

Marginal Utility

By F. J. McNEY

ABOUT a year ago I got the seat of my pants well padded for expressing my opinion a little too freely on this same subject of marginal utility. It is a painful memory, and if chastisement was any use, and I had any sense at all I would leave the subject alone henceforth and forever. But I never did have any sense and I am too old to acquire any now, so here I am ready for another spanking.

Anyhow, while we are dealing with value we may as well have another look at this particular theory. In fact it is of the utmost importance that all Socialists should thoroughly understand the marginal utility theory of value. In recent times, practically every article and book that is published on the subject of economics by capitalist class economists defends this theory, and if they mention the labor theory at all it is merely to remark that it is an obsolete theory that has been discarded even by the Socialists. Of course, they admit that there are a few freaks who still believe in the labor theory, but these are just ignorant fanatics, morons who don't know any better. Such people belong in the same class as those who still believe that the earth is flat and that thirteen is an unlucky number. They don't use exactly the same words that I have used here, but I have given you the gist of it. And we let them get away with this kind of bunk because we don't consider it worth our while to analyze this marginal utility theory of value and show it up for what it is. I admit the difficulty of understanding the theory, considering the way they have it all dolled up, with its hair bobbed and its nose powdered in most of the articles and books on the subject. Consequently our aim is to get to the core of the theory, so in this article we are going to undress it, wash off the paint and powder and see what it looks like in the nude.

To save space we will omit the so-called law of diminishing utility, because it has very little to do with the marginal utility theory anyhow, it is mostly camouflage, and furthermore, it is a misnomer. The need or desire of a person for a quantity of some commodity is one thing, and the ability of the commodity to satisfy that need or desire, which constitutes its utility, is another. It is the needs and desires of people that diminish as they are satisfied, not the utility of commodities.

Now the first problem to be solved is what is value according to the marginal utility theory? Let us see, what two of the exponents of the theory have to say on this point. Professor Ely says: "To possess value, a thing must be able to satisfy wants, and it must exist in less than sufficient quantity to satisfy all wants." Professor Fairchild tells us that: "The only things that have marginal utility and so have value are those that are limited in quantity, so that there is not enough to satisfy everybody's wants. This condition is called scarcity."

Here we have the marginal utility theory of value in a nutshell, let us analyze it. In the first place we must assume that a "thing" means a commodity, it can't mean anything else in the sense in which it is used here. And we admit that it "must be able to satisfy wants" to possess value. But that its utility is not supposed to determine its value, is proved by a statement of Professor Fairchild to the effect that: "Air, the most useful thing in the world, therefore has no value." This absence of value in air is supposed to be due to its abundance. Now if the most useful thing in the world has no value, in spite of its utility, just because it is abundant, then we may discard utility altogether as a factor in determining value. Scarcity alone, then, must be value according to the marginal utility theory. Well we will examine this scarcity pro-

position and see how it works out. Let us suppose that one pound of coffee and one pound of butter are equal in value, that is, the one will exchange for the other even. We are assuming, of course, that both butter and coffee are scarce. Well suppose that both these commodities diminish in quantity in the same ratio. No matter how scarce they get, one pound of coffee must still be equal in value to one pound of butter. Now suppose that they both begin to increase in quantity in the same ratio, and keep on increasing until both commodities exist in sufficient quantity to satisfy all wants. Do you think that under such circumstances it would be impossible to trade a pound of butter for a pound of coffee? So long as the relative quantity of the two commodities remains the same it does not matter how abundant they both become, a pound of the one will still be equal to a pound of the other in exchange value. Now if we consider all commodities in the same way it is obvious that they must all possess value no matter how abundant they may be. And it is useless to argue that the production of commodities is deliberately curtailed for the purpose of keeping them scarce. Even if it were true, which it is not, it would benefit nobody. Because if all commodities were scarce, their sum total value would be less than if they were all abundant in the same proportions, but their relative, or exchange value, would remain the same.

Consequently, it is evident that scarcity is not value, and it is not necessary for a commodity to be scarce to possess value. Scarcity and abundance are merely relative conditions, when the demand for a certain commodity is greater than the supply the commodity is scarce, when the supply of a commodity is greater than the demand, it is abundant! All this bunk about utility, scarcity, abundance and so forth is merely quibbling, to camouflage the fact that value is something else altogether.

