



Economic, Ethical and Political Aspects of Wellbeing: Some Marshallian Insights from His Book on Progress

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1 INTRODUCTION

Marshall's *Principles of Economics* opens with the following sentences: "Political economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action that is most closely connected with the attainment and with the use of the material requisites of wellbeing. Thus, it is on the one side a study of wealth; and on the other, and more important side a part of the study of man" (1920: 1). Three aspects of these sentences are worth being underlined here: the first is that Marshall's economics is to be understood as political economy which is far from being the neutral science that the Marginalist revolution brought about; accordingly, and we come to the second aspect, in his writings Marshall deals not only with abstract and analytical issues

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but rather with practical problems which he wanted to solve, first of all the problem of poverty (see on this Caldari and Nishizawa 2011, 2014, 2016): in fact for him, the main aim of economics as a science is to find out the ways to attain and increase human wellbeing. The third aspect is that wellbeing is to be conceived in its two dimensions: on the one hand, the material dimension which is “wealth” and on the other hand the moral, ethical and mental dimension which is more closely connected with the complex nature of man. These two dimensions are both important, but they do not lie on the same plane because as stressed by Marshall “wealth exists only for the benefit of mankind. It cannot be measured adequately in yards, nor even as equivalent to so many ounces of gold; its true measure lies only in the contribution it makes to human wellbeing” (Marshall in Pigou 1925: 366, emphasis added).

All Marshall’s writings pivot on these three main aspects as distinctive of his approach to economics, distinguished from say Jevons and Edgeworth (see *Principles of Economics, Industry and Trade, Money Credit and Commerce* and his main articles collected in Pigou 1925). But it is his last unfinished book on economic progress which gives particularly interesting insights on his conception of wellbeing and allows us to shed a new light into Marshall’s economic thought on the fundamental conditions of economic progress including state intervention. The notes left for his last volume allows us to frame better his complex approach to economics which goes far beyond the analytical apparatus developed particularly in Book V of *Principles of Economics*, and to understand his main concerns as economist, among them the question of how to prompt human wellbeing has a paramount importance.

2 THE CHOICE OF *ECONOMICS*

Marshall’s gradual evolution into economics would help to better understand the presence of those three dimensions in his approach. As is well-known, he got great distinction in the Mathematical Tripos. Then he gave much time to mental science, philosophy and psychology. While ethical and psychological issues were vivid in his mind, transition to economics was forced by academic needs (“I taught economics because Pearson did not wish it”, see below). A reluctant economist at first, later recollected how “gradually ...the increasing urgency of economic studies as a means toward human wellbeing grew upon me”, and that “economics grew and grew in practical urgency, not so much in relation to the growth

of wealth as to the quality of life” (Whitaker 1996, II: 285; Coats and Raffaelli 2006: 183).¹

As John K. Whitaker remarks, plunging headlong into philosophy “the newly-awakened Marshall came to ethics, psychology and – rather reluctantly – political economy; that is to the study on a secular basis of the possibilities for man’s mental and material development and the factors frustrating such development” (1975, I: 5). As recalled by Marshall himself, “Psychology seemed to hold out good promise of constructive and progressive studies of human nature and its possibilities: and I thought that it might best meet my wants.I taught economics because Pearson did not wish it but repelled with indignation the suggestion that I was an economist ‘I am a philosopher straying in a foreign land: I will go home soon’” (Marshall’s manuscript fragment, quoted in Whitaker 1975, I: 6–7).

Marshall’s passage into economics is described in his own words in some pages, written about 1917 and designed for the Preface to *Money, Credit and Commerce*:

About the year 1867 (while mainly occupied with teaching Mathematics in Cambridge), Mansel’s Bampton Lectures came into my hands and caused me to think that man’s own possibilities were the most important subject for his study. So I gave myself for a time to the study of Metaphysics; but soon passed to what seemed to be the more progressive study of Psychology. Its fascinating inquiries into the possibilities of the higher and more rapid development of human faculties brought me into touch with the question: how far do the conditions of life of the British (and other) working classes generally suffice for fullness of life? Older and wiser men told me that the resources of production do not suffice for affording to the great body of the people the leisure and the opportunity for study; and they told me that I needed to study Political Economy. I followed their service, and regarded myself as a wanderer in the land of dry facts; looking forward to a speedy return to the luxuriance of pure thought. (Keynes 1924: 171)

However, a certain measure of regret for that choice remained always with him. As it is recollected by Keynes: “Near the end of his life, when the intellect grew dimmer and the preaching imp could rise nearer to the surface to the protest against its lifelong servitude, he once said: ‘If

¹For “economic science and applied economic ethics” in Marshall, see Coats (1990).

