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Keep Hedonism Away From Value, A Forgotten Call From an Early Debate.

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Whether it is hedonism or pessimism, utilitarianism or eudaemonism- all these ways of thinking that measure the value of things in accordance with *pleasure* and *pain*, which are mere epiphenomena and wholly secondary, are ways of thinking that stay in the foreground and naïvetés on which everyone conscious of *creative* powers and an artistic conscience will look down not without derision, nor without pity.

Nietzsche, *Beyond Good and Evil*.

If you have your *why?* for life, then you can get along with any *how?* –Man does *not* strive for happiness; only the English do that.

Nietzsche, *Twilight of the Idols*.

I Introduction

Right after the marginalist revolution, utility theory was attacked for its psychological foundations, stemming from the principle of utility at the heart of man's actions. What was at stake was value itself, which two of the three founders of the marginal revolution had described as subjectively determined by a process originating and ending in man's subjective drive for pleasure. While economics was putting emphasis on the role of rational hedonism in choice, contemporaneous psychology was emphasizing the role of instincts and thwarting the drive for pleasure in man's actions. These developments in psychology were used to denounce the flaw of teleological hedonism in the psychological foundations of utility theory.

This hedonic critique launched a conflictive discussion between economics and psychology. Utility theory then embarked on successive drifts, from cardinal to ordinal utility, and from ordinal utility and choice-based behavior to revealed preferences, looking like many unsuccessful attempts to escape its hedonic premise. Unable to do so, economists tried to free themselves from any psychological influences. Nonetheless these velleities of independence from psychology came late and retrospectively appeared passé: with behaviorism, psychology itself had definitely turned its back on introspection and the handling of human nature as a subjective quantity, as old psychology would do. There were early calls to dissipate economist's misunderstanding of psychology, like Tugwell's (1922), which asserted that economist's rejection of psychology was based on a misconception. However, the work of behaviorist psychologists continued to be ignored (Lewin, 1996). Ironically enough it is the decline of behaviorism in psychology, rather than critics from within economics, that prevented the Samuelsonian dream - deriving indifference curves from observed prices by means of revealed preference theory, deprived, unlike Hicks's marginal rate of substitution, of any psychological and introspective implications - from being realized.

Not long after behaviorism's decline, experimental economists and psychologists started to examine individual decision making under uncertainty along the line of Simon's distinction (1955) between substantive rationality and procedural rationality. Later prospects theory put forward by psychologists like Kahneman and Tversky provided an analysis of decision under risk documenting violations of normative choice behavior put forward by expected utility theory. With expected utility theory reintroducing cardinalism through the back door, hedonism was sneaking back in. Its revival is insistent and undeniable with well-being, hedonic psychology (Kahneman, Diener and Schwartz, 1999), and seems to close the debate about the soundness of marginal utility theory that originated more than a century ago. Hedonic psychology indeed undertakes to lay down the theoretical foundations that would solve anomalies in utility theory: preference reversals, sunk-cost effects, regret, pre-commitment and self-control but also the irreducible difference in pleasures of a different nature, up to the often contradictory optimizations of individual satisfaction and welfare of society as a whole.

It is paradoxical that psychology, which once derailed marginal utility theory at its onset, would now rescue economics, which unsuccessfully attempted to declare independence from it. Striking is the fact that salvation of utility theory, if it were so, would come from a revisited hedonic psychology that explicitly draws its premises and language into the work of Bentham. This recurrence of hedonism into the dialogue of the two disciplines undoubtedly shows that it is now part of their common history, not only economics'. For both disciplines however, this common tree of hedonism bears bitter and deceiving fruits, as such a comeback hints. For psychology now invites economics to return to sources that it therefore never should have left; had it not, it would have spared itself more than half a century of errancy in search of the foundations of value. Hence seizing this invitation would also imply that answers once given to the old hedonic critique were not the proper ones. But as this old hedonic critique originating in psychology (and that psychology should revisit) stated, economics has nothing to rediscover in

looking into unfertile Benthamic inspiration. Hedonism dragged down the marginal revolution, and it now drowns hedonic psychology and prior attempts to reform choice theory, as we will show later.

These answers to the hedonic critique were not satisfactory, not because they were breaking with Bentham's hedonic paradigm, but because they could not. When the critique summoned utility theorists to engage in a radical reformation of its psychology, utility theorists retreated from psychology and froze any attempt of psychological legitimization. Utility theorists like Viner (1925) asserted that the core concepts of utility theory - utility, the law of diminishing utility - had been forged by economists. This answer amounted to stating that behavior of the economic agent was obeying psychological laws out of the realms of psychology, and to denying it any influence on value theory. The next logical step and only consistent answer was Samuelson's revealed preference approach. While attempting to eradicate "vestigial traces of the utility concept", it corroborated the gist of the hedonic critique that giving up utility was necessary in order to get rid of hedonism. Thus, the new theory was surreptitiously relying on maximization principles borrowed from ordinal utility.

Rather than being properly countered, the points made by the old hedonic critique were buried, perhaps more efficiently so than psychology, which had moved on to behaviorism, had long left the battlefield. The explicit comeback of hedonism in utility theory calls now for a reexamination of this critique, which forms a precedent to the one that we will address to new hedonic utility theories.

II Hedonism in the Work of the Founders of the Marginalist Revolution

The existence of utility is pre-essential to the existence of exchange value in early neo-classical theory as in classical theory, with the notable exception of Marxian economics¹. However for the founders of the new theory, utility is bestowed with a much larger role. In Jevons's *Principles* (1871), utility and theory of wants figure at the very onset and form the building block of economics: "Utility is plainly the subject matter of economics from beginning to end. It is the alpha and omega of the science, as light is of optics or sounds to acoustics." Utility is clearly given a hedonistic meaning: "Utility denotes no intrinsic quality in the things which we call useful; it merely expresses their relations to the pains and pleasures of mankind." Jevons's "mechanics of utility" draws from Bentham's "felicific calculus" expressed in his *Principles of Morals and Legislation*. It leads him to define what will later be called "the economic formula"(Davenport, 1894), "as to satisfy our wants to the least efforts; to procure the greatest amount of what is desirable at the expense of the least that is undesirable; - in other words, to maximize pleasure is the problem of economics".

