

Criticism of the Concept of Consumer's Surplus, Or Difficulties in the Measurement of Consumer's Surplus:

The concept of Consumer's Surplus has been criticised on several grounds:

1. This Concept is Imaginary:

The concept is complete imaginary, illogical and illusory. You just imagine, what you are prepared to pay and you proceed to deduct from that what you actually pay. It is all hypothetical. One may say that one is prepared to pay anything. Hence it is unreal.

2. Measurement of this Concept is Difficult:

The critics of this concept allege that measurement of Consumer's Surplus is difficult. It is because utility is a subjective concept and will vary from person to person. Total utility is impossible to measure because when we consume more units it is said that the marginal utility of even earlier units start diminishing. Prof. Hicks and Allen have contended and

proved that utility being a subjective phenomenon, is determinate and immeasurable.

3. This Concept is not Applicable to Substitutes:

The concept may not apply in case of goods which have substitutes. Why should one imagine how much will be willing to pay for a commodity. One finds it hard to think that the substitute of a commodity has no significant effect on the surplus satisfaction he derives from the commodity.

Decidedly, the consumer will feel more satisfied if two good substitutes as well as complements are made available to him than in case he gets only one of the two at a time. The consumer can properly appreciate the utility from a pen only when the same is accompanied by ink.

4. The Marginal Utility of Money never Remains Constant:

It is improper to assume with Prof. Marshall that the marginal utility of money remains constant and does not alter with increase or decrease in

the money stock with the consumer. Therefore, it is incorrect to believe the consistency of the marginal utility of money in real life.

5. Exhaustion of Surplus Utility:

It is said that if a consumer knew that any such thing existed, he would go on buying more and more till the surplus utility he enjoyed disappeared. This is not correct. A consumer does not run after a surplus yielded by one commodity. He has to weigh the utilities of other commodities too.