I had to live my life over again I should have devoted it to psychology. Economics has too little to do with ideals.’ These notions had always been with him.Meanwhile I got a good deal interested in the semi-mathematical side of pure economics, and was afraid of becoming a mere thinker. But a glance at my patron saint seemed to call me back to the right path. ...I despised them, but the *instinct of the chase* tempted me towards them” (Keynes 1924: 200–1).

After his commitment to economics, Marshall “seems to have abandoned any serious attempt to do work in psychology or philosophy. But his early ambitions in these directions did leave significant effects” (Whitaker 1975, I: 9). This explains pretty well why his economics is imbued with ethical, psychological and philosophical elements, often severely criticized (Parsons 1937; Samuelson 1967; Blaug 1997) and why it is not reducible to pure economics. But, according to Marshall, economics is not even to be taken as merely abstract in so far as it has a part which is unavoidably applied.² This latter aspect largely explains the definition Marshall gave to economics and with which we have opened this paper.

3 WELLBEING AS A MATTER OF PROGRESS

For Marshall, the possibilities of economic and social progress with prospects of the elimination of human poverty were major motives which took him from philosophical studies to economic studies. This emphasis on progress and human wellbeing stayed in his thoughts and remained all along his life. The projected volume on economic progress was the final stage in this lifelong endeavour. Eliminating poverty, progress would provide means for all the people to develop their faculties and activities; this message is often repeated as for instance in *Industry and Trade* where he refers to “the distant goal where the opportunities of a noble life may be accessible to all” (1919: 665), or in *Principles of Economics* where from

²“Some parts of economics are relatively abstract or pure, because they are concerned mainly with broad general propositions: for, in order that a proposition may be of broad application it must necessarily contain few details: it cannot adapt itself to particular cases; and if it points to any prediction, that must be governed by a strong conditioning clause in which a very large meaning is given to the phrase ‘other things being equal’. Other parts are relatively applied, because they deal with narrower questions more in detail; they take more account of local and temporary elements; and they consider economic conditions in fuller and closer relation to other conditions of life” (1920: 37 fn).

the fifth edition of 1907 he added a final new chapter “Progress in relation to standards of life”, which has given the *Principles* “a higher, ethical note” (Groenewegen 2005; Nishizawa, forthcoming).

Economic progress was to be the subject of Marshall’s last book, after his three main works (*Principles of Economics, Industry and Trade, and Money Credit and Commerce*). Elected as Professor of Political Economy at the University of Cambridge in December 1884, Marshall was asked to address to the Industrial Remuneration Conference towards the end of January 1885a. Here, referring to “the first aim of every social endeavour”, he concludes his speech as follows:

...no one can lay his head on his pillow at peace with himself, who is not giving of his time and his substance to diminish the number of the outcasts of society, and to increase the number of those who can earn a reasonable income and have the opportunity of living, if they will it, a noble life.
(1885b: 183, emphasis added)

This opinion is repeated with the same words in the last concluding paragraph of his last published book, *Money, Credit and Commerce* (1923), which was “the third of a group” of a series (i.e. first, *Principles*, second, *Industry and Trade*) to be followed by a fourth volume (the one on Economic Progress). In *Money Credit and Commerce*, Marshall mentions “the causes which govern the richness of the reward of the work”—a subject already partly developed in the first volume of the series, that is the *Principles*. Those causes are considered “the deepest concern to the student of the conditions of social well-being” and, accordingly, they were to “be designed to have a prominent place in the final volume of the present series” (1923: 234), namely to that last never published volume to which he optimistically refers to in the Preface: “although old age presses on me, I am not without hopes that some of the notions, which I have formed as to the possibilities of social advance, may yet to be published” (1923: v–vi).

