

# Marshall and the Development of Economic Thought: A Note

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The following tribute to Marshall's contributions to economics is offered by Stigler (1941,p.61):

Marshall was almost incomparably superior to his immediate predecessors and his early contemporaries in the profundity and originality of his thought, in his consistency, and in the breadth of his vision.

Almost invariably, historians of economic thought have accorded to Marshall's contributions a prominent role in the subsequent development of economic analysis. As Schumpeter (1954,p.834) observed, Marshall's *Principles of Economics* embodied more perfectly than any other the state of economics that emerged in England at the turn of this century. The detailed commentaries provided by J.M.Keynes (1925) and Shove (1942) clearly demonstrate the significant influence Marshall's contributions had on the nature of economic analysis both during his lifetime and during the decades following the publication of the eighth and final edition of *Principles* in 1920. J.M.Keynes (1925,pp.47-48), describes a situation where with the passing of time the intellectual qualities of *Principles* permeated economic thought "without noise or disturbance, to an extent which can easily be overlooked".

Indeed many historians of economic thought contend that such was the extent of Marshall's influence on the subsequent development of economic analysis that Marshall has frequently been placed, (along with Walras), at the forefront of what has become popularly termed "neo-classical" economics. Deane (1978,pp.102,143), for example, identifies Marshall's *Principles* as the "bible of the English neo-classical school", which was to form "the main foundation of economic thought for roughly half a century after its publication". Similarly, Stigler (1941,p.8) viewed "neo-classical" economics as stemming directly from Marshall's contributions, while Barber (1967,p.168) claimed Marshall to be a "giant without rival" among Anglo-Saxon "neo-classical pioneers".<sup>2</sup> Even commentators such as Blaug (1962,pp.398-9), who found Marshall's *Principles* to be an "unsatisfactory book" when judged by "present-day standards", acknowledge Marshall's major contribution,<sup>3</sup> as being one of the most "durable and viable" books in the history of economics.

A closer reading of Marshall's original contributions reveals that, despite the prominent position accorded to him by his followers and historians of economic thought in general, little in fact remains of Marshall's theoretical system. As Schumpeter (1941) observed more than forty years ago in his "semi-centennial" appraisal, Marshall's analytical apparatus appeared to be "obsolete",<sup>4</sup> despite the survival of "those handy tools everybody knows, such as substitution, the elasticity coefficient, consumers' surplus, quasi-rent, internal and external economies, the representative firm, prime and supplementary cost, the long and the short run". (pp.241-242).<sup>5</sup>

More recently, Loasby (1978) has further documented how rapidly the "truths" which Marshall emphasised have disappeared from economic theory.

That Marshall's theoretical framework has not survived the passing of time is not surprising, as he himself was well aware that he was providing a temporary structure. What is significant is that "those handy tools" developed and refined by Marshall to assemble the "scaffolding" have since the passing of Marshall been employed to construct theoretical frameworks which retain little of Marshall's own draftmanship<sup>6</sup>. Moreover, despite the subsequent development of more sophisticated theoretical frameworks, the logical difficulties to which Marshall's "handy tools" were devised to overcome remain largely unsolved, well hidden behind the facade of the evolving structure. As a result Marshall's contributions are not seen to disturb the development of what has become known as the "neo-classical paradigm" — indeed, as illustrated above, Marshall is more often than not included amongst its "founding members". However, the logical difficulties which Marshall's "handy tools" were unable to overcome, continue to exist, being exposed from time to time by those willing to investigate the rather shaky foundations of the marginalist approach to economic theory.

The term "neo-classical" was coined by Veblen at the turn of this century to characterize specifically the Marshallian version of marginalism.<sup>7</sup> It was later used by commentators such as Stigler, Hicks, and Samuelson to incorporate all of the emerging variations of the marginalist theme.<sup>8</sup> The term used in its initial context has some justification, given that Marshall stood almost alone amongst the marginalist "co-founders" in his attempts to establish the existence of continuity between his own theoretical apparatus and the "classical" framework. The perceived existence of continuity was also stressed by many of Marshall's immediate followers, including in particular Shove (1942, p.295) who postulated that *Principles* represented:

the direct line of descent through Mill from Ricardo, and through Ricardo from Adam Smith. It is of the true Ricardian stock, neither a cross-bred nor a sport.

However Shove's interpretation was not accepted by all of Marshall's contemporaries,<sup>10</sup> and has been strongly challenged by commentators such as Dobb (1973, pp.122,129-130,185) and Bharadwaj (1978a;1978b). The investigations by these commentators convincingly indicate that Marshall was in fact defending the line of tradition from Smith to Mill, and that it was Mill, rather than Ricardo who provided the immediate source of Marshall's ideas.

The notion that Marshall's theoretical system embodies characteristics which are essentially the same as those of other marginalists said to occupy the "neo-classical" school needs also to be challenged. As noted above, the currently widely adopted variations of the marginalist approach not only retain little of Marshall's original framework (as opposed to "those handy tools"). Rather, a strong case can be presented in support of Pasinetti's (1981, p.9) claim that Marshall represents a case of its own, separate from other marginalists. Marshall's constant preoccupation with the need to incorporate historical time into his analysis, his emphasis on production rather than exchange, along with the dominant position the laws of return were meant to occupy in his theoretical scheme, are but three important features of Marshall's contributions which distinguish them clearly from other versions of the marginalist approach. It is these same features which also highlight the differences

between Marshall's original contributions and those of his immediate followers.

In evaluating Marshall's contributions to the development of economic analysis it is essential to distinguish Marshall from what Schumpeter (1941,p.238) summarised as "a simplified Marshallism, which disregarded historical backgrounds [which] pervaded the routine of college teaching...".

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## Notes

1. See also the "reminiscences" by Edgeworth and others in Pigou (1925) and Robinson's (1978,p.1x) recollections.
2. Shove (1942,pp.313-316) also provides evidence of the influences Marshall's contributions had both in the United States and in continental Europe (particularly Italy and Sweden).
3. Evidence of the "durability and viability" is to be found in records relating to sales and various editions and reprints of Marshall's *Principles*. See Macmillan (1942).
4. A similar conclusion was reached by Viner (1941,p.235).
5. To Schumpeter's list would usually be added the framework of "partial equilibrium analysis", which Whitaker (1977,p.196) claims to be the basis upon which Marshall's "permanent fame as an economist must mainly rest".
6. Andrews (1951) represents a significant example of an attempt to return to a theoretical framework similar to that used by Marshall. As Earl (1987,p.3) suggests, Andrews was explicit about the Marshallian roots of his way of thinking, and was well aware of how different Marshall's original work was from the version of it that found its way into conventional wisdom.
7. For further details on the origins of the term "neo-classical", and the subsequent usage and interpretation, see Aspromourgos (1986).
8. Significantly, Hicks (1983,pp.xiii-xiv) has since suggested that the term "neo-classical" is misleading and its usage be avoided.
9. Curiously, in the same article Shove was moved to conclude that with some important aspects of Marshall's work we "enter not merely a different world from Ricardo's, but a different universe." (p.307).
10. See for example Ashley (1891,pp.471-476).

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