

Alfred Marshall's Last Challenge

Alfred Marshall's Last Challenge:

His Book on Economic Progress

Edited and introduced by

Katia Caldari and Tamotsu Nishizawa

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“It would not be foolish to contemplate the possibility of a far greater
progress still.”
—John Maynard Keynes, *Economic Possibilities for our Grandchildren*

“Believing in progress does not mean believing that any progress has yet
been made”
—Frank Kafka, *The Zürau Aphorisms*

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PREFACE AND ACKNOWLEDGMENTS

This book is the fruit of a particularly challenging project and summarizes our research and work of many years in the UK, Italy and Japan. The challenge lay in the ambitious project to piece together and publish Marshall's final volume on economic progress which remained unfinished and was never published. Our work was not easy and of course we are well aware that the result presented here does not exactly match what Marshall planned to draw up to be published. We have tried to get as close as possible to his original project and to tackle the lacunae due to missing material and fragments that were sometimes hard to decipher or arrange coherently. The outcome we have reached here has no pretence, therefore, of proposing Marshall's final "book that never was", but we believe that it offers the most significant and interesting insights that would have been part of that book.

As explained and summarised by Frances Willmoth ("The Marshall Archives: a progress report", *Marshall Studies Bulletin*, 1992) and Alexandra Saunders ("The Marshall Archives: a progress report", *Marshall Studies Bulletin*, 1996), the archivists at the Marshall Library some years ago, the Marshall archives collection consists of several papers, manuscripts and other materials, sorted into different sections: correspondence, lectures, notes, writings, graphs and tablets, papers for the creation of the Economic Tripos, photographs and various other items. In the Archives, all this material is grouped in different folders, distinguished by topic (method, accounting, stock exchange, banking, money and so forth). Only one of them is titled "Progress. Ideals" (folder 5.9): in this folder, there are "miscellaneous undated notes on progress and ideals for Marshall's proposed volume on economic progress".

However, we found that these are not the only notes dealing with progress, ideals and the connected subjects but many other notes on these subjects exist in other folders which are given different titles in the Archive catalogue (for instance, in folder 5.13.1 entitled "accounting"; in folder 5.8 on "Method"; in folder 5.6 entitled "Various", and so on). Moreover, given the multifaceted nature of the concept of progress in Marshall, the topics related to it are indeed various: from the efficiency of labour to the role of government – from the role of sectional interests to ideals for the future. This further explains why, in choosing the manuscripts to transcribe, we have considered not only the several notes catalogued as notes for the book

on progress (in folder 5.9) but also a larger amount of materials on the topics that the volume was to have focused on. We have therefore collected and transcribed the notes written in old age by Marshall specifically for the book on Economic Progress plus some other notes that Marshall was working on and adapting for his last volume. These latter notes had been amended and revised many times; sometimes different dates are indicated on the manuscripts; more often the different kinds of pen used, and the handwriting present in those notes testifies that additions or changes had been made by Marshall at different times. Actually, Marshall's age can readily be deduced from his handwriting and often even from the colour of the ink used to write: for instance the notes in red pen belong to the period when Marshall focused especially on the first editions of the *Principles of Economics*; whereas the notes and comments in blue pencil belong to the old Marshall and his reflections for his last book on progress. This is why we have recorded – where significant – the kind of pen used and sometimes Marshall's style of handwriting. A crucial tool to frame Marshall's idea of progress and accordingly choose the material to be transcribed lay in the several outlines written by Marshall himself for his projected volume, as will be explained in the Introduction below.

We are deeply grateful to the great number of people, friends and colleagues, who in the past years have supported our project, sustained us in the most difficult moments, and encouraged us to continue this work when the difficulties had almost convinced us to abandon this project. Our debts of thanks have accumulated. We want particularly to thank Richard Arena, Roger Backhouse, Marco Dardi, Martin Daunton, Fulvio Fontini, Cristina Marcuzzo, Steven Medema, Neil Rollings, Frank Trentmann and also some friends who are have left us along the way, including Giacomo Becattini, Peter D. Groenewegen, Tiziano Raffaelli, Yuichi Shionoya, John K. Whitaker, and Donald Winch.

