Introduction

This book is a study of the intellectual foundations of Alfred Marshall's economic science. It makes no attempt to evaluate Marshall's contributions to economic science by the lights of current economic thinking. Nor is it conceived as a step toward the reformation of contemporary economic theory, showing what one of its founders "really meant." Even the most historically minded of contemporary neo-Marshallian economists are likely to find this study "backward looking," with little connection to contemporary research. Yet these disclaimers are not intended to justify a study of 'ideas for ideas' sake. "We need history," Nietzsche once wrote, "but not the way a spoiled loafer in the garden of knowledge needs it." Intellectual history can, on occasion, lead us not only to the roots of our present beliefs, but also to fresh perspectives on current problems. But the contemporary problems that this book points toward are not specifically economic ones. They relate rather to the connection between our economic reasoning as a whole and our various political, moral, and cultural values; for the primary concern of the following chapters is not the development of Marshall's economic thought as such, but the intimate and intricate connections that can be traced between his work in political economy and the development of his philosophical thinking.

Marshall's earliest philosophical writings date to the late 1860s, when he first became associated with the moral sciences as taught and developed at the University of Cambridge. As will be told in detail in the third chapter of this book, these writings reflect Marshall's efforts to navigate his way through a rather messy Victorian philosophical dispute. In this dispute orthodox Anglicanism was defended by the argument that the gulf between the human mind and the divine mind could not be bridged by human reason and that only revelation allowed us knowledge of God's

1 See the editorial introduction to ECAM, xvi.
purposes for humanity. The philosophical framework of this orthodox position, however, became the basis for a new “agnostic” creed developed by “scientific naturalists” who, by passing over revelation, now separated a knowable domain of nature from an unknowable realm of the “Absolute.” The champion of utilitarianism, John Stuart Mill, opposed the philosophical framework adopted by both orthodox and agnostics, and defended a secular moral philosophy. Finally, a number of liberal Anglicans insisted that reason granted humanity access to the divine mind and its purposes on earth. Some of the fiercest fighting in this contest occurred between advocates of a version of common sense philosophy that supported orthodox Anglican theology and proponents of a new “incarnationalist” theology that rested on a Coleridgean version of German idealism. As will be argued in Chapter Three, Marshall's earliest philosophical writings show that he came to accept the mental dualism articulated by those liberal Anglicans in Cambridge, whose thought derived from Coleridge.

The basic argument developed in this book is that this early philosophical dualism provides the key to a significant swath of Marshall's subsequent intellectual development. As we shall see in Chapter Three, Marshall began with Mill's attempt to show that our idea of the self, rather than resting on an intuition, could be accounted for by the association of ideas. Seeing that Mill had failed in this attempt, Marshall nevertheless rejected the common sense intuitionist alternative to Mill's associationist psychology developed by William Hamilton and Henry Mansel (and therefore also the philosophical basis of “agnosticism”). Marshall concluded rather that Cambridge liberal Anglican philosophers had been correct to distinguish between a higher and a lower sphere of the human mind. According to this Coleridgean mental dualism, a higher “Self” was identified with the activity of self-consciousness, while Mill's associationist psychology could be accepted as providing the basis for a physiological account of the workings of a lower animal self. Marshall's distinctive mechanical rendering of an associationist model of the lower self is outlined in Chapter Four. In Chapter Five we shall explore some of the ways in which Marshall's philosophical dualism informed his earliest efforts in political economy, most significantly by shaping the methodological procedures by means of which he sought to reformulate and advance this science.

In the early 1870s, Marshall's discovery of Hegel's Philosophy of History led him to develop further the idealist facet of his psychological dualism. As we shall see in Chapter Six, Hegel provided Marshall with a vision of self-consciousness as a subject of historical development. This development, Hegel had argued and Marshall now concurred, had occurred in two broad stages.
First of all, a moral order composed of self-conscious human agents had gradually emerged out of the natural world (“subjective freedom”). Second, social institutions that realized, protected, and fostered the further advance of self-consciousness had come into being (“objective freedom”). Modern economic life, Marshall now concluded, required for its precondition both subjective and objective freedom. But reconciling this idealistic philosophy of history with his earlier study of the evolution of the lower self described by associationist psychology was not entirely straightforward. Initially, and as told in Chapter Seven, Marshall concluded that a liberal dose of higher education was needed to bridge the gap between the spiritual potential and the problematic mental actuality of the majority of the population. But in the last chapter of this book we shall see how, over the course of two decades, Marshall would develop and revise the categories of Hegel's *Philosophy of History*. The resultant social philosophy, which constituted a “rounded globe of knowledge” of which economic science was but one part, was founded on a dialectical vision of a distinctly modern form of progress.²