That final volume never appeared but several notes written for it survive and are preserved at the Marshall Library of Economics. These notes focus on the concept of economic progress and on the main elements that could foster it. The theme of economic progress is indeed the constant background of any Marshall’s reflection and references to it are present also in all his published writings. However—although part of that material consists of a number of reprints (some of them partly modified) and a

few manuscript notes have recently been published by some Marshallian scholars (for instance, Dardi 2010; Groenewegen 2005; Raffaelli 2011)—the interest of these unpublished notes lies in the particular emphasis given to certain elements that according to Marshall were the driving force of economic progress (Caldari and Nishizawa 2020).

Economic progress is for Marshall something highly complex which involves several different factors and implies both quantitative and qualitative changes. Progress is not to be identified with a mere increment of “wealth”, it does not coincide with economic growth but it involves other and far more important factors; as Marshall underlines in *Principles*: “the production of wealth is but a means to the sustenance of man; to the satisfaction of his wants; and to the development of his activities, physical, mental and moral³” (1920: 173). This explains the reason why Marshall prefers the terms “development” or “progress” rather than “growth”, which is barely used in his writings. The term growth suggests in fact mainly a quantitative meaning, while “development” and “progress” connote more a qualitative dimension. True progress unavoidably implies a certain level of material wealth—“a certain minimum of means is necessary for material wellbeing”, he writes (undated, Marshall library Archive, Folder 5.3.1)—but it is mainly marked by other features.

Human wellbeing is the true aim of progress and it has to be conceived as something extremely complex and multifaceted in so far as it includes material, physical, mental and moral components. As suggested in the title of this paper, following Marshall, when reasoning in terms of wellbeing, three main different aspects have to be taken into consideration.

³Though the power of sustaining great muscular exertion seems to rest on constitutional strength and other physical conditions, yet it also depends on force of will, and strength of character: as recalled in *Principles*, “this strength of the man himself, this resolution, energy and self-masterly, or in short this ‘vigour’ is the source of all progress” (Marshall 1920: 193–94). In his late notes, Marshall remarks that: “The ideal is not comfort but life, vigour. The comfort of the masses is to be thought for: they ought not to [be] robbed of their sugar, or their tobacco. But it is their life, the physical mental & moral vigour for which we ought to care” (undated, Marshall Library Archive, folder 5.9). This is why for him it was necessary to “Use public money freely in order to increase vigour rather than diminish suffering” (dated 7.9.11; 5.1.12 and 18.1.12, Marshall Library Archive, folder 5.39). A concept that is repeated in a letter written to Helen Bosanquet (28 September 1902), where Marshall stresses: “I have always held that poverty & pain, disease & death are evils of much importance than they appear, except in so far as they lead to weakness of life & character; & that true philanthropy aims at increasing strength more than at diminishing poverty” (Whitaker 1996, II: 399).

Wellbeing has in fact (1) an important economic connotation, insofar as it necessarily implies a certain degree of wealth; a true wellbeing also implies (2) many elements that are more connected with the ethical, moral and mental sphere, insofar as it relies to human beings; wellbeing, finally, entails (3) a political involvement insofar as it cannot be guaranteed by the simple free play of the market but it requires a certain degree of state intervention. When inquiring into these different aspects connected to wellbeing and therefore to economic progress, Marshall, especially in his unpublished notes, underlines what are, in his view, the most important elements to foster.

4 THE ECONOMIC AND ETHICAL LEVERS OF PROGRESS AND WELLBEING

In a handwritten note, Marshall stresses that “great advance in material wellbeing is attainable only by those nations, whose industries are progressive, and whose men are strong in character and in action” (undated, Marshall Library Archive, Folder 5.3.1). Accordingly, when dealing with the material, economic wellbeing Marshall focuses on two main strictly interconnected questions: (a) how to promote productivity and industrial efficiency; (b) how to strengthen people’s character and foster their activity, which depend on living and working conditions and circumstances.