¹ Marx's criticism of the principle of utility and of utilitarian teleology encapsulates Veblen's. It appears in a note on Bentham: "...The principle of utility was no discovery made by Bentham. He simply reproduced in his dull way what Helvetius and other Frenchmen had said with wit and ingenuity in the eighteenth century. To know what is useful for a dog, one must investigate the nature of dogs. This nature is not itself deducible from the principle of utility. Applying this to man, he that would judge all human acts, movements, relations, etc. according to the principle of utility would first have to deal with human nature in general, and then with human nature as historically modified in each epoch. Bentham does not trouble himself with this. With the driest naïveté he assumes that the modern petty bourgeois, especially the English petty bourgeois, is the normal man. Whatever is useful to this peculiar kind of normal man, and his world, is useful in and for itself. He applies this yardstick to the past, the present and the future. The Christian religion, for example, is 'useful', 'because it forbids in the name of religion the same faults that the penal code condemns in the name of the law.' Art criticism is 'harmful' because it disturbs worthy people in their enjoyment of Martin Tupper, etc. This is the kind of rubbish with which the brave fellow, with this motto '*nulla dies sine linea*', has piled up mountains of books. If I had the courage of my friend Heinrich Heine, I should call Mr Jeremy a genius in the way of bourgeois stupidity"(Karl Marx, *Capital*, Volume 1, pp.758-59, Marx's italics).

One of Bentham (1843)'s main propositions of his hedonic theory of human nature was that man's actions are governed by a *felicific calculus*, which consists in balancing pain and pleasure. In a manuscript written in 1782², Bentham provides a definition of a unit of intensity: "the degree of intensity possessed by that pleasure which is the faintest of any that can be distinguished to be pleasure, may be represented by unity." He also established a set of propositions on the utility of income, one of which expresses the law of diminishing utility: "the excess in happiness of the richer will not be as great as the excess of his wealth." Diminishing utility is an aspect of the discrete division of pleasure: "the quantity of happiness produced by a particle of wealth (each particle being of the same magnitude) will be less and less at every particle; the second will produce less than the first, the third less than the second and so on." Bentham believed that the marginal utility of money falls very slowly: "for small changes, [utility and income] move proportionately, so we may measure pleasure by the price they command." This property of money makes it the measure of pleasure.

The working out of the felicific calculus struck against two aspects: money as the numéraire of happiness and the inability to deal with one dimension of pleasure, intensity. Stigler (1950) points out that Bentham was aware of the second problem hampering the development of his felicific calculus. But these problems were much more than ongoing technicalities to be subsequently solved by others. As Mill would state it, they simply mirrored the inescapable narrowness of the theory: man searches for happiness, and happiness is money.

In an article marking differences between Ricardian Economics and the new theory of value, Mitchell, who was a proponent of adopting the methods of psychological behaviorism by economics, regretted the exclusive attention given to the hedonic critique by his colleagues. To him, economists reacted as if "[their] only concern with psychology [aid] in the problem of

² Bentham in Halévy. Vol I, Appendix II.

motives. If pleasure and pain are not the motives of valuation, then what are the real motives, if any?" Because this question could not be handled without jeopardizing marginal utility theory, the only way out of it was to reject hedonism and then psychology altogether, and so to leave it unanswered.

III The Attack Against Psychological Hedonism

While economists were increasingly emphasizing the role of conscious rational choices, psychologists and biologists began to attach much greater significance to these unlearned acts and reflexes as keys to psychological explanation and noticed the mechanical and automatic character of habit in all human and animal conduct (Dickinson 1919). This new emphasis on instincts in psychology led to harsh criticism directed at psychological hedonism like in James (1890)'s *Principles of Psychology*, James contended that psychological hedonists "obey a curiously narrow teleological superstition", for they assume that behavior always aims at the *goal* of maximum pleasure and minimum pain. New psychological groups³ emerged, and in their view, man does not have clear-headed control of his actions but seems to have only the controls emergent from psycho-physical mechanisms called instincts, both power plants of action and determiners of its direction. Reason loses the primacy it had under the hedonistic conception: "[R]eflection is a modifier, an adjuster, not an originator of conduct" (Tugwell, 1922). Consumption obeys patterns of habit that may be reformed by reflection. Hence the complexity of the inner forces that drive demand could not be reduced to the hedonistic creed of utility maximization. The overall apparatus of marginal utility analysis of demand was turned upside down.

The revolution at work in psychology and across social sciences first resonated into economics with the "philosophical controversy over fate and free-will". However, its echoes were dampened because economics showed a clear reluctance to address the hedonic critique as

³ These groups included scientists who were first of all physiologists, anthropologists, biologists and social psychologists. Tugwell (1922) stresses their influence.

Davenport (1894) assessed. Hence, Davenport urged economists to take the psychological critique into account and to reconstruct the foundations of the theory of value along the lines of new developments in psychology. Although very few economists were to stand for the old psychology, Davenport's call for reformation of the psychological foundations of theory of value would not reach unanimity. The psychological critique drew a line between two main camps: those like Mitchell, who while admitting the deficiencies of hedonism, showed reluctance in venturing into "the dark subjective realm" of psychology "that a man without a lantern had better leave unexplored" (Mitchell in Tugwell, 1922) the second included "reformers" like Stuart, who criticized marginal utility theory because it presupposes in the mind of the purchaser definite, precise and impossibly minute ends in view from the beginning of the valuation process. At this early time after the critique, building new foundations for the theory of value would stumble over the question of what was to replace hedonism, the removal of which led to the contemplation of the yawning chasm of human nature.