We are particularly grateful to the Marshall Library of the University of Cambridge, the copy right holder, for permission to reproduce Marshall materials from the collections held in the Marshall Archives.

We are greatly indebted to the helpful team of the Marshall Library and especially to Simon Frost, who has helped us far beyond his assignment and has made the many difficulties involved in reading and tracing Marshall's manuscripts less difficult.

Last but not least, we are very grateful for the generous financial support from the Japan Society for the Promotion of Science (JSPS) for Grants-in-Aid for Scientific Research.

This work would not have been possible without their help, support and guidance. None of them, however, bear responsibility for any shortcomings in this publication.

INTRODUCTION

Principles of Economics...and beyond

For a long time the literature had interpreted Marshall's contributions on the basis of the *Principles of Economics*, and especially Book V: accordingly, the focus had been on the theory of equilibrium between demand and supply and on the analytical tools formulated by Marshall in that part of the volume. This line of interpretation underlined several inconsistencies in Marshall's reasoning that emerged from his theoretical apparatus (representative firm, time analysis, increasing returns and so forth). However, this criticism could only develop on the basis of a very partial reading of Marshall that prevented a proper understanding of his contributions. Far from being easily accessible – and all the more on the basis of his published works alone – Marshall's reasoning could be clarified and fully comprehended after the issue of some important unpublished material: most notably Marshall's early writings (Whitaker 1975); his early philosophical writings (Raffaelli 1994); and his correspondence (Whitaker 1996). Through these important sources it has been possible to build up and understand part of the complex puzzle of Marshall's thought (his methodological approach, evolutionary perspective, theory of value, industrial economics, and so forth). Other pieces of the puzzle are, however, to be found in other parts, and notably in the manuscript notes written for Marshall's last unfinished book on economic progress, which never saw the light of day.

Marshall's *Principles of Economics* (first published in 1890, with eight editions the last one in 1920) is a lifelong book which indeed never fully satisfied him insofar as it was only part of a more ambitious project which was never fulfilled. Marshall's original plan was to write a general treatise in two volumes: the first was the *Principles of Economics*, Volume I which was actually published in 1890, whereas, the second volume never came out. Marshall tried to retain the specification "Volume I" on the cover of the book as long as possible, against the opinion of the editor Macmillan, who waited – in vain – for the second volume: it disappeared from the cover as from the sixth edition of the *Principles* (1910) and was replaced with the sub-heading "An introductory volume".

The many difficulties that prevented the publication of the second volume of the projected original treatise and that made it “moribund”¹ as early as 1895 lead Marshall to undertake an alternative companion work with the title of *National Industries & International Trade*. This treatise was to have been in three volumes (Whitaker 1990: 210; Groenewegen 1995: 704–6) but even this project remained unfinished as only two volumes were published: the first volume in 1919 with the title of *Industry and Trade*; the second volume in 1923 as *Money, Credit and Commerce*. From the correspondence with Macmillan we know that the projected third volume was on the “Functions of Government and the Possibilities of Social Advance” which was partly the content of the planned and unpublished second volume to be published after the *Principles* volume I (Whitaker 1975, I: 89, 1990: 195). Nevertheless, Marshall never gave up the idea of publishing the substance of these unfinished volumes and to the very end (until his death) he was planning to issue a book on “Economic Progress” which, however, never appeared.

The *Principles of Economics* was widely considered the most significant of Marshall’s scientific and theoretical contributions whereas *Industry and Trade* and *Money Credit and Commerce* remained rather in the background: the former because it was considered a volume on economic history and applied analysis with little theoretical structure; the latter because, when published in 1923, it proposed a monetary theory already well-known (the so-called Cambridge oral tradition on monetary issues; see Keynes 1924) and thus had little appeal. Of the *Principles* it was Book V which attracted most attention. Book V is the analytic core of the volume, addressing “General Relations of Demand, Supply and Value”: it deals with the important topic of economic equilibrium, develops time analysis and provides the Marshallian “box of tools”.

