

More on Marginalism¹

[The Freeman: Ideas on Liberty](#)

By Dwight R. Lee

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There are so many economic issues that cannot be understood properly without recognizing the importance of marginal considerations that I could continue writing columns on marginalism indefinitely. Indeed, marginal analysis will reappear both explicitly and implicitly in my future columns. But this month I will wrap up my emphasis on marginalism with some additional observations on this crucial economic concept.

We have all heard the advice, “If a job is worth doing, it’s worth doing right.” There is wisdom in this advice if we are careful about what is meant by “doing a job right.” People sometimes suggest that if a job is worth doing, it’s worth doing perfectly. But this advice, by ignoring the importance of marginal considerations, is a prescription for waste and inefficiency, as anyone who attempted to put it into practice would soon discover. No matter how much time is spent doing a job, it can almost always be done a little better by spending more time on it. But at some point the value of doing the job a bit better is less than the value of diverting a little more time to another activity. So even if perfection were possible, it would not be sensible. Instead of doing any one thing as well as possible, you are far better off doing several things not so well.

In general, you will accomplish the most by doing what economists call “equating at the margin.” This means allocating your time over several activities so that the marginal value created from more time on each is the same for all. If your time isn’t being allocated this way, then the marginal time spent on some things creates more value than on others. In this case, you can create more value in the same amount of time by shifting time into the higher-marginal-value activities and out of the lower-marginal-value activities. As this shift takes place, the marginal value of time in the former activities declines and the marginal value of time in the latter activities increases. Only when the marginal value of time in all activities is the same are you taking advantage of all opportunities to create more value for the time spent.

So “if a job is worth doing, it’s worth doing right” is good advice as long as we

¹ Slightly modified for instructors and students using Common Sense Economics (CommonSenseEconomics.com)

keep in mind that doing a job right doesn't mean doing it as well as you can. "Don't do your best at anything, equate at the margin instead" may not be very inspiring, but it's good advice. Fortunately, it is advice that few need, since it is what we tend to do anyway. It should be emphasized that since all value is ultimately based on our subjective evaluations, the patterns of activities that equate at the margin vary enormously over different individuals. But all people's behavior reflects the advantages of doing less than their best at everything they do as they constantly adjust the margins toward equality.

Doing Well in School

Consider the objective of doing well in school. I often hear my colleagues complaining that their students are not taking their course work seriously. I often join in these complaints. We are convinced that many of our students would get more out of our courses if they attended lectures and read the texts more diligently. We are surely right in this, but as economists we shouldn't be surprised at, or critical of, our students' behavior. Being a good student can be important in achieving one's objectives, but so are lots of other things, such as working part-time, making friends, developing social skills, or just hanging out and having fun. Spending more time on class assignments adds value, but it necessarily means less time for other valuable activities. And long before a student has done the best job possible in his or her course work, the marginal value of time spent studying will have fallen below the marginal opportunity cost—the marginal value sacrificed in other pursuits.

So the student who did his absolute best in class is getting less value from the additional minute spent studying than he would if he spent that minute doing something else. He increases the value realized from his time by "equating at the margin"—reducing the time spent studying until study time has the same marginal value as time spent doing other things. Even if the student is a complete nerd, he will still tend toward equating at the margin over his different courses since he will learn the most by learning less than possible in each course taken.

Don't Try to Do Too Much

I need to emphasize that "equating at the margin" only applies when the marginal value of time in every activity eventually begins declining relative to the marginal value of time spent in other activities. This is a plausible assumption, as is seen by considering what people would do if it were not true. If the marginal value of time a person spent, say, bowling increased indefinitely relative to other things, then we would expect to see him spending all his time bowling, since the more time spent bowling the more valuable another minute spent bowling would be compared to another minute doing anything else. This obviously doesn't describe how people behave. Even the most dedicated bowler (or bird watcher, golfer, etc.) eventually takes time out for a beer, a burger, and bed. In other words, the marginal value of bowling declines relative to the marginal value of alternatives,

and the bowler equates at the margin.

But it is important to realize that we get better at doing many things as we spend more time on them, which means that the marginal value of time in these activities does increase up to some point. This suggests that we don't want to try to do too many things, never becoming very good at any of them. There is real advantage in choosing a relatively few things that we have talent for, or which we really enjoy (talent and enjoyment generally go together), and developing skill in them, which increases our enjoyment even more. But no matter how much we enjoy an activity, or how good we are at it, eventually the marginal value of doing it begins to decline relative to other things, and so we will want to equate at the margin over a number of activities. And although this means that we will end up doing nothing as well as we possibly could, we can still be extremely good at what we do.

Let me conclude by emphasizing that equating at the margin is not an excuse for shoddy and careless work. Not doing your absolute best at any one thing is quite consistent with doing everything you do very well. Furthermore, not doing your absolute best at anything is not the same as not doing your absolute best overall. The point is that being as successful as possible in general requires being somewhat less successful than possible in everything we do.