

BEAUTY AND THE BEAST

ONCE upon a time there was a great and successful merchant who lived in the prosperous commercial state of Urbania. He filled with success the role of trader and organizer of production, for he invariably dealt thoughtfully with the difficult and vital problems of his business, studying the broader movements of the markets, the yet undeveloped results of current events at home and abroad, and contriving to improve the organization of the internal and external relations of his business. By his bold and tireless enterprise, he had reaped a rich harvest of that material reward which is the steadiest motive to ordinary business work. Yet in the accumulation of his wealth he was, like many traders, often stimulated more by the hope of victory over his rivals than by the desire to add something to his fortune; moreover, like everyone who is worth anything, he carried his higher nature with him into business, and there, as elsewhere, he was influenced by his personal affections, by his conceptions of duty, and his reverence for high ideals.

The business to which he had devoted so much toil, energy and foresight, was located in the capital of Urbania, but the growth of facilities for living far from the centres of industry and commerce had enabled him to take up his residence in a suburb, where an excellent system of drainage, water supply and lighting, together with good schools, and opportunities for open-air play, afforded conditions at least as conducive to vigour as are to be found in the country.

These considerations had been of particular importance to him, as he was the parent of a family of three daughters. This number may appear unduly small, but although in early days he had often reflected that members of a large family are more genial and bright, and often more vigorous in every way than members of a small family, it was yet true that the additional benefit which

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a person derives from a given stock of a thing diminishes with every increase in the stock which he already has. That is to say, that the marginal utility decreases, and the merchant had observed that the marginal utility of daughters decreases with surprising rapidity.

To the education of these three daughters he had always devoted the utmost personal attention, for whereas he himself was brought up by parents of strong, earnest character, and was educated by their personal influence and by struggle with difficulties, he was anxious lest his children, who were born after he became rich, might be left too much to the care of domestic servants, who were unlikely to be of the same strong fibre as the parents by whose influence he was educated; for he was conscious that though there are many fine natures among domestic servants, those who live in very rich houses are apt to get self-indulgent habits, to over-estimate the importance of wealth and generally put the lower aims of life above the higher. The company in which the children of some of our best houses spend much of their time is less ennobling than that of the average cottage, yet in these very houses no servant who is not specially qualified is allowed to take charge of a young retriever or a young horse.

In the determination that his household should not be such as this, he had been careful so to regulate his business that he was able to spend his leisure hours amongst his family, and by example and precept to build up a strong and righteous character in his children.

A time came, however, when his daughters were approaching maturity, and it became apparent to him that an opportunity offered for pushing his trade into new and more profitable channels; for, taking account of his own means, he had already pushed the investment of capital in the home trade until what appeared to his judgment to be the outer limit or margin of profitableness had been reached, that is, the gains resulting from any further investment in that particular direction would not compensate him for his outlay.

In other words, the principle of substitution prompted him to invest capital and personal effort in pushing the sale of his goods into a field where the reward seemed to him greater than that which he would receive by any enlargement of the particular branch of trade in which he was at that moment engaged.

He therefore called his daughters together, and communicating to them his intentions, he addressed them as follows. 'My children, as a merchant I have pursued my own interests, but I have generally benefited my country; my personal connections, as well as my patriotism, have hitherto inclined me to give a preference to home goods, other things being nearly equal. A promising opportunity has now presented itself, and I propose to go myself to Baghdad, there to superintend the expansion of my business.

'In view of this new venture, I would have you remember that business men in the past who have pioneered new paths have often conferred on society benefits out of all proportion to their own gains, even though they have died millionaires. A close and careful watching of the advantages and disadvantages of different courses of conduct has led me to anticipate considerable profit from the adventure upon which I am now embarked, but as it has never been my custom to allow the exigencies of commerce to override the dictates of my higher nature, I intend to purchase for each of you a gift, and this I am the more willing to do when I reflect that the sacrifice will be relatively small owing to the decrease in the marginal utility of money which will attend upon the increase in my income.

'I will therefore ask you to inform me after due reflection the nature of the presents which you desire'.

He then departed to make preparations for his journey, and his daughters were left to the discussion of their momentous choice.

The decision of the first daughter was influenced by the knowledge that total satisfaction is maximized when marginal utilities are equal, and her choice fell upon jewellery, for she was animated by that desire for display which is enhanced among the upper classes by custom and emulation, and though jewellery may be considered a luxury, the demand for it among such persons tends to be strong.

But the second daughter, casting an eye upon her existing stock of possessions, concluded that a more urgent need in her case was for clothing, and that the marginal utility of jewellery would therefore be less for her than that of clothes. Consequently she decided to ask for a beautiful and serviceable gown. We may also assume from this that she discounted the future at a higher rate

than her elder sister, for it will be generally admitted that the income of satisfaction to be derived from a gown will be yielded over a shorter period of time than that to be anticipated from jewellery.