Again, when they are caught on the scarcity gag they tell us that by scarcity they mean "difficulty of attainment," or, "the effort necessary to acquire" the things we need. Now, if we consider the proposition in a general way, what is the "difficulty of attainment" or "the effort necessary to acquire" the means of life? We know that the resources of the earth are practically useless in their natural condition, and the only way they can be made useful is by the application of labor for the purpose of transforming them into things more in harmony with our needs. Before any person can have the necessities and luxuries of life they must be produced, and the only way they can be produced is by labor. The "difficulty of attainment" or "the effort necessary to acquire" those things, in the last analysis, therefore, is labor and nothing else, and consequently the labor necessary to produce them is their value. It is useless to try to dodge this fact by quibbling over the proportions in which different commodities exchange. The fact is so obvious that any person with half an eye ought to be able to see it, and a blind man could feel it with his stick. And if some people have everything they want without doing their share of the labor it merely means that others must labor for them.

The time has come when this question of value must be settled once and for all. It may have been a mystery once, but it is that no longer. I have pointed out before that the marginal utility theory never was anything but an excuse for refusing to admit that labor is value, and I am still convinced that I am correct in this conclusion.

ALBERTA NOTES.

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Geographical Footnotes

"Rivers unite," the geographers tell us. But, in a capitalist world, economic interests diverge; and so it comes about that rivers may become a potent source of discord.

The Nile makes Egypt and the Sudan one—geographically. Both depend for their very existence on the waters of the great river. International politics apart, the whole Nile Valley is one economic unit. But an entirely artificial frontier—a line on a map—divides the Lower from the Upper Valley. The Lower is the "independent" nation-state of Egypt; the Upper is the Sudan, a "possession" of the British Empire.

In the world of commerce, both Upper and Lower Valleys stand primarily for one thing—cotton. Cotton-growing was begun in Egypt a century ago. Modern engineering developments made possible the construction of larger and larger dams and irrigation systems, and so brought under cultivation greater and greater areas of land. More recently the same process has been at work in the Sudan. The great dam at Makwar, on the Blue Nile is to "enable 100,000 acres to be put under cotton in a few years' time, with unlimited scope for extension." The Gezira, the area in the angle formed by the White Nile and the Blue before their junction at Khartum, is the great centre of this development. And the Sudan Plantations Syndicate, Ltd., is a concern with powerful friends in high places in Great Britain.

Egypt (i.e., the Egyptian capitalist cotton-growers) needs Nile water. The Sudan (i.e., the Sudan Plantations Syndicate, Ltd.) needs Nile water. And the Syndicate, being upstream, can cut off and reserve for its own use the Egyptian supply. That is the geographical fact which the British Government promptly took advantage of when the murder of Sir Lee Stack last November gave it its opportunity. Egyptian "independence" has to be kept within strictly limited bounds.

Nearly a year ago the Liberal and peace-loving Manchester Guardian was pointing out that the Power, which held Khartum (i.e., the Sudan) could always use as an "argument," if the Egyptians went too far, its control of the Nile waters. And sure enough, the ultimatum despatched by the Tory Government after the Sirdar's death took care to negative Egypt's right to consultation concerning the development of the Sudan's irrigation system, previously controlled by the Egyptian Ministry of Public Works; and asserted the right of the Sudan (i.e., of the Syndicate) to use as much Nile water as it wanted, without regard to the needs of Egyptian capitalists or Egyptian peasants downstream. (Note how Liberal and Tory Imperialists think alike on these matters!) The shares of the Sudan Plantations Syndicate, Ltd., rose sharply during the few days following the ultimatum.

The incident affords an interesting illustration of the advantages of "strategic position" in the great Imperialist game. Egypt, whatever her geographical advantages at an early stage of human history, is in a singularly unfortunate position today. Not only do her people live next door to a key position on one of the great world-routes—Britain's road to the East; but they must depend on a river whose head-waters are out of their control. Regarded as a chess-board, the map suggests that the British ruling class is well up to the moves of the game.—J. F. Horrabin, The Plebs (London).

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