains the importance of substitute goods. Marshall calls its downward-sloping shape the "Law of Diminution of Marginal Demand Price" and explains it inversely "the greater the amount to be sold, the smaller will be the price at which it will find purchasers". Surprisingly, Cournot is not credited for the demand curve, and instead Marshall prefers to discuss Mill and a confused note in Cairnes. In the third chapter III. He notes how elasticity varies along the demand curve - asserting it is inelastic at very high and very low prices, and quite elastic at intermediary prices.. He also explains the relative inelasticity of necessary goods. At one point, Marshall makes uses the numerical example of Gregory King p. In the fourth chapter III. In the later editions, Marshall inserts a discussion on socio-cultural basis of wants essentially a reiteration of his earlier "necessaries" as Ch. Among the significant changes in the second edition is the introduction of the "representative firm". It would go through more changes, passing through eight editions overall. The Principles was not written as a textbook, nor was not pedagogically-g geared towards classroom instruction. Marshall subsequently put out his Elements of of Economics of Industry in , essentially an abridged and simplified version of the Principles, geared for beginning students and the wider public. But it was the Principles that would become the major treatise and bring English Neoclassicism to universities everywhere. The new tripos was approved by the university in , and began in Marshall retired in In retirement, Marshall set about completing his long-planned companion volumes of the Principles, applying the basic theory to specific areas. But increasing illness and other distractions, progress was slow. The first companion volume, Industry and Trade, only appeared in The second, Money, Credit and Commerce, in A third contemplated volume, on economic progress, never went beyond a rough draft. Marshall died on July 13,

**Chapter 8 : The Economics of Alfred Marshall | Mises Institute**

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Ads Book Preface Economics is a study of mankind in the ordinary business of life. Why should you, as a student at the beginning of the 21st century, embark on the study of economics? There are three reasons. The first reason to study economics is that it will help you understand the world in which you live. There are many questions about the economy that might spark your curiosity. Why are apartments so hard to find in New York City? Why do airlines charge less for a round-trip ticket if the traveler stays over a Saturday night? Why is Leonardo DiCaprio paid so much to star in movies? Why are living standards so meager in many African countries? Why do some countries have high rates of inflation while others have stable prices? Why are jobs easy to find in some years and hard to find in others? These are just a few of the questions that a course in economics will help you answer. The second reason to study economics is that it will make you a more astute participant in the economy. As you go about your life, you make many economic decisions. While you are a student, you decide how many years to stay in school. Once you take a job, you decide how much of your income to spend, how much to save, and how to invest your savings. Someday you may find yourself running a small business or a large corporation, and you will decide what prices to charge for your products. The insights developed in the coming chapters will give you a new perspective on how best to make these decisions. Studying economics will not by itself make you rich, but it will give you some tools that may help in that endeavor. The third reason to study economics is that it will give you a better understanding of both the potential and the limits of economic policy. What are the burdens associated with alternative forms of taxation? What are the effects of free trade with other countries? What is the best way to protect the environment? How does a government budget deficit affect the economy? An understanding of economics will help you carry out that responsibility. Perhaps someday you will end up as one of those policymakers yourself. Whether the future finds you reading the newspaper, running a business, or sitting in the Oval Office, you will be glad that you studied economics.

## Chapter 9 : Principles of Economics (8th ed.) - Online Library of Liberty

*Principles of Economics by Alfred Marshall () Book Three: On Wants and Their Satisfaction Chapter 4, The Elasticity of Wants. 1. We have seen that the only universal law as to a person's desire for a commodity is that it diminishes, other things being equal, with every increase in his supply of that commodity.*