A small group of economists, among which Patten, Veblen, Downey, Mitchell and Tugwell, joined the psychological critique and used it as a foundation for their own branch of economics. For this reason, Lewin (1996) distinguishes two different kinds of critiques to marginal utility theory: a psychological and an institutionalist one. This emphasis on the twofold nature of the critique is driven by Lewin's primary thesis, his interdisciplinary pathology thesis that characterizes economics: economists tend to downplay the relevance (to economics) of the other human sciences and to ignore outside criticism. And when they do, they privilege its coming from psychology. Along with the incontestable presumption that "interdisciplinary research is good for science", Lewin's primary thesis leads him to assert that the turmoil over psychological assumptions of marginal utility theory is only a part of a larger intellectual debate that concerns the relationship between economics and the other human sciences. Thus in order to

avoid the drawbacks of excessive attention to psychology and ignorance of critics coming from other social sciences, any subsequent reevaluation of the psychological underpinnings requires that careful attention be paid to sociological analyses, which are the followers of institutionalist ones.

While stressing the agenda of the “institutionalists”, Lewin overweighs the importance of the remote reasons to join the hedonic critique at the expense of its contents and the subsequent answers that were given to it. Whether or not the critique endorsed by the institutionalists was instrumental for advancing their own views, it was mostly a psychological one. It is therefore in these terms that the hedonic critique ought to be discussed. Likewise, the emphasis put on the uneasiness of economics to deal with outside criticism leads Lewin’s analysis away from the core of the hedonic critique and to erroneous conclusions. In the camp of those who fought the hedonic critique, there were economists who tried to establish the intellectual ownership of economics on the concepts of utility and marginal utility in order to deny any relevance to the psychological critique. This declaration of independence was criticized by a “second institutionalist critique”, which claimed that independence from psychological hedonism did not mean independence from psychology altogether. It recommended the adoption of the methods of behaviorist psychology and its goal of observing empirical regularities in behavior. The first camp unsuccessfully tried to answer the critique with a psychology of its own, the second walked away from it by embracing the then rising trend of behaviorism ignited by psychology. In any event, both never properly answered the hedonic critique. Dazzled by the pathological inability of economics to face outside criticism, Lewin asserts that mainstream behaviorist economics failed because of the contradiction between theoretical practices (the old introspection) and professed methodological views of behaviorists such as Samuelson. This failure is said to be rooted in the fact that “the *methodological* questions surrounding the crisis of hedonism were never really resolved properly”, with the undesirable consequence of the permanence of the

coexistence of psychological and antipsychological ideas in economics, the quandary that Lewin calls Sen's paradox.

A reexamination of the hedonic critique unequivocally shows that the most important question concerning marginal utility theory bears on teleological hedonism at the core of subjective valuation. This question foreshadowed the critique that Sen would address in a 1973 article to the revealed preference approach: an analysis of choice cannot do without psychological assumptions. From Sen's analysis follows the conclusion that the behaviorist methodological posture of professing to do without a psychology hides implicit psychological assumptions tainted with hedonism. Behaviorist economics tried to finish the job that marginal utility theory started to no avail, and also failed. Hence these common efforts that unite foes and proponents of independence from psychology supercede their diverging positions. If there is such a thing as a quandary in economics, this is the inability to answer properly the hedonic critique.

This historical quandary starts with the illusory endeavor to build a de-psychologized theory of value in an attempt to solve the crisis of hedonism. It amounted to a repudiation of the old Benthamite calculus of pleasure and pain and translated mostly into semantic changes deprived of substance.

IV Indissoluble Hedonism

The way out of teleological hedonism was sought in asserting the diversity of motives in man's actions. If the search of pleasure is only one among a variety of reasons to act, marginal utility theory could be cleansed of the accusation of teleological hedonism. In *Principles of Commodity Value*, Boehm Bawerk (1884) defined the concept of neutral utility, purging utility from egotistical, altruistic, ethical and non-ethical motives. Whatever their nature might be, consumer's motives could thus be subsumed under a catchall concept deprived of any specific content: consumers strive for goods because they are useful, whatever that may mean. Because it

seemed to render useless further investigations into philosophy and psychology, the neutral utility concept was favored by a majority of economists after Boehm.

The neutral utility concept clearly resonates in Davenport (1894). Although he urges economists not to turn down any philosophical and psychological inquiries, he quickly falls back to a revised version of the old hedonic calculus. The argument goes as follows: volitions, however complex and conflictive they might be, are reflected into choices, which are nothing but the expression of preferences under the principle of the *line of least resistance*. Then comes the rationality principle that rules behavior: men occasionally work for the pleasure of working, but they more commonly work to avoid the problems of unsatisfied wants. Therefore, the problem of economics is the minimizing of pain rather than the maximizing of pleasure, which was a restatement of Jevons's famous assertion. To add to its legitimacy, "the underlying law of economics" is found "to be identical with the primary law of metaphysics, physics, and sociology, viz., that force follows the line of least resistance".

Despite the substitution of wants for pleasure and stated undetermined motives, the revised version of the psychological foundations of utility theory remained mingled with hedonism and irremediably teleological, since the rationality principle was aiming at a definite end. The same conclusion applies for other semantic substitutions of the sort, such as Marshall and Fisher's. These two authors define utility in reference to desire instead of pleasure,⁴ making each substitutable for the other and depriving desire of any sense. Pigou (1903) endorsed the new definition of utility and worked on the technicalities implied by this change. His utility function varies with the quantity of things over which the individual has command because variations in wealth will change the *actual intensity of desire* for any commodity. With a sudden change in

⁴ In his third (1895) and fifth (1907) edition of his *Principles*, Marshall changed utility "or pleasure" to utility or "benefit", and defined consumer's rent as "surplus satisfaction" instead of "surplus pleasure"(Mitchell, 1916). The definition of utility in reference to desire appears in

wealth, the yardstick commodity will have fewer ‘utils’ for a given individual. All that boils down to a “revised” felicific calculus akin to Bentham’s that contradicts the intention of the model to depart from teleological hedonism. For what obscure reasons would the individual ultimately pile up “neutral utils” if he were not striving for pleasure? While more technically worked out than Bentham’s, Pigou’s model was not different in essence except for the substitution of the term desire for that of pleasure.