A multifaceted box of tools

The centrality of Book V was often seen as being endorsed by Marshall himself when he pointed out that “It is not descriptive, nor does it deal constructively with real problems. But it sets out the theoretical backbone of our knowledge of the causes which govern value (...)” (Marshall 1920: 324). This idea seems to be confirmed in a letter to L.C. Colson in 1909 where he maintains: “the purely analytical work in Book V of my *Principles*, with a part of Book III, were the kernel from which my volume expanded backwards and forwards to its present shape” (Whitaker,

¹ As Marshall wrote in a letter to E. Cannan, quoted in Whitaker (1990: 198).

1996, III: 228). However, in a letter to Edgeworth on August 28, 1902, Marshall points out: "What I *meant* however is – for the greater – contained in the last two lines of Vol. I, p.788. "The ground traversed in Book V and Book VI commands and gives access to that which lies yet before us". To that I *adhere*, and I like it better than the old phrase "a kernel". But V and VI *rest* on III and IV; and VI is often concrete. In that old phrase you would perhaps take *the kernel to be the essential part: I take it to be a small part*; and, when taken alone, more likely to be misapplied than in the case of other science. *In my view "theory" is essential*. But I conceive no more calamitous notion than that abstract, or general, or "theoretical" economics was economics "proper". *It seems to me an essential but a very small part of economics proper [...]*" (Whitaker, 1996, II: 392-393, emphasis added). In order to better clarify this point Marshall makes an important change in the text of *Principles*: in the first four editions he wrote: "But the ground which we have already traversed is, in some respects, the most difficult of the whole province of economics; and it commands, and, so to speak, *holds the key* of that which lies yet before us" (Marshall 1961, vol. II: 720-21, emphasis added). From the fifth edition onwards, the same phrase is modified as follows: "But the ground which we have traversed in Books V and VI is, in some respects, the most difficult of the whole province of economics; and it commands, and *gives access to*, the remainder" (Marshall 1920: 722, emphasis added). This change, which may seem a mere matter of style, actually contains an important indication regarding Marshall's methodological approach.

According to Marshall, economic science does not have a method *par excellence*: being a social science, it deals with several complex aspects and therefore it has to make use of all the methods available to sciences (sociology, anthropology, biology, and so forth) and that can be useful for economic inquiries. As specified in a letter to John Neville Keynes in 1889: "In my new book I say of *methods* simply that economics has to use every method known to science. And as to the scope, I say 'Economics is a study of mans actions in the ordinary business of life it inquires how he gets his income & how he uses it' " (Whitaker, 1996, I: 299-300). Accordingly, the analytical-mathematical method which characterizes pure economics is to be considered only one among the other several methods: it is indeed the simplest in so far as it is based on simple relations and excludes a number of elements that might complicate analysis. It is what Marshall calls the economic toyshop contrasted to the practical workshop, as stressed in a letter to E.R.A. Seligman on April 23, 1900 (Whitaker, 1996, II: 276).

However, if the toyshop is not sufficient, it is indeed necessary to the economist's box of tools or organon: "Ultimately part of this organon will no doubt be presented as a perfectly pure or abstract theory" (Marshall 1885b: 160). Its importance is explained by Marshall as follows: "It is becoming clear that the *true philosophic raison d'être of the theory is that it supplies a machinery to aid us in reasoning* about those motives of human action which are measurable" (Marshall 1885b: 158, emphasis added). Although he warns that "this idea of *measurability*² should be always present [but] it should not...be prominent" (Marshall 1885b: 161, emphasis added), he insists that "*The complexity and intricacy of social phenomena afford no reason for dispensing with the use of the economic organon in its proper place: on the contrary they increase the necessity for it*" (Marshall 1885b: 163, emphasis added). This explains why, as from his early economic studies³ and writings (Whitaker, 1975, 2 vols.), Marshall made use of the analytical-mathematical method which became a crucial part of his "organon" as the fundamental basis to approach the complexities of economic science with the necessary accuracy. Book V of the *Principles* finds its *raison d'être* as intended to be just an "introductory volume", the first part of a more complex study of economic relations, and therefore "deals [only] with abstractions" (Marshall 1898: 52).

