

Three Manuscripts on Ideal Social Orders

Marco Dardi

1. Editorial Introduction

The three manuscripts that are transcribed below throw an interesting side light on Marshall's life-long concern with the issue of the suitability of capitalist institutions – especially, private property and price-based allocation mechanisms – as a foundation for organizing a morally fair and economically efficient model of society. This concern showed up in his constant attention for alternative forms of social organization: first of all, the plans of socialist societies that he met in his early readings of socialist literature and personally observed at work in the small religious communities that he visited during his journey through the US in 1875; and then later on, the schemes of centralized State socialism which, by the end of the century, were acquiring momentum as the most likely competitors of the industrial system based on private capital with which he was acquainted. Thinking in terms of possible utopias was no minor component of his inquiry into these matters. Utopias served him both as intellectual experiments and as repositories for hopes and ideals that could not be allowed to surface in the “scientific” part of his work – a part consisting of statements “expressed in the indicative mood, and not [...] in the imperative”¹ – but were one of the main driving forces behind his activity as a practicing economist. As is well-known, in the years of his old age he conceived plans and collected materials for a never-to-be-realized volume on economic progress, which he saw as the most appropriate conclusion to a life devoted to research in the social field². It is very likely that at least the two manuscripts marked B and C below, although coming from an earlier period, were reconsidered by Marshall with a view to incorporating them in this volume.

What do the three manuscripts have in common to justify their joint publication? In all of them an ideal social order is evoked, with features that seem designed to embody one or the other of two alternative concepts of distributive justice. One (manuscript A) is justice in the sense that each member of the community ends up receiving the entire product of his/her labour. The other (manuscripts B and C) is justice understood as giving to each one according to his/her needs and irrespective of that person's contribution to the social product, although in assessing individual needs, account is taken not only of the relevant personal characteristics, but also of the requisites for an efficient performance in the productive task that the person is assigned. The institutions necessary for keeping the two kinds of society in operation are then examined in the light of their efficiency in allocating persons among tasks and products among persons. In the case of labour-based justice, assumptions as to the social and technological conditions are carefully worked out so as to make it possible to associate a well-defined portion of the social product with each person's labour without any ambiguity. As this amounts to assuming a pure labour economy, with a very simple and stationary technology, Marshall argues that the mechanism of competitive exchange on the basis of self-interested independent choices can do all the work of bringing relative prices to equality with the embodied labour ratios. Thus, each person's labour is guaranteed to be rewarded in labour on a one-to-one basis, and – as a mere effect of the automatic operation of the price system – nobody gets a surplus or is exploited by anybody else. In the case of needs-based justice, instead, the economy is supposed to closely resemble the real economy, with a sophisticated and

¹ *Principles of Economics*, Ninth (variorum) edition, London: Macmillan, 1961, I, p.vi.

² See P. Groenewegen, *A Soaring Eagle: Alfred Marshall 1842-1924*, Aldershot: Edward Elgar, 1995, pp. 725 ff. A project for restituting at least a fragmentary image of the planned volume from the extant manuscripts is at present under way, thanks to Katia Caldari, Simon Cook and Tamotsu Nishizawa. Incidentally, I wish to express my gratitude to Katia for her help with the editorial work.

continuously changing endowment of material and human capital. What makes the difference between the ideal and the real world this time is an assumption of accomplished moral perfection (“no private rights, only public duties”) that excludes the operation of both competition and self-interest. The role of the market as an automatic allocative device is therefore ruled out, and the task must be committed to the intelligent care of the leaders of the community, who spend all their time making decisions on who is entitled to getting what and who is most qualified for doing what on the exclusive basis of their “philosophical” wisdom.