How to increase productivity, industrial efficiency and national production is the central question in *Industry and Trade* (1919), where Marshall deals with the problem of the decreasing competitiveness of British industries (Belussi and Caldari 2011; Nishizawa 2001). In his notes on progress, Marshall devotes a large attention to industrial and labour efficiency; starting from a number of reflections on the characteristics of British economy and its transformation (Marshall Library Archive, folders 5.37; 5.42), he inquires into the factors that may foster industrial efficiency and competitiveness. Free enterprise, initiative and the capacity to tackle uncertainty—considered “an inevitable result of progress, but also a condition necessary for it” (dated 13.11.03, Marshall Library Archive, folder 5.42), “eagerness on the part of .. experienced m[e]n of business” (undated, Marshall Library Archive, folder 5.8) are considered among the most important aspects on the production side. References are also made to the role of small size firms and the possible negative effects of advertising, on which Marshall largely dwells on in *Industry and Trade*

(Caldari 2007). However, in the notes on progress, it is the labour side that is more analysed: hours of labour, level of wages, productive efficiency and work conditions. If on the one hand productive efficiency of labour requires an appropriate industrial organization (Caldari 2007), on the other hand it is fundamentally based on labour conditions and their possible effects on workers considered both as working people and human beings.

According to Marshall, “the progress of man’s nature” (or character) is “the centre of the ultimate aim of economic studies” (1961: 75)⁴ and a crucial importance is recognized to the interaction between *economic* wellbeing (economic environment) and *moral* wellbeing (character formation). These two aspects of what he calls “organic growth” (Nishizawa, forthcoming) could not, in his view, be separated:

partly through the suggestions of biological study, the influence of circumstances in fashioning character is generally recognized as the dominant fact in social science. Economists have accordingly now learnt to take a larger and more hopeful view of the possibilities of human progress. They have learnt to trust that the human will, guided by careful thought, can so modify circumstances as largely to modify character; and thus to bring about new conditions of life still more favourable to character; and therefore to the economic, as well as the moral, wellbeing of the masses of the people. (1920, 48: emphasis added)

In his view, the progress of society would annihilate the distinction between working man and gentleman; here he recognizes as decisive factor the influence which an occupation exerts on human character: since “work, in its best sense, the healthy energetic exercise of faculties, is the aim of life, is life itself”, ideally no man “should have any occupation which tends to make him anything else than gentleman” (1873a: 115 and 110). The important influence of work and labour conditions on human character is often underlined by Marshall, as in *Principles* where he writes that “man’s character [is] formed by the way he uses his faculties in his work, by his thoughts and feelings which it suggests, and by his relations to his associates in work, his employers and his employees” (1920: 2).⁵

⁴For the attention given to “human character”, see Raffaelli’s “Character and capabilities” in Raffaelli et al. (2006).

⁵A clear echo of this Marshallian opinion is in Pigou’s *Economics of Welfare* where the author notes: “Non-economic welfare is liable to be modified by the manner in

Marshall pays great attention to the conditions of different occupations. Those employments that promote sense of responsibility and mental wideness also ameliorate the character of employees; they “demand powers and activities of mind in various kinds; the faculty of maintaining social intercourse with a large number of persons; and, in appearance, at least, the kindly habit of promptly anticipating the feelings of others on minor points, of ready watchfulness to avoid each trivial word or deed that may pain or annoy. These qualities are required for success, and they are therefore prepared in youth by a careful, long and continued education. Throughout life they are fostered and improved by exercise and by contact with persons who have similar qualities and require them of their associate” (1873a: 103–104). On the contrary, those occupations that require many hours of hard work, tire and restrict mental faculties, and take place in unhealthy environments, are absolutely prejudicial to employees.

Marshall gives also much attention to the question of wages (Caldari 2006b, 2015) and he deeply inquiries into the (“limited”) relation between efficiency and remuneration. In a typewritten text left for his volume on progress, he underlines that:

the personal efficiency of a worker is a group of qualities inherent in himself. It is likely to have been largely influenced by his surroundings; and when brought to bear in action its potency is dominated by his surroundings: but it is at any one time his own, whatever be his surroundings. The elements of which it may be made up are very numerous; and their relative importance varies with the occupation and other circumstances of the individual...[and therefore] the social value of a man’s efficiency is almost as incapable of measurement as is the aggregate of qualities of which it is composed...[Because] such a measure *for it* ignores morbid and other unworthy pleasures; *and it* takes no account of the needs of *posterity*; *for only* a small share of the contributions to social wellbeing made by *a creative mind, such as Aeschylus, or Beethoven, Archimedes or Watt* accrued to *the* own country or the generation *to which the genius belonged. Also the*