The function of the organon as necessary but not sufficient basis is well explained in one of his early writings *The Pure Theory of Foreign*

² In a speech given at the University of Cambridge in October 29, 1897, Marshall maintained: "The nineteenth century has in great measure achieved *qualitative* analysis in economics; but it has not gone farther. It has felt necessity for *quantitative* analysis and has made some rough preliminary surveys of the way in which it is to be achieved; but the achievement itself stands over for you. "Qualitative" and "quantitative" analysis are terms borrowed from chemistry – a science that deals with things as they are, and not with their growth; and therefore the terms are not exactly what we want. But they must serve. Qualitative analysis tells the iron-master that there is *some* sulphur in his ore, but it does not enable him to decide whether it is worth while to smelt the ore at all, and, if it is, then by what process. For that purpose he needs quantitative analysis [...]. And so it is also in economics. Every event has many effects; some work good, others evil. Some are permanent, others will quickly pass away. Some effect many, others only few. Some grow cumulatively, others invite a reaction. Mere qualitative analysis, then, will not show the resultant drift of economic forces" (Marshall 1897a: 301).

³ As he recalls in a letter to L.C. Colson in 1909: "I read Mill's *Political Economy* in 1866 or '7, while I was teaching advanced mathematics: and, as I thought much more easily in mathematics at that time than in English; I tried to translate him into mathematics before forming an opinion as to the validity of his work. [...]" (Whitaker, 1996, III: 227).

Trade (Whitaker 1975): "The province of the pure of abstract theory of Economics.... is to deduce conclusions from hypotheses which correspond as closely as may be to the conditions that occur in fact. The greater the simplicity of the hypotheses the less close can be this correspondence, but the greater can be the exactness of the conclusions deduced from them. The hypotheses which are selected for the groundwork of the science are simple. Familiarity with the process of tracing conclusions from such hypotheses gives the power of dealing with problems based on hypotheses which gradually become more complex, and therefore capable of being made to approximate more closely to the facts of life. The number of problems to be worked out increases at each successive stage of the approximation, and before many stages have been passed the number becomes so vast as to be wholly unmanageable. Moreover, *in the later stages of the work ethical and other social considerations must be introduced* that are not strictly homogeneous with those which enter into the fundamental hypotheses." (Whitaker, 1975, II: 118, emphasis added).

The most troublesome aspect of reality to deal with in economic analysis is the passing of time. Marshall placed the concept of time at the core of his economic reasoning, developing a number of analytical tools that allow time to be included in his analytical framework: most notably, the *ceteris paribus* pound, the representative firm, and the distinction between short and long periods.

Leaving aside what he considers the excessively "violent" and unreal assumptions that are connected with the idea of stationary state, Marshall resorts to the static method where the *ceteris paribus* clause comes into play: "*The element of time is a chief cause of those difficulties in economic investigations which make it necessary for man with his limited powers to go step by step; breaking up a complex question, studying one bit at one time, and at last combining his partial solutions into a more or less complete solution of the whole riddle. In breaking it up, he segregates those disturbing causes, whose wanderings happen to be inconvenient, for the time in a pound called Ceteris Paribus. The study of some group of tendencies is isolated by the assumption other things being equal: the existence of other tendencies is not denied, but their disturbing effect is neglected for a time*" (Marshall 1920: 366, emphasis added).

By means of this clause, Marshall develops Book V's equilibrium theory and time-period analysis with the distinction between "short" and "long" periods. The equilibrium theory relies on the relations between demand and supply for a single commodity alone and in a given time-period framework, which leads to the well-known distinction between temporary equilibrium, short-period equilibrium, and long-period

equilibrium. The crucial element of differentiation among them is on the supply side and focuses on the capacity of adjustments that supply has in response to variations on the demand side. Although any attempt at “rigid demarcation” among them is to be avoided (Marshall 1920: 378) insofar as time is something “absolutely continuous” (1920: vii), we do indeed find the distinction between temporary equilibrium, short-period equilibrium and long-period equilibrium (Caldari 2017; Hart 2012).