Further semantic artifices were to follow like in Davenport (1904). The difference is that now this lexical mending does not pretend to reform the psychological assumptions of utility theory. These proposed changes are thought as transitory. Their sole purpose is not to hold the field against some better psychological formulation of economic assumptions to come. They also marked an opportunistic willingness to divorce from Austrians, Menger’s followers, whose terminology was still embedded in teleological hedonism. The divorce, however, is purely semantic. Once this concession is made to the hedonic critique, the marginal utility apparatus of subjective valuation is back in business. To dissipate the asserted confusion of Austrian terminology Davenport distinguishes between utility, marginal utility and marginal relative utility. Of these three only the last has any share in the term *value*. Contrary to Pigou, he first denies that there can be a term within a series capable of serving as the utility-measure of any other. Second, marginal utility expresses the utility that is lost but is in no way tantamount to value, contrary to what the Austrians assert. When the loss of marginal utility is expressed in terms of something else - when marginal utility becomes relative marginal utility - that subjective valuation is carried over onto the field of value. *Market value* is the objective resultant - the equilibrium point - of all the different subjective values implicated in the market. Turning to the supply schedule considered as a demand schedule, Davenport underscores the futility of the

Fisher’s “Mathematical Investigations in the theory of value and prices” (1892, *Transactions of the Connecticut Academy of Arts and Sciences*).

contest between the utility and the cost schools. Cost being itself a comparison of utilities, value should be affiliated upon cost rather than upon utility: “that is the super-position of cost upon utility which gives value; that is to say, value is rather the measure of the cost of utility than the measure of utility”. Sacrifice, or rather marginal sacrifice, should thus be placed at the heart of value.

Although conceived as tentative by his author, his proposed synthesis opened a breach from which to escape the accusation of hedonism. The light was seen in emphasizing an objective component, market value, which added to subjective valuation, makes value. This answer was Walrasian in essence. Instead of being diluted into a myriad of motives, hedonism is now relegated behind the working of the market. Naturally the next step was to relegate subjectivity altogether. While Davenport was waiting for impulses coming from psychology to reform the theory of value, others after him forsook such hope. While denouncing “the pernicious concept of utility dragged into economics by Jevons and the Austrians”, Knight (1917) asserts that utility, as an ethical category can have no place in a descriptive science. For Knight, utility should thus only be used as relative utility per unit; so defined it is merely synonymous with demand-at-a-price. The problem with Knight’s analysis of value is that the purge is not carried to its end. Relative utility per unit evaluated at a price remains relative utility and hence involves subjective valuation. If the utility notion adds nothing to that of value and should be abandoned, and with it such concepts as total utility and consumer surplus, one wonders why economics should also be purged of ethical notions like “relative utility”. This is the point that the second critique would make.

V. Methodological Escapes to a Theoretical Critique

Supporters of a de-psychologized utility concept, including Austrian economists, were also heading towards formalistic descriptions of choice, whose evidence would surge from the data. These descriptions, which eventually led to the behavioral axiom that the consumer acts

rationally according to preferences, were conceived as methodological developments consistent with the proposition that man has wants, desires, needs; the pleasure derived (or not) from their realization is one among many ends. The problem was that the data alone could not provide any information about choice unless assumptions are made about preferences that guide them. Without these assumptions, the theory is hanging in the air, which is the point made by Sweezy (1933).

In order to explain choice, the founders of the marginal revolution were relying on naïve introspective psychology; namely asking, “What would I, a rational individual, choose among a given set of alternatives?” Their immediate followers, von Wieser and Boehm-Bawerk, adopted a formalistic description of consumer choice, asserting that the choice of the economic subject is a “correct” one. Since correctness from a strictly economic point of view could not be defined otherwise than by saying that the economic subject keeps an eye on marginal utility, it was not of much help: “marginal utility [was still] to be determined with a reference to marginal utility”.⁵

Further attempts to divorce utility theory from psychology by giving the utility concept a purely formal meaning, like Fisher, Pareto and de Mises’s contribution, are liable to the same critique. Sweezy (1933) highlighted the logical inconsistency of the de-psychologised attempts to reform utility theory, which spared the old hedonic theory. In the latter, the philosophical proposition that man is seeking pleasure is tantamount to the conception that rationality is maximization of pleasure. Indeed, if action aims at pleasure, choice has to be in favor of the most pleasurable alternative. Preferences are superfluous because redundant with choice, thanks to the operation of hedonic introspection. Under the pressure of the hedonic critique, marginal utility economists tried to define preferences behaviorally, as the simple reflection of choices; but

⁵ My brackets. Sweezy, 1933 p.178, note 2, states: “In other words, Wieser defines marginal utility as the utility yielded by a good after it has found its place in the completed consumption plan, while at the same time assigning it the guiding role in the determination of how that plan shall be constituted.”

without information about what guides preferences, saying that man acts as he wishes means that man acts as he acts, a statement with little prospects for science. Marginal utility theorists until ordinal utility theory tried to have it both ways, but failed both ways. On the theoretical front, eradication of hedonism commanded to make pleasure one of many of man's motives; yet on the methodological front, these motives translated into choices were undecipherable unless one were to pull out of the back door hedonic introspection. This failure took a methodological side but it was not methodological. It laid in the irreducible hedonism of marginal utility theory.

