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The impact of Alfred Marshall's ideas. The global diffusion of his work

Alain Béraud

► **To cite this version:**

Alain Béraud. The impact of Alfred Marshall's ideas. The global diffusion of his work. *European Journal of the History of Economic Thought*, 2012, 19 (2), pp.315-320. 10.1080/09672567.2012.667618 . halshs-00690922

HAL Id: halshs-00690922

<https://shs.hal.science/halshs-00690922v1>

Submitted on 24 Apr 2012

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Tiziano Raffaelli, Giacomo Becattini, Katia Caldari and Marco Dardi (editors),
The Impact of Alfred Marshall's Ideas. The Global Diffusion of his Work,
Cheltenham and Northampton: Edward Elgar, 2010. Xvii + 251, £69.95.
ISBN 978-1-84720-512-4.

In 2006 Tiziano Raffaelli, Giacomo Becattini, and Marco Dardi published *The Elgar Companion to Alfred Marshall*. At that time they were seeking to highlight developments in the interpretation of Marshall's work which had been facilitated by John Whitaker's publication of his early writings and correspondence, and which also were of particular relevance to the resurgence of interest in a Marshallian approach to the economics of industry. They had not at that time been able to carry out a systematic investigation, country by country, of Marshall's influence on the broader development of economic analysis. The work under review, with the addition of Katia Caldari to the editorial team, fills this gap.

The first two pieces in the book, by Anthony Brewer and Peter Groenewegen, contrast the traditional approach to Marshall's work with that of recent writing. This sets the tone for the whole book. The remaining contributions can be divided into three, dealing respectively with the influence of Marshall upon Anglophone countries, upon the rest of the world, and on three economists – Pareto, Schumpeter and Georgescu-Roegen – who might be considered significant, either positively or negatively, in the diffusion of Marshall's work.

While Marshall came to represent orthodoxy *par excellence* around the world, it was only in Britain – more exactly, in Cambridge – that a Marshallian school formed. As Keith Tribe outlines, for many the centrality of Marshall in the history of economic thought derived from his success in creating the Economics Tripos in 1903, a three-year honours degree in economics. He was also the moving spirit in the formation of the British Economic Association in 1890 (which in 1902 became the Royal Economic Society), created to publish the *Economic Journal*. Marshall taught a new generation of British economists, and many relied in their training on his *Principles*. Carlo Cristiano succinctly outlines the development of the Marshallian School from Marshall's appointment in 1884 as Cambridge's Professor of Political Economy to the publication of the *General Theory* in 1936. He shows that Pigou was not the guardian of that tradition, but was instead more of an innovator within it. Pigou rejected some aspects of Marshall's work deriving from his penchant for biological analogies. Using both Sidgwick and Marshall, Pigou constructed a theory of welfare which contrasts marginal net social product to marginal net private product, in so doing severely modifying Marshallian categories. He was also led to argue that, in industries where returns were increasing, marginal product exceeded average product, whereas in industries where returns were decreasing the opposite was the case. This led him to propose that industries with decreasing returns should be taxed to subsidise those in which returns were increasing. Pigou conceded that it might seem that in so doing, he raised the question of how one might reconcile increasing returns with competition. But, he argued, this was more of an apparent than a real difficulty. Since some external economies of scale were common to all producers, the presence of increasing returns at the industry level is compatible with decreasing returns at the level of the firm. This reformulation of Marshall's own analysis was the origin of criticisms made by Allyn Young and Piero Sraffa, and the dismantling of the Marshallian theory of value. Cristiano then moves on to discuss Marshall's influence upon Keynes. How one sees this depends on the point of view adopted. If one considers the structure of

ideas organising the argument, it can be said, drawing upon arguments made by Clower and Leijonhufvud, that Keynes was a Marshallian. But if Keynes does rely on a Marshallian methodology, he applies this to a new object of study: macroeconomics. Both Pigou and Keynes are very definitely disciples of Marshall, but in developing their analyses they progressively moved away from his teaching.

Roger Backhouse, Bradley Bateman and Steven Medema argue that the diffusion of Marshall's thought in the United States is a unique case. Although it is an Anglophone country, it no longer has a colonial connection with Great Britain. Marshall had visited the country, and he enjoyed close links with American economists. His work was favourably received, both by the liberal economists of an older generation like Taussig, and the younger generation like J. B. Clark, some of whom had studied in Germany. The first group responded to Marshall's defence of free trade. The second valued his defence of Ricardo, which allowed him to construct a tradition including both Ricardo and marginalists. It was Marshall's neoclassicism that prompted their enthusiasm for his work. At Harvard Young and Chamberlin relied on his work in their analysis of market structure and in developing the theory of monopolistic competition. In Chicago the Marshallian tradition took root in the course on price theory given by Jacob Viner and which was taken, among others, by Milton Friedman and George Stigler. To what extent did Viner's price theory reflect Marshall's teaching? Backhouse, Bateman and Medema emphasise two points. Chicago economists argued more in terms of partial than general equilibrium; they also, like Marshall, combined in their work empirical study with theoretical analysis, opposing in this way both Walrasians and Institutionalists. It is not really possible to say that there was such a thing as a Marshallian School in the United States but, paradoxically, Marshall's *Principles* would represent economic orthodoxy right up to the publication of Samuelson's *Foundations of Economic Analysis*.