This book, then, can be read as an account of how Marshall’s specifically economic ideas were developed against the background of an idealist philosophy. From this point of view, the present study reveals the intimate connection that existed on all levels between Marshall’s economic and philosophical thought. But if this book recounts an episode in the history of political economy, it does so by focusing primarily not on Marshall’s economic science, but on the intellectual foundations of that science. Hence it perhaps makes more sense to approach it in the first instance as an exercise in the history of philosophy rather than the history of political economy. Ultimately, however, such distinctions are somewhat artificial; as the following pages argue, the economic and the philosophical components of Marshall’s thought constituted but two halves of a single “rounded globe of knowledge.” It was indeed Marshall who, at the beginning of the twentieth century, took political economy out of the Cambridge Moral Sciences Tripos and established a separate and autonomous faculty of economics. But what the present book demonstrates is that, for this founder of modern economic science, there could be no question that economics provided a complete perspective on modern social problems. Economic science might warrant institutional autonomy, but intellectually it remained subordinate to that higher philosophy on which it was founded.

² The expression a “rounded globe of knowledge” derives from Keynes 1925: 48. Keynes, however, applied it solely to the economic science set out in Marshall’s *Principles of Economics*.
Today, however, economics appears to have broken free of these philosophical chains. This development has significant repercussions for our own political thinking. At one extreme of current political debate stands a libertarian philosophy that appears to deny the reality of any public values not determined by the market. At another extreme we find atavistic Marxists who simply reject the workings of the market as false and fetishistic. Between these two extremes we encounter a political debate conducted in two languages – the language of economic science and the language of moral, political, and cultural values – and these two languages appear to be mutually unintelligible. The situation is perhaps not dissimilar to that of the early nineteenth century when, in Britain, no consensus existed between those who employed mechanical and those who employed organic metaphors in their discussions of social issues. This early-nineteenth-century state of affairs in fact forms a crucial part of the wider context within which we should situate Marshall's Herculean efforts to reconcile apparently conflicting philosophical positions and thereby achieve a platform for political consensus. If, once again, we today find ourselves unable to reconcile economic and political values, this does not, of course, entail that we need to resurrect Marshall's rounded globe of knowledge as a whole. One important step that we can take, however, is to bring into view both the merits and the limitations of Marshall's particular intellectual synthesis. This book contributes to this task by way of a detailed study of how and why that synthesis was first developed. In the remainder of these preliminary remarks, however, an attempt will be made to place Marshall's efforts in a wider historical perspective in order to formulate an initial evaluation of the intellectual presuppositions of Marshall's project.

We can begin by noting that the very choice of the historical method in the following pages implicitly signals dissent from one part at least of Marshall's rounded globe of knowledge. According to today's academic terminology, the present historical study falls under the label of “contextualist.” This is because it engages in a close reading not only of Marshall's texts, but also of his contexts. Behind such a procedure stands an assumption that the meaning of Marshall's texts can be usefully framed in terms of his authorial intentions and a conviction that we are aided in interpreting what Marshall meant to do in composing these texts by paying close attention to both the language he employed and the concrete situations within which he so acted. The adoption of such a methodology should certainly not be mistaken for the claim that a contextualist strategy constitutes the only valid approach to the history of ideas. A contextualist methodology does, however, stand in direct opposition to an approach that derives the meaning of a text by
situating it within a series of canonical texts. The latter method generates a teleological meaning from any particular text by ascertaining its place in a seemingly inevitable march of thought from error to truth. From this point of view, neither the particular languages found within the text nor the specific historical backgrounds that informed its composition are of any intrinsic interest. One of the claims advanced in this book is that Marshall's innovations in political economy were inextricably bound up with just such a teleological approach to the history of ideas.