The solution was thought to be within reach in a subterfuge, the revealed preference approach. Instead of hedonic introspection inherent to utility theory, hedonic rationality embedded in the axioms of preferences now described how preferences work. They translate into choices, are consistent and more is always preferred to less. This description reveals in fact what preferences aim at: utility maximization. We obtain utility theory utility enshrined in seemingly general, commonsensical principles of rationality substituting for blatantly hedonic introspection. The curtain could now be lifted on preferences revealed by the data, without traitorous risk of circularity, since the observer is just given the principles of the plot and not the plot itself as before. In a critique that echoes Sweezy's, Sen (1973) accurately points out that the fact that action is undertaken does not necessarily imply that it is preferred to another; the assumption that the consumer has no clue about what to choose is precluded. Sen's point is forcefully carried away with the classical story of the Buridan's ass:

This ass, as we well know, could not make up his mind between two haystacks; it liked both very much but could not decide which one was better. Being unable to choose, this dithering animal died ultimately of starvation...Not choosing is also a choice, and in this case this really meant the choice of starvation...The traditional interpretation of the story is that the ass was indifferent between the two haystacks. That indifference may be a cause for dithering has often been stated. For example, Ian Little prefaced his closely reasoned attack on the concept of indifference by posing the rather thoughtful question: "How long must a person dither before he is pronounced indifferent?" But in fact, there is hardly any real cause for dithering if one is really indifferent, since the loss from choosing one alternative rather than the other is exactly zero. The person can

choose either alternative and regret nothing in either case. This, however, is not the case if the preference relation is unconnected over this pair, i.e. if the chooser can neither say that he prefers x to y , nor y to x , nor that he is indifferent between the two (Sen, 1973, p.248, my brackets).

The conclusion of this discussion is that without a “connected preference pattern”, observation is at pain to distinguish incompleteness from indifference. Surely if the consumer preferences are incomplete, it might mean that she does not compare alternatives or even that she chooses haphazardly, without any consideration for pleasure, utility or the like. All that revealed preferences had achieved was to hide hedonic psychology and its unique reason for action (the search for pleasure) into the working of one and still irremediably hedonic unique rational. The hedonic critique was as relevant then as at its onset.

VI Further Developments of the Psychological Critique

The postulate of man’s search for pleasure as the source of subjective valuation posed a serious epistemological problem. If there is one reason in man’s action, science has not much to do but note its effects in various areas of men’s endeavors. With marginal utility theory’s hedonic creed, economics reverts to dogma and drifts away from science (Veblen 1909). In his discussion of the “hedonistic taxonomy” of the classical school, its universal and teleological character, Veblen accused marginal utility theory for being a key that opens too many doors. It pretends to explain anything, anywhere, anytime, and thus explains nothing:

They [the categories of land...etc] nowhere overlap, and at the same time between them they cover all the facts with which this economic taxonomy is concerned...They are hedonistically “natural” categories of such taxonomic force that their elemental lines of cleavage run through the facts of any given economic situation, regardless of use and wont, even where the situation does not permit these lines of cleavage to be seen by men and recognized by use and wont; so that, *e.g.*, a gang of Aleutian Islanders slushing about in the wrack and surf with rakes and magical incantations for the capture of shell-fish are held, in point of taxonomic reality, to be engaged on a feat of hedonistic equilibration in rent, wages and interest. And that all there is to it. Indeed, for economic theory of this kind, that is all there is to any economic situation. The hedonistic magnitudes vary from one situation to another, but, except for variations in the arithmetical

details of the hedonistic balance, all situations are, in point of economic theory, substantially alike (Veblen, 1908, pp.159-160, my brackets).

With ahistoric and teleological hedonism rooted in the foundations of subjective valuation, marginal utility is ruled out as a candidate to explain history and economic institutions. Dickinson (1919), who denied that marginal utility theory ever had such ambition, refuted Veblen's charge. Utility theorists plead not guilty of assuming a kind of rationality "which is a complete knowledge of all facts of the universe"; it is not dependent on any particular degree of rationality in the choices, nor on any special wisdom in the desires; and as to rationality, economists know that people are capable of following cause and effect in business far enough to get the most pay out of a sell. This answer could perhaps do if not for the prevalent reference to the "natural" system of free competition, or "the system of natural liberty". All the latter amounted to saying is that regardless of historical conditions unleashed pursuit of pleasure is man's fate (Veblen, 1908)

Marshall's response to Veblen's critique is of the same hedonic kind than the previous argument of the so-called "system of natural liberty". Institutions prevail because they are efficient. Like any other of man's endeavors, their purpose is to be efficient, that is to bring the most possible pleasure to mankind. This is why we can ignore institutions in the long run. The reason of history is efficiency. Meanwhile the long run is nowhere to be found and efficiency in history can be interpreted in surprising ways, like in Langworthy Taylor's discussion (1895) of the evolution of the idea of value. Ideas are here some hedonic Darwinian entities working their way through history. The idea of value has evolved in such a manner to find the best fit with history, but in what follows, one loses the sense of what is idea and of what is history:

At the discovery of America, [the idea of value] was chiefly associated with military predominance in inquiries as to the true source of the greatness of the state. With the advance to the mercantile phase of national activities, the military idea still surviving but gradually waning, attention was turned more towards material wealth. Speculation on this point made countless experiments, the most

nearly successful of which was that of the Physiocrats, and finally reached equilibrium in the exchange-value of Adam Smith and Ricardo. But the scene has again shifted. Exchange value is shorn of much of its former importance. It still has, indeed, its part to play as the weapon against exaggerated state-interference...But new circumstances are calling for new ideas. Formerly the inquiry was about the wealth of nations; now it is about the wealth of individuals. Free trade was to enrich nations; free choice is the inalienable quality of individuals, and upon free choice is founded a theory of value which shall refute the parasitic socialist theory (which was founded upon the doctrine of free exchange of equal amounts of labor, and was hurling the economic scene into chaos), and shall again render a rational account of the prevailing regime (ibid., p.417-418, my brackets).

Obviously the occurrence of free choice, inalienable as well as “natural” quality of individuals, had to be contented by “the idea of slavery”. This does not bother Langworthy Taylor at all. Again efficiency surging from circumstances of the time called for its abolition in a hedonic feat:

That some such results must be reached both history and the doctrine of the evolution inculcates. In days of slavery absolute ownership of the slave and of his product was justifiable. Man was not free physically because he was not free mentally and morally. Greater inventiveness, wealth, and freedom went hand in hand; the master, now become creditor, was compelled to diminish his claim on the slave, now become debtor, just in proportion as invention had, by increasing the general wealth, decreased the strenuousness of life. We thus see the question of deferred payments where it belongs today as the central point of economic doctrine (ibid., p.425).

