

## IX

### CONCLUSION

The main objective of the essay has been to analyse Marshall's concept and method of measuring utility and to contrast it particularly with the other utility theories of consumer behaviour and choice. In the process of the discussion, we have tried to examine what effects the different claims to measurability of utility have, on the operation and application of the respective theories. We have shown that Marshall's claim to the quantification of utility, provided all the assumptions are given, particularly of constant marginal utility of money and independent utilities may be valid. But such an assertion is inevitably restrictive and is made only at the expense of restricting the general applicability of Marshall's Demand Theory. We have even shown that it is liable to lead to contradictory results in his demand theorem. In as much as such assumptions are unnecessary, from the point of view of the consumer and the explanation of market phenomena, Marshall's quantitative assertion of utility measurability is redundant.

Applying the principle of Occam's Razor, that is, the principle of economy in assumptions, or the elimination of unnecessary assumptions, Hicks' ordinal indifference-preference theory is judged to be of greater validity and of wider application. We have shown that it is operationally meaningful in stating the theory of consumer demand and equilibrium. We have also pointed out that the theory bears traces of cardinalism, though not the orthodox Marshallian type. However, much of the criticisms may be met by a proper

interpretation of the indifference curve and the marginal rate of substitution.

It is our view that so long as the cardinal-ordinal controversy revolves around utility measurability up to a monotonic transformation and measurability up to a linear transformation, the real difference is minor and is only one of degree. In fact, as we have quoted earlier, Majumdar has defined measurability up to a linear transformation as "ordinal measurability of relative preferences."<sup>1</sup> Lionel Robbins' counter-argument against Robertson's criticism, refers to views similar to Majumdar's. If the definition is accepted, then the cardinal-ordinal dispute might have been exaggerated after all. This conclusion is further evidenced by the Morgenstern-Neumann Cardinal Utility Index which, as we have discussed, purports to make choice predictions ordinally and not quantitatively.

However, we have shown that the Morgenstern-Neumann theory, though empirically verifiable, nevertheless makes too much claim on the consumer. In order to be workable, the consumer must be a coldly calculating, utility maximising economic man. Samuelson's Revealed Preference Theory too, despite its merit in reinterpreting the indifference curve and freeing it from psychological and cardinalist traces, is nevertheless of limited application. The setback of both theories appears to lie on their behaviouristic grounds, which allow absolutely no room for consumer introspection. As criticised by Robertson, it is not quite "worth the while to go to such mountainous trouble to formalise in non-mental terms, the behaviour of beings whom we have every reason to suppose to be equipped with minds."<sup>2</sup>

Though Robertson's criticism may be overdone, the

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<sup>1</sup>Majumdar, Op. Cit., p.134.

<sup>2</sup>Robertson, Op. Cit., p.121.

conclusion still is that consumer choice cannot be explained purely on behaviouristic grounds alone.

It is only reasonable to believe that consumer choice is guided by introspection. At any rate, the final analysis should lie on the consumer. If his common experience is to think more in terms of relative utility rather than the quantitative aspect of it, when allocating his expenditure, it will be more meaningful to maintain a theory of consumer choice based on introspective ordinal utility.