Marshall's version of the history of ideas will occupy us at a number of points in this book (specifically in Chapters One, Five, Six, and Seven). What we shall find is that his approach combined two distinct historical narratives, each of which stemmed from a different stage in his early philosophical development. To begin with, by 1871, Marshall had formulated a distinction between thought and its expression in the history of political economy. On the basis of this distinction, he proceeded to dismiss variations in terminology as superficial compared with an underlying continuum of economic thought (which he discerned from the Physiocrats through Adam Smith to David Ricardo and John Stuart Mill). Such a distinction between thought and words was itself founded on Marshall's philosophical mental dualism, which saw words as the product of the lower, creative ideas of the higher self. As we shall find, Marshall's approach to the use of language was, in some ways at least, compatible with the contextualist method employed in this book. Writing for Marshall was, in the first instance, a communicative act, the performance of which presupposed both specific circumstances and specific intentions. Nevertheless, a significant gap remains between even this perspective on the use of language and that which is utilized in the present study.

The interpretations developed here rest in part on the assumption that language shapes, propels, and circumscribes the possibilities of thought. Such an assumption is typical of the intellectual history of the last third of the twentieth century and has its roots in the antipsychological linguistic turn taken by philosophy at the beginning of the twentieth century. Not surprisingly, perhaps, this assumption was quite alien to Marshall. Marshall's starting point is the individual mind, and he regards language as simply the expression of ideas that are formed independently of language. In other words, Marshall views communication as an activity whereby two or more minds happen to make use of some particular system of signs for the purpose of exchanging ideas. From such a perspective, the activity of communication is based on the separate and independent mental activities of two or more private selves. But Marshall's distance from today's social
conception of language becomes even more marked when we turn from his approach to the ordinary ideas of everyday mental experience to what he regards as those creative or “constitutive ideas” embodied in philosophy or the sciences. In these cases, writing and speech become not simply separate from but actually inferior to an activity of spirit, which follows its own teleological development quite unrelated to particular concrete situations or individual acts of will. From this standpoint and as illustrated in Chapter Five, language becomes a barrier that we must overcome to arrive at that truth which belongs in the higher realm of reasoned thought.

This idealist kernel of Marshall’s history of ideas was broadened and deepened in the wake of his discovery of Hegel. By associating the thought of the eighteenth century with ancient pagan philosophy, Marshall was able to project his Hegelian philosophy of history onto the history of social thought since the time of Turgot and Smith. Eighteenth-century social thought, Marshall now supposed, had identified society with a natural order with which it was wrong for human institutions to interfere. Over the course of the century separating Turgot and Smith from John Stuart Mill and himself, however, Marshall believed that this laissez-faire natural law philosophy had given way to a moral and, ultimately, idealist social philosophy. Thus at the heart of this book stands the argument that Marshall’s intellectual project as a whole can best be understood as founded on two convictions: that J. S. Mill had correctly pointed to the need to recast the social thought of the eighteenth century in light of the new social philosophy of the nineteenth, but that Mill’s associationist psychology had, unaided, been unequal to the task. As we shall see in Chapter Seven, by 1873 these two convictions had led Marshall to attempt to reformulate political economy as a properly moral science. Such a reformulation rested on a version of the history of ideas that, for our purposes, it is instructive to contrast with the findings of more recent intellectual history.

In the writings of the historian of philosophy Knud Haakonssen, early modern moral philosophy is presented as a long-running three-cornered contest.3 One of these corners was occupied by the defenders of the various orthodox confessional creeds. Opposed to such religious orthodoxy, but also to one another, stood the new “voluntarism” initiated by Thomas Hobbes and a mainstream “moral realism” that was in key ways continuous with scholastic metaphysics (these terms, we might note, are derived from modern as opposed to early modern philosophy). Both orthodox and

3 This account is culled from a variety of Haakonssen’s papers, but see in particular Haakonssen 2004, 2008. For a cogent justification of his noncontextualist employment of modern terminology, see the introduction to Haakonssen 1996.
voluntarist emphasized the gulf between the human and the divine mind, but where the former sought moral guidance in revelation, voluntarists saw morality in terms of conventions established by social interaction. Moral realists, in contrast to voluntarists, held that moral duties or virtues were objective facts about the universe, but in contrast to the theologically orthodox they argued that the human mind, unaided by revelation, had the cognitive ability to discern these facts. With regard to the Scottish Enlightenment, Haakonssen identifies David Hume and Adam Smith as continuing the voluntarist tradition of Hobbes, while he considers the common sense philosophy of Thomas Reid and Dugald Stewart to be a development within the mainstream tradition of moral realism. As should already be apparent, Haakonssen’s sketch highlights elements of both continuity and change with regard to that Victorian dispute that we have identified as forming the background of Marshall’s early philosophical writings.