which income is earned. For the surroundings of work react upon the quality of life. Ethical quality is affected by the occupations.... In the relations between employers and workpeople in ordinary industry the non-economic element is fully as significant. ... Employers and the employed became more distant in station,.....This spirit of hostility was an obvious negative element in non-economic welfare due to an economic cause; and the partial suppression of it through the Boards of Conciliation, Whitley Councils and Co-partnership arrangements is an equally obvious positive element. ...” (1920: 14–17).

measure fails to recognize *such* benefits *as* result from the labours of a great musician among a people whose musical faculties are dormant *so* that they care little for the education which he is giving them: or *from* those of a civil engineer whose efforts to develop the natural resources of a backward country meet with *little* support. (undated, Marshall Library Archive, Folder 6.21.1)⁶

This long quotation brings into focus the complexity of human nature, which Marshall bears always in his mind, and moreover the connected difficulty to foster at best man's potentialities. Indeed, although Marshall is the first economist to largely underline the importance of and systematically inquire into industrial organization and is far from overshadowing its effects in terms of productiveness, nonetheless it is man rather than industrial organization which is for him the most powerful and precious engine of progress.⁷ The man Marshall refers to is not homo oeconomicus typified by extremely simple behaviours but a social being characterized, as the quotation above suggests, by several intricate actions and reactions. Tiziano Raffaelli's works on Marshall's early philosophical studies (1994, 2003) allow us to properly pin-point this important element and to fully understand Marshall's whole economic reasoning and his apparently odd (for an economist) arguments.⁸

⁶Among the elements that shape individual efficiency we find: "the qualities of physical and constitutional strength, the mental qualities of manual dexterity and skill: and beyond these they include patience, resolution, energy and self-mastery; knowledge and intelligence and artistic instincts; versatility and adaptability; initiative, inventiveness, sense of proportion, and the power of rising to emergency; honesty, solidity of character; order, unselfishness and affection in family life; patriotism; ethical, social, and aesthetic idealism" (undated, Marshall Library Archive, folder 6.21.1).

⁷Since his early *Lectures to Women* (1873b), Marshall had underlined that man is "the finest instrument of production in the world", "the most important productive machine" warning that "we must regard a man as intelligent capital" and "mental and moral capital" (Raffaelli et al. 1995: 98, 117–19).

⁸It is Tiziano Raffaelli (1994) who, first, has underlined the importance of some Marshall's early philosophical studies on mind (especially "Ye Machine") to understand his approach to economic science and in particular his idea of the growth of knowledge, understood as the product of a mix of routine and innovation, his rejection of the neoclassical concept of *homo oeconomicus* in favour of 'a man of flesh and blood'; his view of industrial and social organizations; the use of partial equilibrium analysis; his critical position towards some political and social issues such as socialism, trade unions and bureaucracy; the idea that progress must advance slowly (see on this Caldari 2015, 2018).

One of them is the emphasis that Marshall gives to “education” in all his writings including his notes on progress. Education is crucial insofar as it promotes mental progress, as clearly depicted in the manuscript *Ye Machine*, first published by Raffaelli in 1994. In its turn, mental progress allows for improvements in man’s occupations, wages, style of life, productivity and efficiency. Education is therefore a crucial element for production, wealth and wellbeing. According to Marshall, the only true and incisive remedy to poverty is education⁹ to be understood as something complex and multifaceted. As underlined in a late note dated 25.6.22, the chief purpose of education is

to cause mental activities to be thorough. These [activities in order of time are: observation, memory, reasoning, imagination, creation. ‘Observation’ is to be taken broadly so as to include every method of acquiring knowledge. Similarly, ‘reasoning’ is to include appropriate arrangement of knowledge in relation to the particular problem in hand. ‘Creation’ is the product of the application of reasoning to and imagination to material supplied by observation and memory. (undated, Marshall Library Archive, Folder 5.6)

Education stimulates previously unused human resources, and in this way it increases production. It is therefore a form of investment on man, the subtlest instrument of production, and the most important productive machinery.¹⁰ Moreover, education helps distributive justice because it raises the wages of unskilled workers: on the one hand it reduces their number, making that kind of work scarce, on the other it improves the quality of work and increases production.