This treatment of the development of economic analysis in Britain and the United States is completed by chapters dealing with Australia (Peter Groenewegen), New Zealand (Anthony Endres) and Canada (Robert Dimand and Robin Neill). These five chapters present therefore an overview of Marshall's influence in Anglophone countries. In all of these countries he was the dominant influence in the first half of the twentieth century. Elsewhere his influence was less important, but never negligible, as is demonstrated by the following chapters surveying the international diffusion of his work. Eleven chapters deal first of all with Continental Europe: Sweden (Bo Sandelin), Norway (Jørgen Hanish and Arild Sæther), Poland (Michal Brzezinski), Russia (Irina Eliseeva), the German-language area (Volker Caspari), the Netherlands (Arnold Heertje), Belgium (Guido Erreygers), France (Michele Quééré), Italy (Mauro Gallegati and Riccardo Faucci), Spain (Lluís Argemí), and Portugal (José Reis). Three chapters cover Asia: India (Nita Mitra), China (Paul B. Trescott), and Japan (Mikio Nishima). *Principles* was translated into many languages: in the first few years of the twentieth century into French and German, during the interwar period into Japanese, Spanish and Polish, after WW2 into Portuguese and Russian, this listing not being exhaustive. Marshall's other books were on the other hand much more limited in their diffusion. Everywhere the importance of Marshall's work is lent emphasis by his reception in those countries where Historicists or Institutionalists were dominant. However, nowhere did a Marshallian School develop, and sometimes what was valued in his work was the

synthesis he offered in which the classical tradition was combined with modern analysis in terms of utility and demand.

Reaction to the publication of *Principles* was different in each country and from one economist to another, so that one struggles to establish an overview. However, the interpretation of the reception of Marshall in France needs some discussion. In their Introduction, the editors of *The Impact of Marshall's Ideas* suggest that there existed in France a tradition – that of Walras and general equilibrium – which impeded the diffusion of Marshallian ideas (p. xiv). For this reason, they argue, the significance of Marshall was neglected for many years. Michel Quére goes further, suggesting that it was not until Perroux published his book on marginalism in 1945 that Marshall's ideas gained in France hitherto unprecedented popularity (p. 148). These assertions are puzzling. Walras did have his admirers in France, but they were few, and it is hard to think how it might be argued that the influence of Walras among French economists retarded the penetration of Marshall's ideas. In actual fact, the reception given to Marshall was very favourable. What was notable was the way in which he was accepted by all tendencies. Professors from the Faculty of Law, such as Gide (1909 t. 1: 80), economic liberals such as Leroy-Beaulieu (1896 t. 1: 19), and members of the Polytechnic (Colson 1922: IX) all expressed their admiration for his work. Gaétan Pirou (1920: 106) explains this attitude by suggesting that most French economists sought an analysis of price that took account both of the role of utility and that of costs, finding this in Marshall's *Principles*. "That is why", he concluded, "of all foreign economists, the one considered today by the greater part of French economists to be the most precious guide is Alfred Marshall."

The three final contributions in this book deal with the relation of Marshall to three major economists: Pareto, Schumpeter and Georgescu-Roegen – the influence Marshall had upon them and, by extension, their contribution to the diffusion of his ideas. For different reasons Pareto and Schumpeter figure as Walrasians, and their commentary of Marshall's work was sometimes critical. But this idea should be refined. Marco Dardi and Alberto Zanni show the influence of Marshall on the young Pareto. They emphasise that both Marshall and Pareto shared a conception of economics as but one part of a science of society, even if they drew from this differing conclusions. Of course, Pareto shared Walras's opinion: mathematics is necessary for economic analysis, but in his own writings he followed the advice of Marshall, placing his mathematics in a note or an appendix and seeking to reduce his analysis to compressed sequences of deductive reasoning. Later, in his *Cours*, he extended the Walrasian legacy, but more implicitly than explicitly. Dardi and Zanni conclude that there are many similarities in the vision that Pareto and Marshall had of the world and in their approach to economic analysis, while there are between Pareto and Walras more differences than are generally acknowledged.

It is traditional to pay emphasis upon the admiration that Schumpeter had for Walras, and upon his criticisms of a Marshallian theory which he thought to be passé. Without explicitly rejecting this idea, Harald Hagemann lends it some additional nuance. Schumpeter thought that Marshall's loyalty to the classical economists to be excessive; but he did understand that this was, in fact, little more than a façade, and that there was a radical break between the ideas of Marshall and Ricardo. Schumpeter emphasised that the theoretical structure that Marshall adopted was identical to that of Jevons, Menger and Walras, although

he was sceptical of all of them. In the same way, Schumpeter argues that the intensive use Marshall made of partial equilibrium did in fact accommodate a general equilibrium framework. In sum, Hagemann argues that, however much a Walrasian Schumpeter might have been, he valued Marshall precisely because in his view there is no radical break between the thinking of Marshall and of Walras.

Pareto and Schumpeter were dubious of the use Marshall made of biological analogies, which would come to substitute themselves for dominating mechanical analogies. Andrea Maneschi draws attention to the fact that it was this conception of Marshall upon which Georgescu-Roegen drew in maintaining that economics was a branch of biology, very broadly defined. It is true that, in Marshall, references to biology sometimes appear to be stylistic, not necessarily implying a direct use of notions borrowed from biology in the study of economic problems. It is this step that Georgescu-Roegen took, opening the prospect of another reading of Marshall, and so extending his influence.

For students of Marshall this book is an enjoyable and useful companion. The influence of Marshall has traditionally been explained by the success of his academic project: by creating the first undergraduate course in economics he secured the lasting impact of his work. This thesis is not of course without foundation, but the contributions collected here enable us to see in far greater detail the differential impact of Marshall, not only in Cambridge and Great Britain, but in other countries. There is no doubt that, at the beginning of the twentieth century, most economists acquired through their reading of *Principles* the framework of concepts which they then used in their own work. It became, far more than Walras's *Éléments* or Pareto's *Manuale*, the book of reference.

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