In comparison with the ideal systems, the economy of the real world is easily seen to fail the test of distributive justice in both labour-based and needs-based specifications. It is true that the real economy operates through competitive markets, like the ideal labour economy of manuscript A, but its complex and changeable industrial structure is a far cry from the technology of the “independent artisans”, whose homogeneous and unspecialized labour requires neither prolonged training nor the assistance of “roundabout” production methods. That Marshall thought that the actual conditions of a modern economy made “exploitation of labour” not a *false* but a *meaningless* notion is already clear from his sparse comments on Marx’s theory of surplus value in the *Principles*, in *Industry and Trade* and elsewhere³. Manuscript A supplements these texts with the *a contrario* argument that, for the formula “right of the labourer to his whole product” to have a definite sense, one needs to assume a simple world in which social production can be reduced to the operation of “Nature unaided by contrivance”. The real economy also fails the test of needs-based justice because, differently from the “wise autocrat” of manuscripts B and C, the market mechanism on which the real economy relies is philosophically blind and, being forced to operate through monetary values, tends to perpetuate all the biases brought about by inequalities in the distribution of wealth, the most important of which from the point of view of needs-based justice is the fact pointed out in C / 3/: futile needs of a few rich people may displace the essential needs of many poor people because of the much higher purchasing power that the former are able to bring to the market.

However, the real economy is also seen to have the power of making up for its deficit of justice, thanks to its superior effectiveness in turning to account the creative force of a society that continuously experiments with new men, new knowledge and new methods of production, thus creating a progressive environment that, however intelligent it may be, no planning authority could reproduce in all its dynamism. The state may be able to make the most of the latest innovations but who will provide it with the pioneering impulses from which these proceed? And, lacking the sources of material progress, who, apart from “fervent believers”, would want to live in the “quiescent world” of the labour economy of A, or under the “sacerdotal authority” of its leaders? Even in the morally perfect society of B and C, there is more than one doubt that the “soft conditions” of the country are not the most favourable to the emergence of men with the qualities of industrial leaders; and that the wise rulers might never reach an agreement in balancing alternative courses of action involving subtle philosophical principles. All things considered, the deficit of justice of the real economy is found to be the inevitable dark side of the latter’s ability to turn morally objectionable instincts to efficient use with results that may be equally objectionable, but are accompanied by the indubitable bonus of great increases in material wealth.

The background to the manuscripts seems therefore to be the broad theme of the trade-off between economic justice and industrial progress that engaged Marshall’s intellectual energies particularly in the years from “The Old Generation of Economists and the New”, the inaugural address to the Cambridge Economic Club of 1896⁴, to *Industry and Trade* of 1919. In these years, Marshall elaborated his own model of a utopian society, the 1907 “manifesto” on the “Social

³ See *Principles*, cit., I, pp. 586-8; *Industry and Trade*, 2nd edition, London: Macmillan, 1919, p 71 fn. 2. See also *The Correspondence of Alfred Marshall Economist*, edited by J.K. Whitaker, Cambridge: Cambridge University Press, 1996, I, pp. 302-3, II, pp. 398-9; and the manuscript lecture notes on socialism, circa 1886, in Marshall Archive, folder M 3/16.

⁴ *Memorials of Alfred Marshall*, edited by A.C. Pigou, London: Macmillan, 1925, pp. 295-311.

Possibilities of Economic Chivalry” (*Memorials*, cit., pp. 323-46), and went so far as to merge parts of it with his economic analysis by inserting some of the main themes from the “Chivalry” article in the conclusive chapter on progress in the fifth edition of the *Principles* (Book VI Chapter XIII). These are very likely the years in which the three manuscripts were written. Although only B is dated February 1912, there is indirect evidence that C can be traced to the same period, and A is certainly not earlier than 1899. If we look at Marshall’s published output of this period from the angle of the manuscripts, many common strands of thought stand out⁵. There are the qualifications to the “Maximum satisfaction” doctrine expounded in Book V of the *Principles*, which are based on the same argument that we find in manuscript C, i.e. the exposure of “the falsity of the mirage which is caused by the fact that the comfort of a few rich men sometimes has a higher bidding power in the market than more urgent needs of many poor, and will outbid them in the market” (*Memorials*, cit., p. 305). And to offset this criticism of the capitalist machinery, there is the parallel criticism of the socialist tradition in both the earlier Utopian and the modern collectivist version. The former is anchored of necessity to “almost primitive methods to satisfy little more than primitive needs”, as in the community of manuscript A: the latter is misled by an insufficient appreciation of the difficulty of the problems that a complex industrial system would pose, as shown in B and C, even to able and good-willed regulators of a planned collectivist society (see “Chivalry”, in *Memorials*, cit., pp. 340-1). Moreover, there is the further theme of the inability of the state, due to its institutional set-up, to contribute to the progress of knowledge and invention, as repeatedly argued in the final chapter of the *Principles* (cit., I, pp. 712-3), “Chivalry” (*Memorials*, cit., pp. 338-9), *Industry and Trade* (cit., pp. 667 ff), and recalled in manuscript B /16/ with the hint at officials of centralized organizations who “are seldom called upon to create”. The core of Marshall’s meditation in this phase seems to be the still irreplaceable role of private property rights in motivating and disciplining risk-taking and industrial innovation⁶. This is why, while exploring radical alternatives to the present social order in his private notes, he limited himself in his published writings to the strongly conservative proposals of “Economic Chivalry”, an ideal social order which shares all the main institutions with the actual one, especially private property and free enterprise, and differs only with regard to the moral attitudes of entrepreneurs and the cultural propensities of the population at large.