We have here rational hedonic masters, whose wealth rested on the ownership of their slaves, taking advantage of the new opportunities of the times and voluntarily renouncing their previous claims to the slaves. The latter now “free mentally and morally” thanks to some mysterious psychological evolution, assert their new physical freedom in joining the labor market to alleviate the strenuousness of their life. Langworthy Taylor’s narrative of how the idea of value evolved is one of the best examples of a masquerade of a ‘historical reconstruction’. Nonetheless one still finds the same argument of efficiency applied to the decline of racial and gender discrimination in the labor market in subsequent literature.

The thrust of Veblen's argument is psychological: the inability of marginal utility to deal with institutions lies in the hedonic continuum running from individual psychology to welfare and institutions. This is Bentham's thesis of natural identity of interests: man's egoistic search for his individual pleasure is good for mankind, because each man's egoism mechanically agrees with the others. Institutions are just the ahistorical locus of the adjustment of self-interests. Veblen's point is that the treatment of institutions and growth was wrong in marginal utility theory, because the psychological foundations of value were unsound.

VI Why Pleasure and Pain Are not Motives for Action

Some economists had criticized revised hedonism for its failure to define the role of pleasure in man's action. Stuart (1895) tried to fill this gap by saying that pleasure proceeds from the anticipated satisfaction of a want, whose origin is not of interest to the economist; in any case it is never an implicit and abstract end of action. Furthermore Stuart put economic actions and thus consumer choice out of the reach of instincts: such action is always voluntary and directed towards objects the individual identifies with his welfare. Subjective valuation was then to be understood as valuation of goods as identified with one's own well-being. Conscious wants are directed towards objects and that is all there is to it.

If hedonism had not been taken out of the picture, at least teleological hedonism seemed to be. Man was said not to seek pleasure, but satisfaction derived from the possession of objects. Dickinson (1919)'s formula showed how fragile the distinction between teleological hedonism and the "hedonic" search for well-being proved to be. By saying that "all the economists ever needed to say is that most men try to get the largest possible amount of wealth for the least cost", Dickinson explicitly brings back pleasure as the goal of man's action through optimization. For in the search for the largest amount of wealth at the least cost, the aim is not the objects that wealth is supposed to secure, but wealth. In fact the search for the largest amount of wealth for the sake of satisfying desire for objects implies that desire is insatiable; hence desire bears no

relation with the acquisition of objects it is supposed to seek. For sure it is also not wealth per se, as it is for the tragic figure of the old screw, for whom money has a purpose in itself, or who happens to fall in love with his coffer.⁶ It is therefore good old utility or pleasure of any kind, whose attainment occurs through the possession of objects.

While utility theory was at pain to eradicate hedonism from its psychological foundations, psychology had refined its critique against hedonism. In Fite's analysis (1904), pleasure and pain are ruled out as candidates for motives in man's actions. Like James, Fite conceives of all activity as originally impulsive; every instinct sets out to deal with an object. As impulsive, this dealing with objects does not give rise to any feeling, the arousal of which is tied to consciousness bearing with the conflict of competing instincts. In Fite's view, which makes all activities impulsive and conceives of mind as a system of activities, pleasure and pain have no motive power. They are not an active force or motion but mere phenomena tied to conflicts:

In the more common view, conflict belongs only to pain, pleasure presupposing its absence. The point to be urged is that, if you take the functional view, struggle and conflicts must be regarded as essential to both pain and pleasure; for with regard to the pleasures and pain of activity, you find that without conflict, there is no feeling whatever...Not only is conflict a condition of consciousness, but it is especially a condition of pleasure-pain...With this point granted, the distinction between pleasure and pain becomes relatively obvious; pleasure is succeeding, pain is failing in the process of resolving a conflict... Pain is not success, pain is not failure. In other words, neither is a substantive mental state, but only a transient phase in the process. When we have brought the process to an end in a definite success or failure, the whole matter is dismissed from the mind and there is no more feeling of either kind (Fite, 1903, pp.637-638).

Both pleasure and pain are attached to conflict; both feelings are as transient as conflict itself and vanish once it is resolved. These feelings pertain to the process of getting rather than to the object. They are both more intensely felt inasmuch as that securing the object desired meets obstacles. Conclusions of most importance for any psychology of valuation follow, such as "it is

⁶ Like Harpagon in "L'Avare", Molière.

not the possession of wealth that confers happiness but the getting possession of it after a period of poverty, and not health that we really enjoy, but convalescence;” Not only is pleasure ruled out as a motive or something to be desired; as such, it contradicts the desire for an object. The relationship between the desire for pleasure and the desire for an object is indeed antithetical: “the desire for pleasure, if conceivable at all, would be irreconcilable with the desire for the object; for since pleasure exists only while success is deferred, pleasure as such could be prolonged only by sacrificing the object originally sought.” In assessing the incompatibility between the desire for an object and the mythical desire for pleasure, Fite was drawing a clear conceptual line between desire and pleasure. By the same stroke, he was dissipating one major confusion that marginal utility theory had brought about in defense of its psychological foundations: desire is pleasure sought and pleasure desire realized. In Fite’s view, desire and pleasure are not interchangeable. Moreover, since desire for the object is also not desire for the satisfaction brought by the acquisition of the object, hedonism is ousted wherefrom marginal utility theory was last hiding it; the subterfuge of a less teleological hedonism also appeared for what it was worth.

VII. Marginal Utility Theory Facing the Prospect of Falling with Hedonism

Because utility theory was irremediably hedonic, Downey (1910) asserted its futility for the purpose of explaining market value as the resultant of individual subjective valuations expressed in market bids and offers. His attack first condemns the lure to escape hedonic implications by a change of phraseology without substantial change of contents. Brought to bay, marginal utility theory had conceded that the consumer was looking for objects and not pleasure. Drawing on Fite’s, Downey points out that to modern psychology, men do not strive after happiness or satisfaction or any other all-inclusive object of desire, but after definite, concrete, realizable objects (a college degree, a political office, a million dollars, the control of a railway).