But this diminution may be slow or rapid. If it is slow the price that he will give for the commodity will not fall much in consequence of a considerable increase in his supply of it; and a small fall in price will cause a comparatively large increase in his purchases. But if it is rapid, a small fall in price will cause only a very small increase in his purchases. In the former case his willingness to purchase the thing stretches itself out a great deal under the action of a small inducement: In the latter case the extra inducement given by the fall in price causes hardly any extension of his desire to purchase: If a fall in price from say 16d. That is, when the demand is elastic for a fall in price, it is elastic also for a rise. And as with the demand of one person so with that of a whole market. And we may say generally: The price which is so high relatively to the poor man as to be almost prohibitive, may be scarcely felt by the rich; the poor man, for instance, never tastes wine, but the very rich man may drink as much of it as he has a fancy for, without giving himself a thought of its cost. We shall therefore get the clearest notion of the law of the elasticity of demand by considering one class of society at a time. Of course there are many degrees of richness among the rich, and of poverty among the poor; but for the present we may neglect these minor subdivisions. When the price of a thing is very high relatively to any class, they will buy but little of it; and in some cases custom and habit may prevent them from using it freely even after its price has fallen a good deal. It may still remain set apart for a limited number of special occasions, or for use in extreme illness, etc. But such cases, though not infrequent, do not form the general rule; and anyhow as soon as it has been taken into common use, any considerable fall in its price causes a great increase in the demand for it. The elasticity of demand is great for high prices, and great, or at least considerable, for medium prices; but it declines as the price falls; and gradually fades away if the fall goes so far that satiety level is reached. This rule appears to hold with regard to nearly all commodities and with regard to the demand of every class; save only that the level at which high prices end and low prices begin, is different for different classes; and so again is the level at which low prices end and very low prices begin. There are however many varieties in detail; arising chiefly from the fact that there are some commodities with which people are easily satiated, and others—chiefly things used for display—for which their desire is almost unlimited. For the latter the elasticity of demand remains considerable, however low the price may fall, while for the former the demand loses nearly all its elasticity as soon as a low price has once been reached. There are some things the current prices of which in this country are very low relatively even to the poorer classes; such are for instance salt, and many kinds of savours and flavours, and also cheap medicines. It is doubtful whether any fall in price would induce a considerable increase in the consumption of these. The current prices of meat, milk and butter, wool, tobacco, imported fruits, and of ordinary medical attendance, are such that every variation in price makes a great change in the consumption of them by the working classes, and the lower half of the middle classes; but the rich would not much increase their own personal consumption of them however cheaply they were to be had. In other words, the direct demand for these commodities is very elastic on the part of the working and lower middle classes, though not on the part of the rich. But the working class is so numerous that their consumption of such things as are well within their reach is much greater than that of the rich; and therefore the aggregate demand for all things of the kind is very elastic. A little while ago sugar belonged to this group of commodities: The current prices of such things as rare wines, fruit out of season, highly skilled medical and legal assistance, are so high that there is but little demand for them except from the rich: Part of the demand for the more expensive kinds of food is really a demand for the means of obtaining social distinction, and is almost insatiable. The case of necessaries is exceptional. When the price of wheat is very high, and again when it is very low, the demand has very little elasticity: We know that a fall in the price of the quartern loaf from 6d. With regard to the other end of the scale it is more difficult to speak with certainty, because there has been no approach to a scarcity in England since the repeal of the corn laws. But,

availing ourselves of the experience of a less happy time, we may suppose that deficits in the supply of 1, 2, 3, 4, or 5 tenths would cause a rise in price of 3, 8, 16, 28, or 45 tenths respectively. Thus wheat sold in London for ten shillings a bushel in , but in the following year it sold for ten pence. Water is one of the few things the consumption of which we are able to observe at all prices, from the very highest down to nothing at all. At moderate prices the demand for it is very elastic. But the uses to which it can be put are capable of being completely filled: Nearly the same may be said of salt. Its price in England is so low that the demand for it as an article of food is very inelastic: The price of house-room, on the other hand, has never fallen very low except when a locality is being deserted by its inhabitants. Where the condition of society is healthy, and there is no check to general prosperity, there seems always to be an elastic demand for house-room, on account both of the real conveniences and the social distinction which it affords. The desire for those kinds of clothing which are not used for the purpose of display, is satiable: The demand for things of a higher quality depends much on sensibility. In the ordinary working class districts the inferior and the better joints are sold at nearly the same price: Use also gives rise to acquired distastes as well as to acquired tastes. Illustrations which make a book attractive to many readers, will repel those whose familiarity with better work has rendered them fastidious. A person of high musical sensibility in a large town will avoid bad concerts: The effective demand for first-rate music is elastic only in large towns; for second-rate music it is elastic both in large and small towns. Generally speaking those things have the most elastic demand, which are capable of being applied to many different uses. Water for instance is needed first as food, then for cooking, then for washing of various kinds and so on. When there is no special drought, but water is sold by the pailful, the price may be low enough to enable even the poorer classes to drink as much of it as they are inclined, while for cooking they sometimes use the same water twice over, and they apply it very scantily in washing. The middle classes will perhaps not use any of it twice for cooking; but they will make a pail of water go a good deal further for washing purposes than if they had an unlimited supply at command. When water is supplied by pipes, and charged at a very low rate by meter, many people use as much of it even for washing as they feel at all inclined to do; and when the water is supplied not by meter but at a fixed annual charge, and is laid on in every place where it is wanted, the use of it for every purpose is carried to the full satiety limit. So far we have taken no account of the difficulties of getting exact lists of demand prices, and interpreting them correctly. The first which we have to consider arises from the element of time, the source of many of the greatest difficulties in economics. Thus while a list of demand prices represents the changes in the price at which a commodity can be sold consequent on changes in the amount offered for sale, other things being, yet other things seldom are equal in fact over equal; periods of time sufficiently long for the collection of full and trustworthy statistics. There are always occurring disturbing causes whose effects are commingled with, and cannot easily be separated from, the effects of that particular cause which we desire to isolate. This difficulty is aggravated by the fact that in economics the full effects of a cause seldom come at once, but often spread themselves out after it has ceased to exist. To begin with, the purchasing power of money is continually changing, and rendering necessary a correction of the results obtained on our assumption that money retains a uniform value. This difficulty can however be overcome fairly well, since we can ascertain with tolerable accuracy the broader changes in the purchasing power of money. Next come the changes in the general prosperity and in the total purchasing power at the disposal of the community at large. The influence of these changes is important, but perhaps less so than is generally supposed. For when the wave of prosperity is descending, prices fall, and this increases the resources of those with fixed incomes at the expense of those whose incomes depend on the profits of business. The downward fluctuation of prosperity is popularly measured almost entirely by the conspicuous losses of this last class; but the statistics of the total consumption of such commodities as tea, sugar, butter, wool, etc. Still there is a fall, and the allowance to be made for it must be ascertained by comparing the prices and the consumption of as many things as possible. Next come the changes due to the gradual growth of population and wealth. For these an easy numerical correction can be made when the facts are known. Next, allowance must be made for changes in fashion, and taste and habit, 9 for the opening out of new uses of a commodity, for the discovery or improvement or cheapening of other things that can be applied to the same uses with it. In all these cases there is great difficulty in allowing for the