When the turn of the third daughter came round, she considered various gratifications which she might obtain for herself, and her desires turned now towards one and now towards another; but she remembered after a time that gifts on so lavish a scale would be likely to reduce her father's stock of available purchasing power, and she realized that her choice lay between personal satisfaction and obedience to the dictates of filial affection. We may here note that the economist does not claim to measure any affection of the mind in itself or directly, but only indirectly through its effects, and he studies mental states rather through their manifestations than in themselves, he does not attempt to weigh the higher affections of our nature against those of our lower, he does not balance the love of virtue against the desire for agreeable possessions, he can only estimate their incentives to action by their effects.

When, therefore, the youngest daughter finally chose not such extravagant gifts as her sisters, but a simple rose, we are justified in assuming that she estimated her father's well-being of higher account than any possible gratification which she might obtain for herself.

The choice of all three being thus determined, the merchant set out to pioneer the way for his new markets in the Orient, taking advantage of that growing rapidity and comfort of foreign travel which has induced so many business men and skilled artisans to carry their skill near to the consumers who will purchase their wares. Let it suffice to say that his efforts were amply repaid, for his rare ability and rare good fortune, both in the particular incidents of speculative enterprise and in meeting with a favourable opportunity for the general development of his business, led him to succeed abundantly. Not only did his commerce afford him that increment on his capital which would just have induced him to continue in business, but over and above this, brought in a surplus which he regarded as a payment for the bearing of risks and the earnings of exceptional ability. On the return journey, not unmindful of the claims of family affection in the midst of the manifold cares of commercial enter-

prise, he sought for the most suitable market in which to purchase for his daughters the presents which they had desired him to bring home.

He was able, on the further side of the Mediterranean, to find jewellery for his first and garments for his second daughter, at a price which, having regard to the undertaking which he had made and his present income, did not appear to him excessive. But in regard to the rose for his third daughter, he had in mind not only the preference due to home products (other things being nearly equal), but to the difficulties and cost involved in the transport of perishable goods.

Therefore it was not until he arrived at the shores of Urbania that he commenced to entertain serious thoughts of his purchase. Upon inquiry, he discovered that the production of roses was subject to seasonal fluctuations, and that during the current month, although employment was provided in certain preparatory processes, the final product was unprocurable. In the commercial papers, roses were quoted at a scarcity price, but the figure was merely nominal, as there were, in fact, no roses on the market. In view of the dissatisfaction (to him) which would attend his failure to procure a rose, he would have been willing not only to offer a very considerable price, but to undergo a certain amount of fatigue in the search for the desired article. In this sense the disutility of labour may be regarded as entering into the price that he would be willing to pay.

Doubting whether the rose market was so highly organized that communication between the surrounding localities was complete, he set out in the hope of finding some secluded market to which the scarcity demand for roses had not yet been transmitted. In this, however, he was not successful, finding that in those few cases where a small number of roses had been produced at this season, the producers had been able speedily to profit by the high prices ruling elsewhere. Eventually, however, he arrived at a locality where intelligence reached him of a certain landowner who was in possession of a garden of roses. He proceeded thither, and his observation confirmed his information with regard to roses.

He was contemplating the respective quality of various blooms, when the owner of the garden appeared. His aspect was unusual, as he bore the semblance of a beast. The merchant became

conscious that he was committing an act of trespass, and attempted to mollify the indignation manifested by the owner by inquiring the price of roses. The beast, knowing that he was in the position of a monopolist, thereupon took unusual steps in maximizing a monopoly profit. Instead of asking a high money price, as might have been expected in the circumstances, he demanded that the merchant, in exchange for the rose, should yield him whatever object first met his view on returning home. The merchant, conscious that his demand for the rose was unusually rigid, and his bargaining position weak, thereupon accepted the somewhat unusual offer. Trained in the course of his business to judge cautiously and take risks boldly, he determined that the certain reward was not out-balanced by a loss which might prove negligible. In this, he displayed that courage and confidence which has by degrees established an upright and honourable tradition in the conduct of business throughout the civilized world; but it must be remembered that while some men make their way by the use of none but noble qualities, others owe their prosperity to qualities in which there is very little which is really admirable except sagacity and strength of purpose. Of such a nature was the beast, who, unknown to the merchant, was in possession of a detailed knowledge of the future, and did not scruple to reap a reward which he had earned neither by constructive work, nor by that function of risk bearing which is the characteristic of speculative activity. For it has been well observed that the speculator who by intelligent foresight anticipates the future, and who makes his gains by shrewd purchases and sales, renders thereby a public service of no small importance, but when to a normal degree of foresight is added supernatural information, the speculator is in a position to enhance his own gains at the expense of less enlightened members of the community. Such malignant forms of speculation are a grievous hindrance to progress.

The merchant, however, was unconscious of the special circumstances which rendered the case a somewhat unusual example of speculative activity, and thereupon concluded the bargain, and entered into immediate possession of the rose. Having thus acquired the object which had caused him such great expense of energy and labour, he proceeded homeward along a route made

expeditious and convenient by modern developments of communication.