⁹In a letter to Bishop Brooke Foss Westcott (24 January 1900), he writes: “There is only one effective remedy that I know of, and that is *not* short in its working. It needs patience for the ills of others as well as our own. It is to remove the sources of industrial weakness: to improve the education of home life, and the opportunities for fresh-air joyous play of the young; to keep them longer at school; and to look after them, when their parents are making default, much more paternally than we do. Then the Residuum should be attacked in its strongholds. We ought to expend more money, and with it more force, moral and physical, in cutting off the supply of people unble to do good work, and therefore unable to earn good wages” (Whitaker 1996, II: 263).

¹⁰As such education plays an essential part in social (and economic) progress so that Marshall has been recognized as a forerunner of human capital theory (see Bowman 1990, see also Nishizawa 2002).

For all these reasons, as Marshall explains: “the best investment of the present capital of the country is to educate the next generation and make them all gentlemen” (1873b: 106). A low level of education is considered a problem which affects not only the people directly involved but the whole society and nation. As underlined in a long note dated 4.9.12 with many pieces pasted from *Principles*:

..in the lower ranks of society the evil is great. For the slender means and education of the parents, and comparative weakness of their power of distinctly realizing the future, prevent them from investing capital in the education and training of their children ... *And* this evil is cumulative. The worse fed are the children of one generation, the less will they earn when they grow up, and the less will be their power of providing adequately for the material wants of their children; and so on. And again, the less fully their own faculties are developed, the less will they realize the importance of developing the best faculties of their children, and the less will be their power of doing so. (dated 4.9.12, Marshall Library Archive, Folder 5.40)

As we will see in the next section, this is one of the grounds for state intervention and taxation: “funds [to guarantee a certain level of education] should be obtained by a graduated income tax; from which savings should be exempted: + a property tax which would of course be highly graduated; but a less percentage on funds carried from income to property, than if they had been consumed” (dated August 1920, Marshall Library Archive, Folder 5.6).

5 GOVERNMENT AND WELFARE

Once pinpointed the main conditions for progress and wellbeing, in considering how to encourage and stimulate them, Marshall underlines the crucial role of government. His attitude towards state activity has changed over time (Caldari 2016) and especially in his late notes on progress Marshall considers as indispensable and unavoidable a certain (not so small indeed) degree of state intervention since it is only in an ideal order that “we [may] postulate ... a perfection of human nature so absolute that every one cares for the wellbeing of his neighbour as much as for his own; and therefore there exists no justice or injustice, no law and no compulsion” (dated 27.4.22, Marshall Library Archive, Folder 5.7). On the contrary, in the “world as it is”, far from any ideal perfection, public intervention is considered the only means to

face, partly at least, those elements that may prevent a true progress of the whole nation. In the real world, progress has also produced important wealth inequalities among people.¹¹ These inequalities for Marshall may have serious consequences on the trend of progress itself. Far from endorsing the more extreme socialist conclusions with collectivist flavour (McWilliams Tullberg 1975, 2006), Marshall reputed that if a certain degree of inequality is unavoidable, natural and even beneficial, it may also act—beyond a certain level—as a dangerous brake on progress: this is the case when considerable wealth inequalities imply that some strata of population are cut out of any possibility to properly contribute to the wellbeing of the nation. He often recalls that there is “one waste product, so much more important than all others”, that is called “THE WASTE PRODUCT”: it is the higher abilities of many of the working classes, “the latent, the undeveloped, the choked-up and wasted faculties for higher work, that for lack of opportunity have come to nothing” (Marshall 1889: 229). This is one of the main reasons why the state has to intervene.