The “Economic Chivalry” paper takes a few steps towards a less unequal distribution of wealth, but what marks the difference between that paper and the three manuscripts is the latter’s focus on precisely defined notions of distributive justice. It may be recalled that in 1883, in the Bristol lectures on progress and poverty, Marshall had said that he was not going to discuss distributive justice “because he did not know what that meant”⁷. In fact, he engaged in such discussions implicitly whenever he dealt with questions related to the elimination of the residuum and of extreme inequality; but the focus was on the economic argument, and whatever notion of justice was implied remained somewhat vaguely in the background. The precision with which different ideas of justice are outlined in the manuscripts is, therefore, unusual. It is a likely guess that the two concepts of labour-based and needs-based justice may have been inspired by the work of the legal theorist Anton Menger, the brother of the economist Carl. In the book that Marshall recalls in manuscript A /11/, Menger based his examination of socialist and communist schemes for a normative reorganization of society on the extent to which they managed to combine satisfaction of two fundamental rights: the right to the whole produce of labour, and what he called “the right to subsistence”. Marshall had known Menger’s book in the original German edition, and had quoted it

⁵ The following is a brief summary of the reconstruction of the development of Marshall’s thought on alternative social organizations that I have attempted in my “Ideal Social Orders”, in the volume *Marshall and Marshallians on Industrial Economics*, edited by T. Raffaelli, T. Nishizawa and S. Cook, London and New York: Routledge, forthcoming 2010.

⁶ For further elucidation on this point, see my “Ideal Social Orders” referred to in the previous footnote.

⁷ “Three Lectures on Progress and Poverty by Alfred Marshall”, *Journal of Law and Economics*, 12:1 (1969), pp. 184-226. The quotation is on p. 198.

in the early editions of the *Principles*⁸. In 1899, Macmillan published an English translation (by M.E. Tanner) of the second (1891) edition of Menger's book, with the title *The Right to the Whole Produce of Labour* and a long introduction by Foxwell. Marshall's personal copy of the translation, at present kept in the Marshall Library in Cambridge, bears pencil marks and marginal annotations that indicate a careful reading of at least parts of it. Some of the annotations are concerned with whether there is any conflict, as Menger seemed to imply, between the two fundamental rights. Marshall concluded that a partial reconciliation was possible, and that the tendency of society was "more or less" towards the realization of both rights (marginal note on p. 176)⁹.