It is thus these concrete objects and not the remote reasons to desire them, which are the effective motives of action and which, consequently, are to be appealed to for the explanation of acts so motivated (Downey, 1910, p.257).

A summon to completely eradicate hedonism followed, which was in reality a call for surrender. If economics is concerned with the facts of choice between goods or between alternative activities and not with the basis of choice, why not then not throwing out of the economic discussion all talk of “gratification”, “psychic gratification” or the “balancing of utilities”, and why, if choices are really made between goods and not between utilities represented by the goods, talk of utility at all?

For Downey this question is merely rhetorical since the term utility is only intelligible if given a hedonic content. Old hedonism did not consider the comparison of utilities of various goods at different times as insuperable. For such a purpose however, finding some common denominator of utility -some Edgeworthian *atom of pleasure*- was required. To avoid this explicit reference to hedonism, marginal utility theory opted for a more sophisticated formulation of utility in terms of “subjective significance”. The market price of a good is what it is because to the marginal purchaser, the “subjective significance” of this good is greater than “the subjective significance” of its price plus one cent worth of another good. If then all hedonistic implications be disavowed, what is the significance of saying than the ‘utility’ of a pound of pork chops is only just greater than the ‘utility’ of eighteen cents of something else, asked Downey? The answer is that at the moment of the purchase, pork is bought because it is preferred to what it is compared to, perhaps nothing. Marginal purchasers might well buy more the lower the price, less or not at all if they sense they cannot afford it; but however deliberate they are when buying, the precise quantity they will take will not involve balancing the utility of one good with the other. Marginal utility economics thus becomes psychologically inconsequential when deprived of hedonism:

If the theory be deprived of its hedonistic content, it is reduced to the unobjectionable statements: (1) that men will not buy a thing unless they want it; (2) that a commodity cannot be sold for more than somebody is willing to pay for it; (3) that in a perfect market no one will pay more for a given commodity than anyone else. Surely it needed no bulky volumes and a profusion of obscure terminology to tell us this (Ibid., p.262).

Now for the positive value of the theory: Downey's charge turned to the concept of margin as irrelevant for price determination. In final analysis, the price is what it is because some portion of the supply would remain unsold at a higher price. In a perfect market where the same goods are sold at the same prices, "marginal price-offer" and "marginal refusal price" coincide with each other and with the market price, but the "marginal" bid and offer count only for very little in the adjustments of the market price. There is no way to ascertain the position of the "margin" until the "going price" has been established because the "margin" is a purely a posterior fact. Hence to say that a price fell because "the marginal price-offer" declined is to say that the price fell because it fell. Thus overemphasis on the movements of price at the margin was leading the analysis of price determination into limbo. Marginal utility theory was denied any practical usefulness in addition to any psychological relevancy.

VII About Declarations of Independence

With these last developments of the psychological critique, any attempt to compromise further with psychology was unsustainable, as proved by this short-lived try of Dickinson, which was the last of the kind. Marginal utility theory was cornered into one unique option: renouncing its hedonic foundations, which merely implied renouncing it *tout court*. Its only way out was out of psychology, namely to leave the battlefield. To finally escape the psychological critique, economics needed to claim ownership on its disavowed theory of subjective valuation, which amounted to asserting the right to have a psychology on its own. Hence declarations of independence neither proceeded from some kind of excessive sensitivity from economics to a critique coming from psychology, nor out of its peculiar reluctance for interdisciplinary

exchanges; it was a matter of shielding a moribund theory whose credentials had been unequivocally rejected and that could not confront further scrutiny.

Flaws of marginal utility theory's psychology of subjective valuation eventually came to be acknowledged: as Viner (1925) stated, "modern psychology is clearly on the side of the critics of value theory". Yet, as filing for bankruptcy is to protect from creditors' claims, this concession was to better deny the hedonic critique any call for subjective valuation's compliance with psychology. After conceding this point to the critics, Viner indeed challenged their claim that utility economics was to stand or fall with its psychology. The cornerstone of Viner's answer lies in the empirical validity of the law of diminishing utility - Gossen's first law. Sound or not, this law has not been borrowed from psychology; it is a product of economists' observation.

Once shown that value theory does not owe anything to psychology, it stands on its own feet and it is not liable to the psychological critique. Value theory can safely get back to conventional "neo"- or revised hedonism and its deceits, like equating desire and pleasure. Viner thus moves on to demonstrate that the substitution of the law of diminishing desire for the law of diminishing utility is sufficient to provide the immediate psychological background necessary for the derivation of the negatively inclined pecuniary demand schedule, provided that one takes care of a few exceptions to the so-called law of diminishing desire like commodities whose prestige value is derived from their expansiveness.

As to the accusation of circularity stemming in the impossible discovery of the margin as translation of wants into prices in the data, introspective evidence of the law of diminishing desire would suffice to put it on hold for a while, until times come to refute it with the discovery of the missing unit of desire. Viner establishes an epistemological parallel between economics and physics: current knowledge of desire is closely comparable to physics with respect to heat prior to the discovery of the thermometer, and the lack of means of measurement of heat did not put it out of the realm of scientific discussion; it should be so for desire and its implications on value. As

proponents of ordinal utility showed, the analogy between the gradations of the scales of utility and those of temperature was erroneous.⁷ Besides, breakthroughs in the knowledge of desire out of the realm of psychology would not be forthcoming. On the contrary, insights could not but be sought into the same hedonic source, Bentham. Drawing from the commonalities between Bentham and Mill and between hedonism and utilitarianism, Viner (1949) concludes that the former's famous dictum 'quantum of pleasure being equal, pushpin is as good as poetry' would meet the proper requirements of the utilitarian principle if restated as follows: "Desire being equal at the margin of choice, a marginal unit of pushpin is as good as a marginal unit of poetry." In this reformulation of Bentham's dictum, the contradictory contention to substitute disavowed hedonic utility for sound and purely economic marginal desire is apparent. In fact, the psychological foundations of valuation had not moved a bit. Desire still runs behind the utility of the object and therefore not for the object itself, and intensity of desire depends upon utility and not upon the subjective distance from the acquisition of the object, as the psychology inspiring the hedonic critique had pointed out. Free inconsequential psychology was the price of independence.

