

10. Marginalism and neoclassical school

At the end of the 19th century, the beginning of a new classical direction was laid in the history of economic thought. The initial theory of this direction was the "utility theory". Another name is the Austrian school, marginalism. In the 70s of the 19th century, a subjective-psychological direction appeared in the economic science of capitalism. Marginalism is a French word meaning "limit". In the analysis of economic events and processes, marginalism prefers the final quantity, the limit, the limit of utility, the limit of productivity, the limit of profitability, the limit of costs, etc. keeps such economic categories at the center of his research. The original creators and researchers of the ideas of marginalism were professors Karl Menger, Eugene Bemer-Baverk and Friedrich Wieser of the University of Vienna, the capital of Austria. It is for this reason that a very important part of this movement is now known as the Austrian school. In addition, William Stanley Jevons of that school in England, Leon Walras in Switzerland, Charles Gide in France, etc. as prominent supporters and followers

Marginalism is a subjective-psychological direction that develops a "consumption version" of valuation in the form of the theory of ultimate utility in political economy and the theory of capital and interest based on it. The emergence and development of the Austrian school was determined on the one hand by the formation of the buyer's market, which turned the buyer into an active and important subject of market relations, and on the other hand by the activation of the labor movement based on the Marxist theory of labor and value.

The main content of the research of representatives of the Austrian school and their successors is that the psychology of the individual is kept at the basis of social relations, the economic decisions and behavior of the subject to meet their current needs in conditions of limited resources become the main object of research. The Austrian school believes that in order to understand the behavior of the consumer, it is necessary to study how things motivate him. For this, it is required to evaluate the value of water, bread, clothes, spiritual wealth from the position of the consumer. Only in this way can you know how he will perform in the market, which of these products, in what size, in what order he will try to buy.

Marginalism is a theory of economics that attempts to explain the discrepancy in the value of goods and services by reference to their secondary, or marginal, utility. It states that the reason why the price of diamonds is higher than that of water, for example, owes to the greater additional satisfaction of the diamonds over the water. Thus, while the water has greater total utility, the diamond has greater marginal utility.

The Austrian school shows that as needs are satisfied, their level of tension gradually decreases and is finally eliminated. Thus, a person does not feel hunger after eating, so it follows that the satisfaction of demand at one or another level depends on the amount of economic wealth available. Considering that the utility of wealth is its ability to satisfy any demand, then the utility of wealth should decrease as a function of quantity. According to the Austrian school, usefulness **itself depends on two factors**. This is primarily due to the intensity of demand, that is, the higher the demand, the higher the utility of the thing. Secondly, because of the limitation of the thing, that is, the less random the thing, the higher its usefulness.

The neoclassical school is one of the main branches of economic thought that benefited from the marginal revolution at the beginning of the 20th century. The emergence of the concepts of ultimate utility and ultimate productivity laid the foundation for the orientation of the theory of market entrepreneurship economy in the sphere of perfect competition of the neoclassical school. In particular, free competition and the improved line of price formation mechanisms led the neoclassicists to formulate the concept of private and public equilibrium.

The founders of the neoclassical theory, C.B. Clark, A. Marshall, V. Pareto, L. Walras, K. Viksel and others used limit analysis to study the formation of prices of goods, services and production factors in competitive markets. The central idea here is the idea of perfect competition of an economy in equilibrium. A distinctive feature of this theory is the microeconomic approach to the description of the economy. Another distinguishing feature is that commodity prices are the result of an individual's efficiency-maximizing behavior. Marginalism theory has elements of subjective value, marginal utility and harmonic economic theories.