While for short periods, the use of the *ceteris paribus* clause and of the equilibrium framework is not likely to raise too many problems because it is certainly admissible to isolate a problem from its context, to focus on it, and to discover its equilibrium conditions, this method becomes much less acceptable when long periods are under consideration and “*violence is required* for keeping broad forces in the pound *Ceteris Paribus*” (Marshall 1898: 49, emphasis added). Moreover, there is an evident and unavoidable contrast between a long-run perspective and an equilibrium construction that Marshall has tried to resolve — rather unsuccessfully—by means of the representative firm, an “analytical and statistical construct” that represents “in miniature the supply curve of the industry” (Hart 2012: 86), as in a forest, a tree may be chosen as being representative of the other trees that may be growing and dying (Marshall 1920: 315–316; 367). Accordingly, in an industry, firms may rise and fall—depending on their life cycle—whereas the representative firm can be taken as constant in its relative size. The representative firm, therefore, should allow a long-period equilibrium to be addressed without disregarding the several individual firms in disequilibrium which belong to the industry in question. Nonetheless, connected with the representative firm we find the so-called “reconciliation problem”, which arises when change—due to the passing of time and its irreversibility—is dealt with in an equilibrium framework. This problem was clear to Marshall himself, who notes: “this theory is out of touch with real conditions of life, in so far as it assumes that, if the normal production of a commodity increases and afterwards diminishes to its old amount, the demand price and the supply price will return to their old positions for that amount” (1920: 807). These problematic aspects explain the reason why Marshall points out that “*this work is [only] preliminary*; [and] it does not lead direct to useful conclusions” (Marshall 1898: 52, emphasis added). In order to get closer to the real world it was necessary to leave aside such strong assumptions and hypotheses and take the real dimension of time into due account.

The book on economic progress

When Marshall refers to the “time dimension,” he uses two different concepts, often “without any specific explanation, but leaving the context to explain his meaning” (Guillebaud 1952: 126): (a) time as an operational tool; and (b) time as real clock time (see Opie 1931; Robertson 1952). The former is suitable for abstract analysis and is used in Marshall’s theory of equilibrium; the latter is a crucial aspect of real life and problems. Although Marshall tried to somehow link the two concepts by means of the principle of continuity (Hart 2012; Raffaelli 2003), real time involves an unavoidable path-dependence that cannot be taken into account by operational time, which characterizes the division into short and long periods. This is pointed out by Marshall: “the theory of stable equilibrium of normal demand and supply helps indeed to give definiteness to our ideas; and in its elementary stages it does not diverge from the actual facts of life. But when pushed to its more remote and intricate logical consequences, it slips away from the conditions of real life. In fact we are here verging *on the high theme of economic progress*; and here therefore it is especially needful to remember that economic problems are imperfectly presented when they are treated as problems of statical equilibrium, and not of organic growth”⁴ (Marshall 1920: 461, emphasis added). This explains why economic progress is one of the most pervasive subjects in Marshall’s writings, even in the *Principles* (Caldari, 2004, 2006a; Caldari and Nishizawa, 2011, 2014), and the main topic of his last unfinished book for which several notes still exist.

Marshall conceives that “the progress of man’s nature” is “the centre of the ultimate aim of economic studies” (Marshall 1961, vol.2: 75), and, accordingly, “economists learnt to take a more hopeful view of the possibilities of human progress” (Marshall 1920: 48). As he pointed out before the Royal Commission on the Aged Poor (Keynes, 1926: 205), he devoted his life to the problems of poverty; economic progress would eliminate poverty and provide material means for all the people to develop their faculties and activities. Accordingly, he often refers to “the distant

⁴ The two concluding chapters of the *Principles* are titled “General Influences of Progress on Value” and “Progress in Relation to the Standards of Life”: in the Preface to the last edition of *Principles* Marshall underlines that “the main concern of economics is with human beings who are impelled ... to change and progress” (1920 xv) and he often stresses the notion of “organic life-growth” and the idea that “economics is a science of life” (see for instance 4th ed.: 9).

goal where the opportunities of a noble life may be accessible to all”⁶. Elected as Professor of Political Economy at the University of Cambridge in December 1884, Marshall was asked to address the Industrial Remuneration Conference towards the end of January 1885. Here he concludes his speech by referring to economic progress as “the first aim of every social endeavour” (Marshall 1885a: 182); this idea is also emphasised in the last concluding paragraphs of *Money, Credit and Commerce* (Marshall 1923: 262-63).

