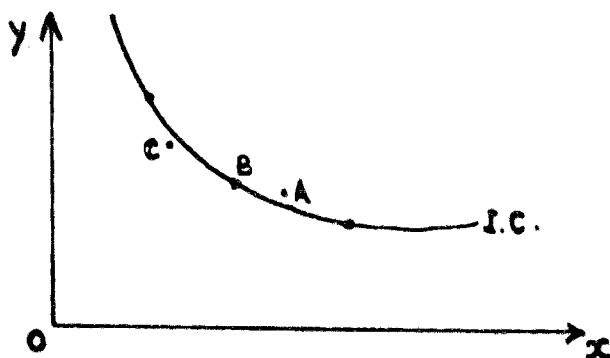


ARMSTRONG'S VIEW ON UTILITY MEASURABILITY

Between the Marshallian-Hicksian controversy, a new variant of cardinal measurability was introduced by W.E. Armstrong. Armstrong's argument unlike Hicks', is that indifference relation is only one of approximation, that is to say, 2 utility situations may appear indifferent to an individual not because one is strongly compensated by the other, but because the difference between them is very small. His contention is that utility is measurable in principle, but in practice, due to the limitations of our faculty, only large differences are perceptible. Hence, an individual may feel indifferent between A and B and between B and C, but nevertheless, prefers A to C because the magnitude of the difference is large then.



As shown in the diagram,

A-B (difference indistinguishable)

B-C (difference also indistinguishable because too small to be perceptible.)

However, A-C is distinguishable as the difference in magnitude is now larger, so that the individual will definitely prefer A to C¹. The important point to note is that since indifference in the Armstrong sense is one of approximation, indifference, is therefore, intransitive, whereas the compensated-indifference of Hicks is transitive.

Armstrong's argument is different from Marshall's whose view is that the individual can actually calculate his utility absolutely. In this respect, his theory is a modification of the Marshallian absolutely perceptibility stand. But his assertion of the addibility of utility not only for the individual but also for the whole community is open to dispute which is beyond consideration here.

¹W.E. Armstrong, "The Determinateness of the Utility Function", Economic Journal, Vol.49, 1939, p.453.