time that elapses between the economic cause and its effect. For time is required to enable a rise in the price of a commodity to exert its full influence on consumption. Time is required for consumers to become familiar with substitutes that can be used instead of it, and perhaps for producers to get into the habit of producing them in sufficient quantities. Time may be also wanted for the growth of habits of familiarity with the new commodities and the discovery of methods of economizing them. For instance when wood and charcoal became dear in England, familiarity with coal as a fuel grew slowly, fireplaces were but slowly adapted to its use, and an organized traffic in it did not spring up quickly even to places to which it could be easily carried by water.. Again, when in recent years the price of coal became very high, a great stimulus was given to the invention of economies in its use, especially in the production of iron and steam; but few of these inventions bore much practical fruit till after the high price had passed away. Again, when a new tramway or suburban railway is opened, even those who live near the line do not get into the habit of making the most of its assistance at once; and a good deal more time elapses before many of those whose places of business are near one end of the line change their homes so as to live near the other end. Again, when petroleum first became plentiful few people were ready to use it freely; gradually petroleum and petroleum lamps have become familiar to all classes of society: Another difficulty of the same kind arises from the fact that there are many purchases which can easily be put off for a short time, but not for a long time. This is often the case with regard to clothes and other things which are worn out gradually, and which can be made to serve a little longer than usual under the pressure of high prices. For instance, at the beginning of the cotton famine the recorded consumption of cotton in England was very small. This was partly because retail dealers reduced their stock, but chiefly because people generally made shift to do as long as they could without buying new cotton goods. In however many found themselves unable to wait longer; and a good deal more cotton was entered for home consumption in that year, though the price was then much higher, than in either of the preceding years. For commodities of this kind then a sudden scarcity does not immediately raise the price fully up to the level, which properly corresponds to the reduced supply. Similarly after the great commercial depression in the United States in it was noticed that the boot trade revived before the general clothing trade; because there is a great deal of reserve wear in the coats and hats that are thrown aside in prosperous times as worn out, but not so much in the boots. The above difficulties are fundamental: We desire to obtain, if possible, a series of prices at which different amounts of a commodity can find purchasers during a given time in a market. But independently of the fact that those who buy for their own consumption, and not for the purposes of trade, are not always on the look out for every change in the market, there is no means of ascertaining exactly what prices are paid in many transactions. Again, the geographical limits of a market are seldom clearly drawn, except when they are marked out by the sea or by custom-house barriers; and no country has accurate statistics of commodities produced in it for home consumption. Again, there is generally some ambiguity even in such statistics as are to be had. But the two are governed by different causes. A rise of prices tends to check consumption; but if the rise is expected to continue, it will probably, as has already been noticed, lead dealers to increase their stocks. After a dry summer what wheat there is, is exceptionally good; and the prices for the next harvest year appear to be higher than they really are. It is possible to make allowance for this, particularly now that dry Californian wheat affords a standard. But it is almost impossible to allow properly for the changes in quality of many kinds of manufactured goods. This difficulty occurs even in the case of such a thing as tea: General Statistics of consumption are published by many Governments with regard to certain classes of commodities. But partly for the reasons just indicated they are of very little service in helping us to trace either a causal connection between variations in prices and variations in the amounts which people will buy, or in the distribution of different kinds of consumption among the different classes of the community. As regards the first of these objects, viz. He can find out how many factories are at work, and for how many hours in the week, and he can hear about all the important changes in the rate of wages: And as a rule his customers are quick in finding out changes in the price of things which they commonly use. He will therefore often find cases in which an increased consumption of a commodity is brought about by a fall in its price, the cause acting quickly, and acting alone without any admixture of disturbing causes.