To begin with, it is clear that sometime in the first part of the nineteenth century, a mutation occurred in common sense philosophy. In the hands of Stewart, Reid’s philosophy had proved the crucial intellectual resource in establishing an optimistic moral philosophy grounded on the conviction that the divine law is both written in our own hearts and constitutes the underlying order of the social world. In other words, Stewart took for granted that the finite human mind could know the nature of the divinity. In the Victorian dispute, however, common sense philosophy provided intellectual support for the orthodox theological position that the human mind cannot know God, and so must rely on revelation for moral guidance. Hence it is Cambridge Coleridgeanism rather than Hamilton and Mansel’s version of common sense philosophy that appears to be a continuation of mainstream Enlightenment moral realism. This continuity begins from a shared belief in our ability to discern God’s moral purposes and extends to a relative indifference to specific forms of worship in light of a conception of society as the domain of God’s providence. In other words, our real duties to a God who we know desires and works for our moral improvement are discharged in the course of ordinary life. Thus both Stewart and the Cambridge Coleridgean F. D. Maurice believed that the proper study of moral philosophy can elevate us in our social activities to the status of “fellow workers with God.” Here, we might add, lies a clue to the striking similarity in the tone of moralizing optimism found in the economic writings of both Stewart and the mature Marshall.

4 See Stewart CW, VII: 120–60 (especially 121–2).
5 Stewart CW, I: 489, 491–2.
Any underlying continuity between the moral philosophies of the eighteenth and nineteenth centuries was, however, radically obscured by a change in language. The early modern debate between moral voluntarists and realists was conducted using the terms of natural law theory. That is, both traditions employed juridical concepts, such as duty, obligation, right, and property, which derived from Roman law. Following the use to which natural rights language had been put in both the American and the French revolutions, however, nineteenth-century British public moralists self-consciously spurned the framework provided by the language of natural law. But in doing so they also lost sight of the philosophical distinctions that, in the preceding century, had been drawn by means of this language. British philosophers from Jeremy Bentham onward now projected onto the seventeenth and eighteenth centuries a single monolithic natural law tradition. The resulting amalgam of two opposing moral philosophies allowed for criticism that drew on often incompatible elements of both. Bentham, for example, attacked the idea of “natural rights” by rejecting as “nonsense on stilts” the metaphysical arguments that had in fact supported a conception of rights as derived from duties. In 1870 the historical economist T. E. Cliffe Leslie would perform a similar fusion by identifying a providential teleology as one of the foundations of Adam Smith’s political economy. Marshall’s reading of eighteenth-century thought followed in the footsteps of Bentham and Cliffe Leslie, with the difference that he emphasized the importance of both the Roman juridical tradition and the Stoic philosophy by means of which it had been interpreted, both in the ancient world and in the early modern period. As we shall see in Chapter Six, when welded to his Hegelian vision of history, this interpretation of eighteenth-century natural law theory allowed Marshall to regard Adam Smith as representative of an era that uniformly founded its account of the moral world on a pagan conception of nature.

Judged by the light of more recent scholarship, then, the history of social thought around which Marshall conducted his reformulation of political economy was seriously flawed. The mutation of common sense philosophy and the construction of an erroneously monolithic reading of the natural law tradition served to obscure important underlying continuities between eighteenth- and nineteenth-century moral thought. Supplemented by elements of German idealism, the mainstream moral realism of early modern philosophy was maintained far into the nineteenth century. Because he saw transformation rather than continuity, however, Marshall was able to conceive of his own reformulations of political economy as the last acts of a modern project responsible for placing a mechanical and ultimately
pagan science on properly moral foundations. But once we locate Marshall's moral philosophy as a further development of that mainstream moral realism that can be traced back through Stewart and Reid to Richard Hooker and before him Thomas Aquinas, a different picture emerges. Put simply, Marshall now appears to be a moral philosopher who, like Stewart before him, was determined to situate a version of Adam Smith's science of political economy firmly within an enduring tradition of moral realism – a tradition to which Smith himself definitely did not subscribe.