In his last published book *Money, Credit and Commerce* he explicitly refers to his volume on Economic Progress: “the causes which govern the richness of the reward of the work.... those causes are the deepest concern to the student of the conditions of social well-being; and they are designed to have a prominent place in the final volume of the present series” (Marshall 1923: 234). In the Preface to the volume, Marshall also recalls that *Industry and Trade* was to be followed by a study of the influences on the conditions of man’s life and work which are “exerted by the resources available for employment; by money and credit; by international trade and by social endeavour”. However, the task proved too difficult and he therefore admits that “it seemed best to publish the present volume, which aims at accomplishing one-half of the task. A little progress has been made in regard to the second half: and, 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” (Marshall 1923: v-vi; see on this Nishizawa forthcoming). However, Marshall’s hopes were to be disappointed and, as we have seen, the volume on economic progress remained an unattainable goal.

The material written and to be used for this last volume is preserved at the Marshall Library Archive, in Cambridge. Although part of that material consists of a number of reprints (some of them partly modified) and notwithstanding the fact that a few manuscript notes have recently been published by some Marshallian scholars (for instance, Dardi 2010; Groenewegen 2005; Raffaelli 2011), we believe it worthwhile to have that material published as a whole. The whole corpus of material gathered together, in fact, affords us a more general and comprehensive view and understanding of Marshall’s reflections on progress – a topic he thought crucial but so complex and changing over time that, ultimately, he

⁶ See e.g., the concluding part of “The Old Generation of Economists and the New”, in the final part of *Industry and Trade*, “Possibilities of the Future”, and the conclusion of his inaugural address, “The Present Position of Economics”, where he stresses the importance “to open up to all the material means of a refined and noble life” (Marshall 1885a: 174; see also 1897a: 311, 1919: 665).

was unable to develop his perceptions properly and publish them in a systematic way. This is why we have decided to work on those notes and reprints and to give a “coherent” structure to the “book that never was” (Groenewegen 2005).

As we explained in the Preface and Acknowledgements above, the Marshall Archives collection consists of several papers, manuscripts and other materials. We have collected and transcribed the notes written by Marshall in his old age specifically for the book on Economic Progress plus some other notes that Marshall was working on and revising for his last volume.

A crucial tool to frame Marshall's idea of progress and accordingly to choose the material to transcribe is given by the several outlines written by Marshall himself for his projected volume. The most comprehensive plan (collected in folder 6.18.2 titled “Functions of Government”) has already been reproduced in Whitaker (1990) and Groenewegen (1995: 2005) and is as follows:

Book I: The Nature of E[conomic] P[rogress]

I Introductory conditions of E.P.

II Various tendencies of E.P.

III Interactions among the tendencies of E.P. Note on diagrams

IV Sectional interests in E.P.

Book II: Functions & Resources of Government in regard to E.P.

Introd[uctor]y

Currency

Stability of Credit

Taxes

I[n]ternational] T[rade] competition

Commercial Policy

Book III: The Economic Future

Influences of E.P. on the quality of life

Retrospect & Prospect

Ideal & Attainable. Poverty

We have, however, found scattered in other folders several other (although more partial) outlines conceived for that volume as the following one (from folder 5.3.1 titled “Book I: Ways and Means of Economic Progress,

Chapter I Introductory”):

Economic Progress
 Book I: Ways and Means of E[conomic] P[rogress]
 Book II: Functions of Government in Relation to
 E[conomic] P[rogress]
 Book III]: Some Possibilities of the Economic Future
 BOOK I
 Ways and Means of Economic Progress
 Chapter I
 Introductory
 1. Unity in Variety of Economic Progress

and the other one (from folder 5.40 titled “Fragments A[lfred] M[arshall]
 of some interest”):

Book I
 Chapter II
 II National and Sectional Interests in E[conomic]
 P[rogress]

In all the outlines sketched by Marshall, the volume on economic progress is to be divided into a number of books (most often three) and chapters under different titles.