At times Marshall's utterances on the subject of social ideals take on an almost mystical tone, in agreement with his idea that utopian arrangements have always been the expression of a more or less indistinct "aspiration towards kinship with the Spirit of the universe"¹⁰. The three manuscripts, with their rational approach and, at times, light touches of irony, clearly belong to a different mood. The community of independent artisans of A is a fictional construction intended to prove a point of theory, a bit like the meteoric stones illustration of the theory of quasi-rents in the *Principles*. And the air of disbelief in the description of the absolutely virtuous men and philosopher rulers of B and C is palpable: this is a reduction *ad absurdum* of the claims of social reformers, who ignore the moral qualities of men as they actually are at the present stage of human development. In the end, Marshall's frame of mind remained that of an evolutionist even in matters of ideals. As he said in 1897 and again in 1919, the main point was that "progress mainly depends on the extent to which the strongest, and not merely the highest, forces of human nature can be utilized for the increase of social good" (*Memorials*, cit., p. 310, and *Industry and Trade*, cit., p. 664). For him, ignoring this principle and looking for a direct correspondence between means and purposes was naïve and potentially self-defeating. Take away the additional dash of poetic emphasis, and this remains the gist of one of his final fragments on ideals, the lines "written one evening during a short holiday at Hunstanton" in 1922: "An ideal is like a distant haven towards which the mariner desires to make his way: but if he believes his way to be a straight line, he is likely to run on rocks and shoals"¹¹.

2. Marshall's Texts

The following typographical conventions have been adopted throughout:

Square brackets enclose editorial insertions. All the footnotes are the editor's. Marshall's own footnotes (only two are included) have been reproduced in the text.

⁸ See Variorum edition, cit., II, pp. 632-3. The complete reference is: A. Menger, *Das Recht auf den vollen Arbeitsertrag in geschichtlicher Darstellung*, first edition, Stuttgart: Cotta, 1886. Curiously enough, the reference was dropped with the fourth edition of the *Principles*, just before the English translation referred to below became available. Menger's book made a certain impact on the debates on Socialism in Continental Europe. For a rapid sketch of the singular figure of its author, see W.M. Johnston, *The Austrian Mind*, Berkeley and Los Angeles: University of California Press, 1983, pp. 92-3.

⁹ On this point Marshall disagreed with Foxwell, who understood Menger to mean that the right to subsistence was in stark contradiction with the right to the produce of labour. For Marshall, Menger's definition of the former was loose enough to allow for partial reconciliation with the latter. Other points of disagreement, revealed by the marginal pencil notes mentioned in the text, concerned Foxwell's (and Menger's) interpretation of Ricardo as proposing a theory of labour-value, which for Marshall was absolutely not the case. On the background of discussion between Marshall and Foxwell on socialism and Ricardo see D. Winch, *Wealth and Life*, Cambridge: Cambridge University Press, 2009, chapter 9.

¹⁰ The quotation is from a short undated manuscript entitled "Utopia", Marshall Archive, folder M 5/7. In the same tone, see *Industry and Trade*, cit., p. 665.

¹¹ Marshall Archive, folder M 5/6. I thank Tiziano Raffaelli for bringing this fragment to my attention.

The underlinings are Marshall's. Crossings out have not been reproduced in order to make the text easier to read. They have been recorded in footnotes only when they appeared to indicate meaningful indecision or changes in Marshall's train of thought.

Obvious slips of the pen have been corrected. The abbreviations "wh" and "wd" for "which" and "would" have been retained whenever these are used in the original.

A. A community of independent artisans

Marshall Archive, folder M 5/36. Undated. The reference to the English translation of Anton Menger's *Right to the Whole Produce of Labour* (see above, editorial introduction) clearly establishes 1899 as a *terminus a quo*. When I first came across this manuscript, a few years before the Marshall archive was reorganized in its present form, this bundle of 14 pages had a cover sheet threaded to it bearing the following title and personal annotation: "Notes for conclusions / On collective v individual enterprise and business / Apparently unsuited for this late stage: but its leading notions might find a place in conclusions". This scrap of paper is now listed in the Marshall catalogue as an isolated item in the said folder 5/36. The original page numbers are reproduced between slashes. The numbers of the last three pages indicate that the bundle was the result of some cutting and pasting.