It was Marshall's philosophy of mental dualism that allowed him to tame Smith's moral philosophy while advancing his political economy. In his mature thought, Marshall identified economics as a physical science that, as such, treated of the lower but not of the higher self. In the first instance, then, economic science and “higher philosophy” were to be separated. At the same time, however, economic science maintained an intimate connection with a higher philosophy that provided its foundations and its underlying telos. This connection can be illustrated by Marshall's mature conception of “economic organization.” For Herbert Spencer, organizations were natural entities. Marshall adopted a version of Spencer's model of the evolution of organizations, but placed it within the framework provided by his philosophy of history. An economic organization, for Marshall, develops not within a natural but a moral environment. A physicalist economic science was therefore not a “natural science”; if it passed over it also presupposed those moral foundations of the modern social world that were properly studied by a higher philosophy. The connection was reinforced by Marshall's ubiquitous emphasis on education. Participation in either markets or economic organizations (as factory workers or as managers) served to educate different aspects of character. In this way the economic sphere, in theory at least, fit neatly into an overall social philosophy that conceived of progress in terms of the ethical education of both higher and lower selves. In practice, of course, Marshall experienced tremendous difficulties in reconciling economic science with his higher social philosophy. The economic many were continually threatening to burst asunder the overreaching hold of a philosophical one. It is a tribute to Marshall's strength of character, that as illustrated by successive editions of his *Principles of Economics*, he neither abandoned his unifying philosophical vision nor compromised the integrity of his science of economics.

The question arises, however, as to how valuable this remarkable unified vision actually was. The first two chapters of this book are dedicated to an examination of some of the contexts informing Marshall's early work. In Chapter One, in particular, it will be argued that Marshall's philosophical
and economic projects can be related to the specific political and social situation in which academic liberals found themselves in the late 1860s and early 1870s. Put simply, Marshall's early intellectual efforts can be seen as attempting to arrive at two distinct but related goals: the construction of a new public role for university academics as nonpartisan authoritative experts and the establishment of that authority on a reconciliation of opposing philosophical positions. The hope fueling such a project was that a reformulated science of political economy might command the consensus of liberal Anglicans and romantic social critics as well as secular academic liberals. The problem was, however, that the reformulation of political economy that Marshall unveiled in 1873 was seriously and fairly obviously incomplete. Marshall's tragedy, one might say, was that by the time he had worked his thought into a comprehensive shape some two decades later, the social and political situation had changed irrevocably. Indeed, by the time of his death in 1924, Marshall appeared to have bequeathed a divided legacy. As J. M. Keynes insisted in his obituary memoir, Marshall had been "endowed with a double nature," half scientist and half religious pastor. Keynes here set the tone for the subsequent twentieth-century reception of Marshall's thought, which basically consisted of the development of various parts of his scientific legacy, and the dismissal of the underlying philosophical framework as an uninteresting vestige of religious faith and Victorian moralizing.

Keynes's judgment was no doubt well received in the twentieth century in large part because it accorded with the perspectives of an academic world increasingly under the spell of logical positivism. Today, however, it is no longer possible simply to dismiss metaphysics out of hand as meaningless. Nor does it seem helpful to place an iron curtain between technocratic scientific expertise and discussion of political and moral values. After a century of quietude, political philosophy has once again become an ongoing academic concern. Marshall's metaphysical positions thus warrant renewed examination. But while there can be no doubt as to the intellectual power of Marshall's philosophical system, we also need to be clear as to its limitations. Both can be usefully illustrated by a comparison of aspects of Marshall's thinking with the moral philosophy of Adam Smith; for by means of his mental dualism, Marshall (quite unconsciously) managed to replicate at least some aspects of Smith's naturalistic moral philosophy,

6 Keynes 1925: 11–12.
7 On the revival of political philosophy and its relationship to the twentieth-century histories of the disciplines of economics and the history of political thought, see Tuck 1993.