In order to choose the manuscripts to transcribe and publish, we first looked at the several alternative outlines suggested by Marshall and considered the notes more closely connected with his idea of progress⁷. We then organized all these materials following Marshall’s original project but also according to our reflections and considerations on what are the most modern and interesting contents of Marshall’s idea of economic progress. We therefore made a selection of notes structured according to the following plan:

BOOK I
General Tendencies of Economic Progress
 Chapter I
 Nature and Conditions of Economic Progress. The Many in
 the One, the One in the Many

⁷ We have, however, left aside some subjects that, albeit important in Marshall’s reflections on progress, are already largely dealt with in other writings (such as currency and stability of credit in *Money Credit and Commerce*; international competition in *Industry and Trade*).

Chapter II
Relations of Cause and Effect between Man's Character
and His Industrial Conditions
Chapter III
Wages, Efficiency and Wellbeing
Chapter IV
Sectional Interests in Economic Progress

BOOK II
Functions and Resources of Government Regarding
Economic Progress

Chapter I
Economic Functions of Government
Chapter II
Taxation
Chapter III
Duties and Preferentials

BOOK III
Possibilities for the Economic Future

Chapter I
Work and Life: Progress and Evolution
Chapter II
Ideal and Attainable
Chapter III
Possibilities of Economic Future

The main topics selected and developed in this volume are related to the nature of progress (Marshall's Book I, here in Part I), the economic future (Marshall's Book III, here in Part III) and the role of Government in connection with the chief characteristics and aspects of the two (Marshall's Book II, here in Part II), which are of critical importance to understand Marshall's main aim of inquiring into the "high theme of economic progress".

Each Part of the present volume is divided into two Sections. Section 1 presents a general critical introduction to the issues that come under focus in Section 2, which reproduces Marshall's manuscript notes. In Section 2, for each manuscript note indication is provided of: a) the folder number as recorded in the Marshall Library Archive catalogue; b) date (when present) and other characterizing aspects of the manuscript. Furthermore, for most of the transcribed material we have added some

footnotes to contextualize and explain Marshall's text better. Text and punctuation in square brackets inserted into Marshall's text are our additions.

PART I

SECTION 1

WAYS AND MEANS OF ECONOMIC PROGRESS

WAYS AND MEANS OF ECONOMIC PROGRESS

“The growth of mankind in numbers, in health and strength, in knowledge, ability, and in richness of character is the end of all our studies” (Marshall, 1920: 139).

“The main concern of economics is with human beings who are impelled ... to change and progress” (Preface to 8th edition, 1920: xv).

Definition of progress

Economic progress is for Marshall something highly complex which involves several different factors and implies both quantitative and qualitative changes. Progress is not identified with a mere increment of wealth, nor does it coincide with material growth, but it involves other and far more important factors; as he 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 moral” (1920: 173). This explains why Marshall prefers the terms development or progress rather than growth, which is barely used in his writings. Growth implies a quantitative connotation, while development and progress refer more specifically to 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 (Part I, Section 2, Chapter I, §1) – but this is not its main feature. As underlined by Marshall: “wealth exists only for the benefit of mankind. It cannot be measured adequately in yards or in tons, nor even as equivalent to so many ounces of gold; its true measure lies only in the contribution it makes to human well-being” (fragment in Pigou 1925: 366). Human wellbeing is the true aim of progress: of course, also the concept of wellbeing is complex and multifaceted insofar as it includes material, physical, mental and moral components.

In one of the most representative definitions, Marshall characterizes economic progress thus: “Progress has many sides. It includes development of mental and moral faculties, even when their exercise yields no material gain. The term ‘economic progress’ is narrow and it is sometimes taken to imply merely an increase in man’s command over the material requisites of physical mental and moral well-being, no special