Text

/23/ The harmony resulting from the free play of self-interest, untrammelled by combination or monopoly, would indeed be nearly perfect in a community of independent artisans. Let us suppose that all their various occupations were of almost equal difficulty, none of them requiring any specially prolonged training; that all¹² /24/ the simple implements and other appliances required by each was of almost the same cost; that each member of the community provided from his own hand the timber, hides, wool, or other raw material needed for any work; that every occupation was open to every lad. Finally, let us suppose that, changes in the relative demands for different services being slow, the flow of labour into or from any occupation that had become a little more or a little less attractive than the average would be quick enough to prevent the establishment of any considerable differences in the earnings to be got /25/ in different occupations by workers of average or normal efficiency; that is by workers who applied average or normal strength, judgement, and manual dexterity to their work with equal energy and steadfastness. Under these conditions any one who gave out some hide, with an appropriate amount of oak bark, to a tanner of normal efficiency to be prepared for making harness, or boots, would under the influence of competition pay him for each hours work aided [illegible word] of his hands and his simple plant, about the same sum in grain, or money, or "labour-notes" as would be paid /26/ for a similar hours work to a similar worker in any other industry, including his own. When he handed on part of the leather to be made into harness or boots, he would remunerate the harness maker or the boot maker at similar rates. Thus if thirty hours work (of normal efficiency) were spent on some of the leather from the time when it left him, to the time when it came back to him in the form of a pair of boots, he would need give up in return the product of about thirty hours of his own labour, supposed to be of normal efficiency /27/ and aided in like manner by his own simple implements etc. He would therefore be fairly sure of reaping his share of any improvement in the methods of production that might

¹² Below a dividing line, the bottom part of the page is occupied by the following, apparently unrelated, incomplete sentence: "[...] has been given to it by some German writers, who seem to have been misled by the constant repetition of a careless blunder in a German translation of the *Wealth of Nations*. See below V.1 and Appendix". This fragment might provide a clue to the dating of the manuscript if the puzzle of the reference to "V.1" were solved. Indeed, while references to German misunderstandings of Adam Smith are found in the *Principles* (cit., I, p. 758 fn. 2) and in *Industry and Trade* (cit., pp. 747-8 fn. 1), the header "V.1" does not seem to match up with any of Marshall's published works.

be gradually effected. If twenty five hours work, instead of thirty of a tanner and a bootmaker combined would suffice to convert a part of his supply of hides into boots; then he would get the work done for him at the expense of twenty five, instead of thirty, hours of his own work. He might suffer seriously with others from general /28/ bad harvests: and even the slight changes in the methods of production and consumption, wh would occur in his quiescent world might alter a little for a while the competitive value of an hour of his work relatively to that of a tanner or a bootmaker etc: but in the main his sectional interest would go with the national interest.

/29/ Of course some men would be more eager for material comfort and relatively less disinclined for long hours of work than others. But, such differences in disposition being left out of account, the automatic organization of national industry, free from malignant combination on behalf of particular interests, would tend to cause all work to be carried up to that limit, and its product to be distributed in that way which would cause the /30/ Maximum Aggregate Satisfaction – to use a phrase which has played a great part in economic discussions. That is to say, when any additional work devoted to, say, bootmaking, would yield a result which was in slightly increasing demand, and it was therefore a little more valued than equal work in other occupations, labour would drift towards it; and meanwhile those engaged on such work would be drawn to extend their working hours a little, till equilibrium was reached: and conversely if the demand fell off, /30/ labour would drift out. And of course each one would do just as many hours work in the week that his discomfort caused by the last hours work (whether devoted directly to satisfying his own wants, or to producing something that wd be exchanged for the product of one hours work by another man) was as nearly as possible balanced by the benefit which he derived from it.

Special treatment would be needed for sickness and other disabilities: but, except for them it appears that such an adjustment would be ideally perfect. There wd be no room for friction; there wd be no need for elaborate reckoning up of costs, or laborious thought spent on subtle contrivance. Each thing wd find its own level as it were by simple gravitation. Its ease and efficiency would be superior to that /31/ of a system of adjustments planned and controlled by automatic authority; just in the same way, and for the same reason, as the water in several tanks, from wh it was being drawn in different directions, can be kept at the same level by connecting pipes through which it can flow automatically, than by the best arrangement of attendants with buckets to take water from the fuller tanks and pour it into those which are the more empty. And the significant fact may be noted in passing, that nearly all those communistic experiments, which have any measure of practical success; and nearly all /32/ communistic schemes which have been thought out thoroughly, have avoided the main difficulties of the industrial organization of the real world, by dealing almost exclusively with conditions very similar to those which have just been discussed, under which Nature unaided by contrivance would do nearly all the necessary organizing work.