Government—at both the central and local level—does in fact play a crucial role in promoting progress and therefore wellbeing, and indeed a number of cases justify its intervention. As Marshall put it in a note written in a very late manuscript¹²:

Everyone has duties to himself and to others. Duties to himself are connected with the development of strength of character, of mind and physique. Duties to others call for the avoidance of actions that may injure them; and the rendering on occasion of service to them But the reach of an individual in such matters is necessarily narrow; and many of his duties to his fellow creatures must be rendered through powerful agencies to the support of which he contributes his share. (undated, Marshall Library Archive, Folder 5.36)

¹¹ As stressed by Marshall “The existence of grave inequalities of wealth is an integral part of the progress of mankind, as we know it. Another world may be more prosperous than our own, without any similar inequalities. Everyone in it may be intent on the advance of general wellbeing, and care but little how much of it falls to his share” (undated, Marshall Library Archive, Folder 5.8).

¹² Although this manuscript is undated it is bound together with a note by his wife Mary in which she writes: “These pages were written during the last few months when his memory was failing”. Marshall’s handwriting evidences his old age.

Where by “powerful agencies” he means governmental agencies that are distinguished, according to their scope, between national and local.

Among the most important functions which Marshall attributes to government we find: a) “to provide for weal at home and for defense against external force” (undated, Marshall Library Archive, 6.18.2) and especially b) “To clear the way for [progress]: to strengthen those who may take part on it, and to provide security” (undated, Marshall Library Archive, 5.26). Moreover, state has to intervene when

- (a) [...] individuals concerned are of a lower order than the average man, and are in fact not fit for freedom: this justifies the constraint of madmen, idiots, and perhaps habitual drunkards
- (b) [...] private action is injurious to public weal; e.g. sanitary nuisances
- (c) [...] the individuals concerned are acting injuriously to members of their own family and through them of the State
- (d) [...] the individuals concerned are sacrificing higher ends in order to increase their material gains in such a way as indirectly to compel others to do the same
- (e) [...] the individuals concerned are reaping too much for themselves of what is really collective property: that the State is therefore justified in demanding some concession to public interest...(note with several dates written on—10.10.03, 13.8.04, 27.2.12, Marshall Library Archive, Folder 5.36).

Here we find not only the idea of a state that must take care of individuals’ wellbeing and provide important public goods (such as defence), but also of a state that may interfere in people’s private lives for reasons of public benefit. According to Marshall:

It is a urgent social duty, which must be performed at any cost, to put a stop as soon as may be to those conditions of work, which are incompatible with a wholesome life. Whenever the home of children is such that there is no considerable chance of their growing up to be good citizens, healthy in mind and body, the State is bound as a duty and for self-preservation to intervene. It may improve the home; or close it, and take charge of the family. In the rare cases in which when the wages of any kind of adult male labour are so low that, even when supplemented by the utmost earnings that wife and children are likely to bring in, they would not suffice to

maintain a wholesome family life, then it may conceivably be advisable to prohibit such low wages. (undated, Marshall Library Archive, Folder 5.37 emphasis added)

Taxation is a fundamental means for raising funds to be used to achieve government's main purposes. Although it is a crucial topic in Marshall's reflections, "he never wrote a general treatise on taxation and failed to complete the segment on tax foreshadowed for Book X of Volume 2 of *the Principles*" (Groenewegen 1990: 91). There exist, nonetheless, "interesting fragments of taxation" (Groenewegen: *ibid.*), most notably notes left for the book on progress, and other writings (academic notes and reprints)¹³ that enable us to frame Marshall's view on the subject.¹⁴

Among its main aims, state has also that of an equitable distribution of wealth and application of the principle of equity. The "equity of the distribution of the burden of obtaining these services" (undated, Marshall Library Archive, Folder 6.18.1) is indeed considered a fundamental principle for taxation, along with that of equality, to be understood as "equality of sacrifice, and in proportion to ability or in proportion to the services rendered" (undated, Marshall Library Archive, Folder 5.40). Equity and equality are not, however, important principles to follow only in collecting taxes, but also in using the money collected from taxation. In a very amended note, Marshall underlines that among the fundamental principles of taxation there should be the following rule:

Take off taxes from the poorer classes as far as is practicable without encouraging wastefulness in the public expenditure, which will come ever more and more under their control: and use public money freely in order to increase vigour rather than to diminish suffering. Take the least attractive course..... (dated 7.9.11; 5.1.12 and 18.1.12; Marshall Library Archive, Folder 5.39)

Taxes are to be used in an efficient and not wasteful way, where "efficient" is to be understood as able to foster progress and wellbeing. To this end,

¹³Two major works by Marshall on taxation are in fact to be recalled: The Memorandum on the Classification and Incidence of Imperial and Local Taxation (1897) and National Taxation after the War (1917).