His arrival in his own city inspired the merchant with that sensation of pleasure which all men of fine feeling must experience after a prolonged absence from the familiar surroundings of their native land, and he looked forward with pleasurable anticipation to those comforts and luxuries of home life which brighten men's lives and stimulate their thoughts.

A certain anxiety which he experienced as to the possible issue of his most recent speculation detracted somewhat from his sense of satisfaction, but he reflected that great progress can be attained only by bold daring, and security may be purchased at too high a price.

As he approached his home, however, this feeling of anxiety gave place to one of positive alarm when he perceived his youngest and best-loved daughter issuing from the house to meet him. He was not slow to realize that this was the price which he would be required to pay for the rose, in fulfilment of the contract which he had made with the foreign landowner. He had never been accustomed to regard his daughters either as capital or as stock-in-trade, and this payment would be in every way as unusual as it was exorbitant. He was therefore for a moment in some doubt as to the advisability of repudiating his obligations—but, reared in that school of honourable tradition which has peopled the world with merchants distinguished for upright dealing and the strictest integrity, he reflected that the structure of modern industry could only be maintained by that rigid observance of contracts which is the essential basis for all commercial progress; for he had always been of opinion that the marvellous growth in recent times of a spirit of honesty and uprightness in commercial matters and the progress of trade morality had been achieved, and could only be maintained, by the scrupulous integrity with which every member of the business community must refrain from yielding to the vast temptations to fraud which lie in his way. But the evils of reckless trading are always apt to spread far beyond the persons directly concerned, and this truth was immediately realized by his youngest daughter when the merchant revealed to her the part which she was called upon to play in the consummation of the transaction which, in obedience to

the dictates of his higher nature, he felt himself compelled to fulfil.

With that courage and cheerful determination which had been so carefully inculcated in her by the discipline of a truly liberal education, she instantly proceeded to consider her situation. After much careful thought, an analysis of the position revealed that the disutility of the labour she was called upon to perform was hardly outweighed by the satisfaction of assisting her parent, which would be her reward. For the discommodity of labour may arise from bodily or mental fatigue or from its being carried on in unhealthy surroundings or with unwelcome associates, and the employment which she was contemplating presented undoubtedly the latter, with possibilities of the former characteristics.

Indeed, connubial relations with the beast appeared to her employment of so unpleasant and distasteful a nature that the satisfaction of filial affection hardly appeared to her sufficient remuneration to represent an effective supply price. For the price which is sufficiently attractive to call forth a given expenditure of effort is the effective supply price for that amount of effort, and in the case of employments which are degrading, distasteful, or irksome, the number of persons who are willing to enter them may be so small that a low price is often inadequate to induce the exertion required.

The issue, therefore, seemed to depend on the degree of undesirability represented by the employment under consideration, and she ended her reflections with the following inquiry:

‘Father, did you ascertain whether the beast was hairy?’

The merchant, who had always cultivated the faculties of observation and memorization to a high degree, was able to assure her that the degree of hairiness was not above the normal for that class of person.

Quickly balancing the factors relevant to the situation in the light of this additional information, she finally replied: ‘In these circumstances, I am just willing to accept the bargain’. At this moment they realized simultaneously that she was on the margin, for they did not omit to notice that an additional (small) increment of disutility would have outweighed the satisfaction to be obtained from obedience to filial duty.

The contract was thus ratified by all parties concerned, and when the day of maturity arrived, the daughter of the merchant

presented herself punctually at the residence of the beast. As he came forward to meet her, she compelled herself boldly to face the stern fact that she was about to enter into the service of an employer who was likely to prove both harsh and exacting. No sooner, however, had he taken her by the hand than he became transformed into a beautiful prince.

Such sudden transitions are rare in nature, and though she had been accustomed to the contemplation of the astounding progress of scientific achievement and the innumerable marvels which human invention have rendered possible, she yet was filled with astonishment at such an unusual phenomenon. It became instantly apparent to her that the bargain, far from being the marginal transaction which she had supposed it to be, was one from which she would reap a large producers' surplus. The situation was, indeed, exceptional, for the disutility of labour had now sunk to a negative quantity. It was, indeed, a case parallel to that of intellectual pursuits, where, after the painful effort involved in starting has been overcome, the pleasure and excitement, after they have once set in, often go on increasing until progress is stopped, either by necessity or prudence.

With mutual pleasure, they then proceeded to discuss the bargain which had yielded to both of them so large a degree of satisfaction; for he entered into the enjoyment of a large consumer's surplus by the acquisition of a beautiful and useful wife at the price of a single rose, while she, at the cost of an effort which now promised to be pleasurable, had secured a prize for the attainment of which she would have been willing to undergo irksome and unpleasant labour.

With this happy union of producer's and consumer's surplus, they then lived happily ever after, constantly keeping in mind their higher ideals and maximizing their satisfaction by equalizing the marginal utility of each object of expenditure.