/9/ One of the purposes of my visit to America in 1875 was to see something of the Communistic Societies which were then attracting much attention. I found that those which had attained coherent strength owed comparatively little to economic considerations, or to the material advantages of natural organization¹³. They were groups of enthusiasts for new developments of religious faith or new methods of social life; though indeed some of these ideals appeared to the onlooker to be retrogressive: but they were held with earnest conviction. The leaders, who were their chief exponents, had a sort of sacerdotal authority, which was congenial to the faithful, /10/ but burdensome to those who had been attracted by the expectation of a somewhat easy life in moderate comfort. So those of doubtful mind departed

¹³ It may be noted that Marshall uses the expression “natural organization” in the *Principles* with reference to Bastiat (p. 763 fn. 2 of the edition quoted above) and to popular renderings of Adam Smith’s doctrines (ivi, p. 246).

and fervent believers were kept to disciplined work by bonds stronger than those of a mere cash nexus. (*)

(*) It is well known that through money semi-communistic associations allowed each person to draw the whole or a part of the value of his work, estimated by the hour, in ordinary or artificial money or in kind; get an hours labour /11/ was taken to mean an hours labour of normal efficiency. If a man only did half an hours good work in an hour, he was credited only with half an hour: the system was in fact not one of time wages, but one of piece work wages set at such rates that people working with equal energy got about equal remunerations, whatever the character of their work. See e.g. Anton Menger, Right to the produce of labour § 13¹⁴

B. Absolute Utopia

Marshall Archive, folder M 5/7. The heading on the cover sheet reads “§4 Absolute Utopia”. Dated 25.2.12 (actually 25.12.12 but the first “1” is crossed out). Written diagonally, in the same ink, are the words “probably useless”, dated 8.3.19. On the back of the cover sheet: “2 The discords inherent in the organization of national industry and the distribution of the national [...]”. Page numbers between slashes have been added for convenience.

Text

/1/ Where each family is nearly self-sufficing, Social Order may be maintained by mere goodwill, without any organization; each family holding its goods and its assistance at the service of its neighbours either gratuitously or in return for some more or less definitely understood compensation. But, it is quite otherwise in a Society which turns to account those resources of specialized knowledge, aptitude, skill, ability and material plant which have enabled mankind at once to concentrate energies /2/ in branches of production wh are capable of yielding Increasing Return, and to evade the greater part of the resistance which Nature offers in Diminishing Returns. In such a Society there must be a carefully planned adaptation of special means to special ends, which involves an incessant substitution of more appropriate agents, human or material, in the place of less appropriate, for the production of each desired result. Let us see how this would /3/ work out under social institutions which do not recognize the existing rights of private property.

We postulate of course a perfection of human nature so absolute that every one cares for the wellbeing of his neighbour as much as for his own; /4/ and therefore there exists no justice or injustice, no law and no compulsion. The authority of those to whom the organization of the State had been entrusted would be obeyed by virtuous men, because everyone would know that every task which he was called on to perform would result in a public benefit greater than the fatigue or other harm wh it might cost to himself.

/5/ For convenience the Society whose affairs we are to consider under different Social Orders may be assumed to be a nation: we may suppose the authority which is required even in an ideal Order, to be already in possession of public confidence, and to be possessed of business capacities, technical knowledge, and statesmanly powers of prevision such as belong to the ablest men of the present time: we need not inquire too curiously whether men with such faculties would /6/ be likely to emerge from the soft conditions¹⁵ of such a country: as their authority would not extend to other countries, international trade and international investments must be left for the present out of account. It matters not whether the persons who exercise the

¹⁴ See the editorial introduction.

¹⁵ “Conditions” replaces the crossed-out words “moral atmosphere”.

authority are a benevolent autocrat and his deputies, or a national council with administrators appointed by it: in any case they represent “the State”.