¹⁴For a comprehensive explanation of the British tax system and its evolution over time during Marshall's life, see Groenewegen (1995).

both the richer and poorer classes have, for Marshall, the duty—according to different proportions—to cooperate with the state.

Particular attention is paid to some specific taxes, including the taxes on coinage, luxuries, houses and land, motor cars, savings, income and wages and natural resources. They are all considered for their effects in terms of equity, efficacy and consequences for wellbeing. In relation to these important aspects, Marshall distinguishes between beneficial and onerous taxes:

A tax is “onerous” to any class of persons, if it directly or indirectly takes from them any income or property, which they would otherwise [have] possessed; and is expended in such a way as not to give them an equivalent return. On the other hand if a special tax, levied on wet land, is spent on a drainage system which added much more than it costs to the value of the land, then it is not “onerous” but beneficial to those owners. Similarly a tax levied on the whole people and spent on education, sanitation, etc. in such a way as to confer on them benefits in the health and energy and earning power which are more than equivalent to the charge levied on them is “beneficial”. In so far as it is levied mainly on the well-to-do and spent mainly in the service of the working classes, it is onerous to the well to do in the first instance: though it may be in the long run beneficial even to them, if it greatly increases the supply of efficient labour; while it makes the country stronger against invasion, and more abounding in the amenities of life..... (undated, Marshall Library Archive, Folder 6.17)

A tax is, therefore, considered “onerous” or “beneficial” not on the basis of its immediate effect on the people that pay it but mainly on the ground of its effects in terms of progress and public wellbeing. Every tax is, therefore, to be considered “beneficial” if it is used to increase and promote the conditions of progress (education, sanitation, health, quality of labour and so forth).¹⁵

¹⁵In the last chapter of *Principles* (“Progress in relation to standards of life”, contending the chief remedy to fit more of the children of the unskilled for higher work), Marshall notes: “Education must be made more thorough. ...It is to educate character, faculties and activities; so that the children even of those parents who are not thoughtful themselves, may have a better chance of being trained up to become thoughtful parents of the next generation. To this end public money must flow freely. And it must flow freely to provide fresh air and space for wholesome play for the children in all working class quarters. Thus the State seems to be required to contribute generously and even lavishly to that side of the wellbeing of the poorer working class which they cannot easily

6 CONCLUDING REMARKS

Economic progress is the underlining issue and concern in all Marshall's writings. Moreover, it was to be the main subject of his last never published book.

Marshall's idea of economic progress is to be understood as an extremely multifaceted question which involves—along with the strictly economic elements—social, ethical and political aspects.

Progress means an increase of human wellbeing, but the latter is by no means only connected with material wealth: it implies also a number of elements that contribute to a high level of quality of life (education, health, unpolluted environment and so on).

Progress needs all the people's effort and contribution according to their best potentialities but also and moreover state intervention. If progress in fact implies to take the best from people and to put to good use their potentialities and capabilities, it is up to the state to pave the way for that.

In the notes left for his volume on progress, Marshall clearly define what are in his view the responsibilities of each person and the role of the state in promoting progress and therefore wellbeing. More than in other writings, in these notes Marshall underlines that a true long-lasting prosperity of a society is based on wealth but also and moreover on the quality of its people and the activity of its government and that wellbeing is to be considered as a common aim.

provide for themselves" (1920: 717–18). See also fn. and Appendix G, whose §9 referred to "fresh air rate" (see on this Caldari 2004). In a note written for his book on progress, he underlines: "The chief sources of water supply should be declared national property; and they should be leased, ...to local authorities. The same is true of fresh air. The central government should see to it that towns and industrial districts do not continue to increase without ample provisions for that fresh air and wholesome play which are required to maintain the vigour of the people and their place among nations; this is, perhaps, the most important financial responsibility which has not yet been faced" (undated, Marshall Library Archive, folder 6.32.1).

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