

## Alfred Marshall

(1842-1924)

*It seems appropriate that we start off this set of readings with a brief introduction from Alfred Marshall's Principles Of Economics because Marshall's Principles serves as a role model for the Colander Economics that this set of readings accompanies. Marshall saw economics not as being about abstract theory but, instead, about "mankind in the ordinary business of life." His Principles, first published in 1890, shied away from economic theory that was just for the sake of theory, and always tried to relate the argument to the real world.*

*When Marshall started writing, there was a fight between the German historical school and the mathematical theoretical school. He tried to place himself right in the middle, arguing that both had important insights, and that what was at stake was to use one's common sense and one's power of observation. One should choose the approach that shed the most light on the matter. He argued that "economic doctrine is not a body of concrete truth, but an engine of discovery of concrete truth." Thus, in many ways it was Marshall who first focused modern economics on economic reasoning rather than on economic truths.*

*Marshall was born in England in 1842 and he died in 1924. He studied mathematics in college and started to teach mathematics at Cambridge University, but he soon decided that his true passion was for economics. He became a professor of economics at Cambridge, and in that position was important in establishing economics as a separate field of study.*

*This brief selection is from the 8th edition of his Principles of Economics. It gives his definition of economics, and shows his view of economic laws.*

Alfred Marshall. 1890 (8th edition: 1920). *Principles of Economics*. London: MacMillan & Co., pp. 1-2, 31-33, 36.

## Economics

Political economy or economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being.

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. For man's character has been moulded by his every-day work, and the material resources which he thereby procures, more than by any other influence unless it be that of his religious ideals; and the two great forming agencies of the world's history have been the religious and the economic. Here and there the ardour of the military or the artistic spirit has been for a while predominant; but religious and economic influences have nowhere been displaced from the front rank even for a time; and they have nearly always been more important than all others put together. Religious motives are more intense than economic, but their direct action seldom extends over so large a part of life. For the business by which a person earns his livelihood generally fills his thoughts during by far the greater part of those hours in which his mind is at its best; during them his character is being formed by the way in which he uses his faculties in his work, by the thoughts and feelings which it suggests, and by his relations to his associates in work, his employers or his employees. (pp. 1-2). . . .

Let us then consider more closely the nature of economic laws, and their limitations. Every cause has a tendency to produce some definite result if nothing occurs to hinder it. Thus gravitation tends to make things fall to the ground. . . .

It is a very exact statement—so exact that mathematicians can calculate a National Almanac, which will show the moments at which each satellite of Jupiter will hide itself behind Jupiter. They make this calculation for many years beforehand; and navigators take it to sea,

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and use it in finding out where they are. Now there are no economic tendencies which act as steadily and can be measured as exactly as gravitation can; and consequently there are no laws of economics which can be compared for precision with the law of gravitation.

But let us look at a science less exact than astronomy. The science of the tides explains how the tide rises and falls twice a day under the action of the sun and the moon: how there are strong tides at new and full moon, and weak tides at the moon's first and third quarters; and how the tide running up into a closed channel . . . will be very high; and so on. Thus, having studied the lie of the land and the water all around the British Isles, people can calculate beforehand when the tide will *probably* be at its highest on any day at London Bridge or at Gloucester; and how high it will be there. They have to use the word *probably*, which the astronomers do not need to use when talking about the eclipses of Jupiter's satellites. For, though many forces act upon Jupiter and its satellites, each one of them acts in a definite manner which can be predicted beforehand: but no one knows enough about the weather to be able to say beforehand how it will act. A heavy downpour of rain in the upper Thames valley, or a strong northeast wind in the German Ocean, may make the tides at London Bridge differ a good deal from what had been expected.

The laws of economics are to be compared with the laws of the tides, rather than with the simple and exact law of gravitation. For the actions of men are so various and uncertain that the best statement of tendencies, which we can make in a science of human conduct, must needs be inexact and faulty. This might be urged as a reason against making any statement at all on the subject; but that would almost be to abandon life. Life is human conduct, and the thoughts and emotions that grow up around it. By the fundamental impulses of our nature we all—high and low, learned and unlearned—are in our several degrees constantly striving to understand the courses of human action, and to shape them for our purposes, whether selfish or unselfish, whether noble or ignoble. And since we must form to ourselves some notions of the tendencies of human action, our choice is between forming those notions carelessly and forming them carefully. The harder the task, the greater the need for steady patient inquiry; for turning to account the experience, that has been reaped by the more advanced physical sciences; and for framing as best we can well thought-out estimates, or provisional laws, of the tendencies of human action.

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Economic Laws, or *statements* of economic tendencies, are those social laws which relate to branches of conduct in which the strength of the motives chiefly concerned can be measured by a money price.

There is thus no hard and sharp line of division between those social laws which are, and those which are not, to be regarded also as economic laws. For there is a continuous gradation from social laws concerned almost exclusively with motives that can be measured by price, to social laws in which such motives have little place; and which are therefore generally as much less precise and exact than economic laws, as those are than the laws of the more exact physical sciences.

It is sometimes said that the laws of economics are "hypothetical." Of course, like every other science, it undertakes to study the effect which will be produced by certain causes, not absolutely, but subject to the condition that other things are equal, and that the causes are able to work out their effects undisturbed. Almost every scientific doctrine, when carefully and formally stated, will be found to contain some proviso to the effect that other things are equal: the action of the causes in question is supposed to be isolated; certain effects are attributed to them, but only on the hypothesis that no cause is permitted to enter except those distinctly allowed for. It is true, however, that the condition that time must be allowed for causes to produce their effects is a source of great difficulty in economics. For, meanwhile, the material on which they work, and perhaps even the causes themselves, may have changed; and the tendencies which are being described will not have a sufficiently "long run" in which to work themselves fully. . .