/7/ The whole national income will of course be at the disposal of the authorities; and it will be well to define this term closely. If we suppose a national stock-taking at the end of each year, the accounts must first show that the stocks of all these things on hand at the beginning of the year are represented by equivalent stocks at the end: every additional desirable thing, whether a material product or not, which has been produced during the year, is a part of the true /8/ national income of that year. The greater part of it, and especially nearly all the food, will have been consumed during the year. But in a modern industrial country, not stricken by war or other great calamity, a considerable part – probably between a fifth and a twentieth – of the whole production will have been added to the national stock; and a corresponding excess will be shown by the stock-taking at the end of the year over that at the beginning¹⁶.

/9/ Since the whole people are supposed to [be] ready to give his [sic] whole strength to any work which the State calls on him to perform in the public interest, there will be no occasion to devote any part of the national income to stimulating or rewarding work. It will therefore be divided out almost evenly: because as a man’s command /10/ over the material sources of wellbeing increases, he satisfies his wants one after another in order of their urgency: and to express things in terms of money an addition of £ 10 to the income of a person who has already £ 500 brings less social gain than it would if he had only £ 100(*)

(*) It has indeed long been agreed, on the initiative of Laplace, that the addition of ten per cent to the income of a rich man is of no more solid benefit to him than the addition of ten per cent to the income of a poor man; and there are some good reasons for /11/ thinking that it brings less. On Laplace’s lines an addition of £ 10,000 to the income of a man who has already £ 100,000 would create only one two thousandth part of the real social gain that would result from the addition of £ 5 to the incomes of two thousand people each whose incomes is only £ 50. [End of footnote]

The State would therefore distribute the national income for the greater part evenly; but two sets of inequalities will be inevitable.

/12/ On the one hand the State would follow the example of the head of a household who allots better accommodation and choicer food to an ailing daughter unable to contribute to the family income than to strong son, who contributes much: that is, they would break the rule of equality by adjusting income to needs irrespective of services. And, on the other hand, it will allot similar privileges to those who were set to work that involved high /13/ nervous strains, such as experience shows cannot generally be sustained on any diet that is not light of digestion and therefore somewhat costly; nor without a fuller rest from noise and other disturbing influences than is required for the maintenance of health and strength during ordinary manual labour. Some of the older socialists did indeed suggest that manual and mental labour might be shared out in /14/ nearly even proportions of the whole people, under the belief that such changes of occupation would be beneficial. But they had in mind only such work, whether physical or mental, as involved no severe strain: and experience shows that such a combination is wasteful in regard to heavy work. Even working mens associations for cooperative production, when on a considerable scale, find it expedient to allot to each chief official only a single group of duties, all of which strain the brain and the nerves rather /15/ than the muscles. And yet such associations succeed only in branches of production, which are already so far stereotyped that, as to require¹⁷ a high order of initiative in their management. Like most Governmental business, they provide themselves as far as possible with plant which embodies the most recent advances of independent originating minds; their organization in great things

¹⁶ Here, Marshall intended to insert a footnote concerning international investment, but later crossed it out.

¹⁷ The drift of the sentence is unclear, with cancellations that seem to indicate indecision in constructing it.

and small follows in the main on tracks that have been approved as the result of vast numbers of /16/ experimental variations, and are already beaten very smooth. Their officials require solid steadfast character, sound judgment, knowledge of character, and a considerable faculty for adapting the organization of their business to changes in current conditions; but are seldom called upon to create.¹⁸

C. The several functions of individual, associated, and collective enterprise in industry and trade

Marshall Archive, folder M 5/36. The manuscript is undated, but the quality of paper, ink and handwriting seem to indicate a date very near to that of manuscript B. The cover sheet bears the title “The several functions of individual, associated, and collective enterprise in industry and trade”. A sentence written diagonally reads: “This is really on the distribution of effort among various industries in an ideal state”. Then, “Of doubtful value” is added, but crossed out in red ink with the further addition (in red) “May be useful later”. Page numbers between slashes have been added for convenience.