Ordinal preferences did not do much to shake the hedonic stalemate. Unlike Viner, Pareto and subsequent proponents of ordinalism had given up on measuring utility as a precise psychological quantity. Pareto had realized that any monotone transformation of a utility function predicts choice as well; in other words, it was impossible to determine by how much an individual preferred one good to another. Only the order by which goods are ranked is determined uniquely. However, the mathematical dead-end condemning cardinalism was seen as the way out of hedonism, because the theory would only rest on choice-based behavior. This

⁷ "The gradation of the scale of temperature is by no means chosen according to the contrasts between different degrees of heat which an observer perceives but it is based on quite different physical points of view. Any attempt to make the scale of temperature dependent on the sense of

contention does not resist examination. Hedonism surfaces again in the debate over satiation tied to the state of indifference reached by the consumer when she expresses her ordinal preferences in the market. Satiation, whose basic meaning implies surfeit and glut, is again a secondary and unsought effect of consumption, not its end, even in orgiastic consumption, which inevitably pushes pleasure to the limits.⁸ With value described as the result of satiation, the option to indulge in more apples and to eat fewer pears while increasing utility was denied to the consumer. Hence theory was trapped in the intrinsically hedonic dilemma that more is not necessarily the maximum as far as pleasure is concerned. Hicks and Allen (1934)'s attempt to rescue the consumer with the law of Diminishing Marginal Valuation" was short-lived. Discussion of utility and marginal utility was gone, but not hedonism, which was the only explanation for the behavior of the consumer searching along the highest indifference curve the tangential point with her budget line. Yet for Samuelson (1938), the story of the increased marginal rate of substitution still referred to ordinal utility and it was not believable as an entity independent of any psychological implications. The definite answer to the hedonic critique was seen in the complete repudiation of utility theory, which the revealed preference approach claimed to achieve.

IX Conclusion

Whether in attempting to reform the foundations of psychological valuation with a sounder psychology or in doing so from outside psychology, utility theory never answered the main point of the hedonic critique, that choice in any economic endeavor is not guided by the search for pleasure or its redundant synonym, utility. The confounding part of this answer to the hedonic critique is that it is also the history of marginal utility theory after the marginal revolution. The leaps from the psychology of the founders to revised hedonism, from cardinalism

contrast of different observers would introduce an element of insecurity into physics which could not be tolerated" (Bernardelli, 1938, p.197).

⁸ Even the orgiastic Dionysian cult aimed at neither satiation nor pleasure (Nietzsche, *Twilight of Idols*, pp.78-81).

to ordinalism and from ordinal preferences to the revealed preference approach can be traced to the hedonic critique and its hunt from remnant hedonism. The history of marginal utility theory is the history of its unsuccessful trials to purge value from hedonism. Pointing out, as Lewin (1996) does, that during the course of this history, economics' dealing with psychology was pathological is at worst misleading and at best superfluous. The historical problem of marginal utility was psychology, as the hedonic critique stressed. Declarations of independence, which amounted to leaving a sinking ship, acknowledged it.

The most achieved, yet still unsatisfactory answer to the hedonic critique is Samuelson's revealed preference approach. In all logical consistency, it called for the banishment of utility and marginal utility. As Sen showed, while contending to do without psychology, the revealed preference had one that was questionable. The failure of psychological behaviorism pulled the revealed preference approach down. This does not make the last "best" option - ordinalism - the winner, the "indestructible theory" that Lewin claimed it to be. For if ordinalism was mathematically sounder than cardinalism, it was still not legitimate on psychological grounds. Although pleasures or desires, which marginal utility confuses, do not have a cardinal expression but an ordinal one, teleological hedonism keeps inspiring the balancing of utility at the margin to the shilling worth.

If the hedonic critique is clearly the winner of the debate, its force is also undoubtedly its fragility. Psychology's assessment of the transient nature of pleasure and pain and the intrinsic difference between desire and pleasure echoed a long accepted position in philosophy, which Bentham notably rejected and Nietzsche reasserted. Yet while describing behavior as led by object driven instincts, the hedonic critique was missing a complete theory of desire, which now exists (Girard, 1961, 1978). Hence however valid its points might be, ignoring the critique was certainly a temptation that would eventually gain inertia over time: for instance, Mitchell's reluctance "to venture into the dark realm of psychology" while acknowledging its points

announced subsequent refusals to even engage in the debate over psychological assumptions, because this debate lacks positivity. The now old fallacious argument that economics does not need metaphysics or a theory of life was to get momentum. Economics could then pretend to deal only with choice and behavior while relying in fact on a hedonic theory of life, Bentham's.

The outcome of the debate is a Pyrrhic victory for marginal utility theory, or rather for hedonism. The theory of ordinal preferences tends to shrink in textbooks' section on consumer choice, when it has not disappeared at all. Moreover, its conception as a break from cardinalism is never explicit and voluntarily so in textbook presentations. The reason for such omission might not but owe to the fact that game theory, which succeeded the revealed preference approach, quietly renewed with cardinalism which ordinalism buoyantly forsook. Hidden hedonism pervades game theory with expected utility maximization that sustains the principle of instrumental rational choice. The latter invalidates the claim of neutrality of ends: as Elster (1989) put it, the end is reward, the new name for utility. In his vindication of methodological individualism, Elster thought to turn the page of "Marxist teleology". He was in fact bartering Marxist for hedonic teleology.

To the extent that game theory accepts that there is no unique solution to the bargaining problem, instrumental rationality and hence teleology are not absolutely inevitable. As Shaun, Heargraves and Varoufakis (1995) asserts, if rational agents always reached the Nash agreement, then why do we need to worry about what justice demands when agents contract with each other over their basic institutions? Granted that society is not the outcome of a living room negotiation, one can ask the question of what kind of "axioms" would have generated the social outcomes in a given society, or seek evidence of behavioral primitives which instrumentality does not supercede.

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