

PHD THESIS SUMMARY:

The psychological foundations of Alfred Marshall's economics: an interpretation of the relationship between his early research in psychology and his economics.

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PhD in economics, March 2010

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Alfred Marshall (1842-1924) was one of the earliest professional economists at the University of Cambridge in the nineteenth century, and a founder of the Cambridge School of economics which nurtured leading economists such as A. C. Pigou and J. M. Keynes. However, in his early research, before becoming a professional economist, Marshall explored what psychology had to say about the human faculties (1867-1868). The purpose of my PhD dissertation is to argue that Marshall's economics was greatly influenced by this early research in psychology.

In brief, Marshall's economics is known for the partial equilibrium theory developed in *Principles of economics* (1920 [1890]). To Marshall himself, the fragmentary static hypotheses which are included in partial equilibrium theory were temporary auxiliaries to provide preparation and practice for understanding dynamic economic phenomena. The main objective of Marshall's economics is demonstrating the organic growth theory of economy, which accounts for the mutual progress of human nature and economic society.

There has been little attention given to the significant influence of Marshall's early psychological research on his economics. In this dissertation, I argue that Marshall's analysis of the mutual progress of human nature and economic society emerged from his understanding of the complementarity between the findings of psychological research and his economic concerns. To the best of my knowledge, this is the first study that proposes this argument.

In chapters 2 and 3, I demonstrate the comprehensive relationship between Marshall's psychological research and his economics. In chapter 2, I focus on the existence of the relationship by analyzing human character in Marshall's early study of psychology and human nature in his economics. In chapter 3, I broaden the discussion by taking

up Marshall's analysis of the concept of sympathy in his economic approach. There are two main points related to the concept. First, Marshall was indirectly influenced by Adam Smith in terms of the concept of sympathy. Marshall's first psychology paper, entitled "The law of parcimony" (1867), evaluated Herbert Spencer's concept of sympathy highly. Spencer himself had drawn on Smith's *The theory of moral sentiments* (1790) to construct the core notion of social evolution involved with individuals' sympathy in *Social statics* (1868). Second, Marshall's idea of economic progress is based on sympathy, which plays an important role in the improvement of human nature in both the working class and business man.

Chapter 4 is devoted to Marshall's core idea about the mutual progress of human nature and economic society, which has its origin in what he experienced during his American trip in 1875. Marshall was inspired to analyze the organic growth of the economy by the relationship he saw between industrial development and human ethical growth in America. This argument can be clearly supported by Marshall's two lectures entitled "Some features of American industry" (1875) and "The economic condition of America" (1878). It is important to understand the lectures by considering three main elements: the analysis of human character in Marshall's early psychological research; de Tocqueville's discussion of the relationship between citizens and commune; and Hegel's conception of subjective and objective freedom.

Chapter 5 investigates the significance of the continuity in Marshall's study of human nature from his early psychological research to his economics. Looking back on his whole career, Marshall reminisced that psychology had been his ideal field of study his whole life. Furthermore, Marshall often emphasized that 'The Mecca of the economist' lay in economic biology. That economic biology came from the organic growth theory discussed in *Principles of economics* (1920 [1890]), which was itself greatly influenced by Marshall's psychological research. For Marshall, to study psychology was to take up the challenge of seeking to understand the significant potential for the further development of human faculties (Keynes 1972 [1933], 171), and therefore his psychological research should be taken into account in properly interpreting his organic growth theory.

In conclusion the contribution of my PhD dissertation is to ascertain the significance and the role of Marshall's early psychological research for his later economic analysis, and particularly for his analysis of the

mutual progress of human nature and economic society. Through this new approach to Marshall's organic growth theory of economics, I hope that this dissertation will contribute to the better understanding of modern economics.

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Naoki Matsuyama obtained his PhD in economics from the Graduate School of Economics and Business Administration, at Hokkaido University (Japan), supervised by Makoto Nishibe, professor of evolutionary economics, at Hokkaido University. The thesis language was Japanese and the original title is “Marshall Keizaigaku ni okeru Shinrigakuteki Kiso—Shoki Shinrigaku Kenkyu to Keizaigaku no Renkan wo megutte—” (マーシャル経済学における心理学的基礎—初期心理学研究と経済学の連関をめぐって—). The author specializes in the history of economic thought and is currently assistant professor at the Graduate School of Economics, at Hokkaido University.

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