Text

/1/ The free play of private¹⁹ interests under the present social order is often described as the action of free “competition”; but for many purposes it seems better to speak of free or untrammelled “action”²⁰. For the greater part of it would be needed in an ideal social order in which every man was absolutely virtuous; and was always ready to undergo any exertion or other sacrifice, which appeared likely to confer on any other person, or on the community as a whole, a benefit (or aggregate of benefits) greater than that /2/ which he would reap by evading the sacrifice. And yet in such a society there would be no “competition” in the ordinary sense; for all would co-operate for the public good. There would be no private rights; there would exist only public duties, performed only for their own sake, as a matter of course and without any consciousness of merit. Moral perfection would be there but material progress would have been lacking, and nature would still be refusing [more] than a scanty support to even a sparse population²¹ unless there had been a continuous “substitution” of more efficient means for less efficient means relatively to their costs.

/3/ No doubt the efficiency of any work of man, or animal or machine would in this ideal social order be measured by the real benefit arising from it, and not by the additional money value of its product: there would be nothing corresponding to the fact that the monetary measure of the efficiency of the work destined to gratify a very rich person may be a hundred times as great as that of work which is destined to confer an equal gratification on a poor /4/ man.²² In the same way the cost of a painful exertion would be reckoned as proportional to its intensity; at all events on the supposition that everyone’s work was of equal real importance to society.

¹⁸ In the lower part of the final sheet a new paragraph begins with an incomplete sentence that is repeatedly crossed out. We can make out the following: “Our wise autocrat would know that progress has been due to the exercise of creative faculties of a rather high order on the part of many [...]”.

¹⁹ The word “private” was preceded by “individual”, later crossed out.

²⁰ Here, repeated cancellations signal a characteristic terminological indecision. The first wording was “free or untrammelled ‘substitution’”. “Substitution” was then crossed out and replaced by “enterprise”, which in turn was discarded in favour of “action”.

²¹ Written diagonally across this sentence: “Too strongly worded”.

²² At this point, the following sentence is crossed out: “But though this difference is vital from the ethico-social point of view, we shall find that it has little bearing on the limited claim of the present social order”.

It would however, obviously be wasteful to tire out a man of high intellectual quality – whether artistic, literary, scientific or practical – to do work that was within the range of ordinary people; /5/ the real cost of such work to society, if not to the man himself, would be very high to the benefit arising from it. And in the same way the real benefit that would accrue to the society, if not to the man himself, from supplying him with larger opportunities for rest, recreation, quiet etc than could be afforded to all. The apportioning of such facilities, as well as of the work for which they were requisite needed would need [sic] to be arranged by /6/ the incessant watchful care, according to the best judgement of the leaders of the society. It could never claim numerical accuracy. The principles by which it was directed would be ideal: that is to say they would be absolutely real. But their embodiment in conduct would be difficult and even impossible.

In the world as it is such apportionment is effected, in the main crudely, by the almost automatic balancing of demand and supply in terms of money values. Such measures are not in strict accordance with any philosophical principle: they are controlled by the varying /7/ faculties, aptitudes, tastes and requirements of mankind; by the resources furnished by nature and accumulated by man; by the existing state of the arts of production; and lastly by the line of division which the existing social order has set up between public and private rights. This division has emerged after many centuries of experiment, with the general approval of all nations that have achieved great things.

But it is an artificial compromise: it lacks philosophic /8/ reality. Its main strength lies in the arithmetical definiteness and precision which it imparts to the forces of industrial organization. The balancing of a certain interruption to the work of an architect against some social benefit in an ideal State, would involve an exercise of judgement in which perhaps no two authorities would agree exactly. But in the real world it is effected by an automatic process of arithmetic: those /9/ wants which have the higher money measures are satisfied before those wh have the lower relatively to their money costs: or, which is the same thing written backwards, those exertions of which money costs are low relatively [to] their power of meeting wants which have given money measures are taken in preference to those of which the money costs are higher.²³ Let us look a little further into this.²⁴

²³ Written diagonally across the last two sentences is: “Rewrite or d”.

²⁴ This replaces the following sentence, repeatedly corrected and finally crossed out: “The actual social order, though full of deficiencies from a philosophic point of view [replaces the words: “though lacking true reality”] has [illegible word] strong claims to be practical. But even on the practical side it [...]”