

Economic Chivalry

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Economic Chivalry is, for Marshall, the goal of history as a Utopian alternative to Marx' Socialism. It is a *concentré* of his socio-historical conception inherited from Spencer's organicism mixed with other philosophical influences. It is the ideal state, a (stationary?) Golden Age, towards which human society tends through a continuously (Comte) more rational (Hegel) and reasonable (Kant) process so that social public good will be integrated into the motives for individual action (Green's vision of altruism) (Gerbier 1976: 148-65; 262-71). Thus, Economic Chivalry is the means to reconcile the building of a fairer and nobler society with the freedom of entrepreneurship, while also serving to save Marshall's economic theory in light of the modern development of giant firms. Marshall believed Chivalry had been present since the origin of time, manifesting itself through altruism and cooperation. This vision can be found in Marshall's early works and is developed in its full form in the speech delivered at the conclusion dinner of the Congress of the Royal Economic Society in 1907 ('Social possibilities of Economic Chivalry' in Pigou 1925: 323-46). It is intended to challenge Socialist Utopias head-on (More and Morris are mentioned; Pigou 1925: 329), and especially Marx, his Internationalism and his state collectivism (ibid.: 346). Thus, Marshall referred in particular to Owen's co-operation building and to Carlyle, Ruskin and J. S. Mill's ideals of social reform (ibid.: 335) in order to promote a National Socialism (ibid.: 346). More than the Pigovian approach to welfare economics with which Marshall radically disagreed (Bharadwaj 1972),

Economic Chivalry paved the way for such important practical themes as manager's necessary consciousness of the collective interest to build capitalism (Berle 1954), and present-day awareness of the social responsibility of the firm in a sustainable society. It also paved the way for such important theoretical themes as individual freedom and democracy as social responsibility (Sen 1999) and, even more recently, the increased complexity of the individual preference function through the integration of altruism in order to merge economics and ethics (*Revue du MAUSS* 2000). Due to the key role it grants to state action and the influence it had on the education of Cambridge's elite and beyond, Economic Chivalry paved the way for welfare economics and the Welfare State.

The feasibility of Economic Chivalry lies in the progress of economic analysis, which grants a prominent social and historical role to economists. Here, Marshall allusively uses his theory of the consumer's surplus as a tool in the rationalization of the allocation and the use of resources in order to manage society scientifically (Marshall 1920: 492-3; Gerbier 1976: 200-19): economics reveals the mechanisms of society and, thanks to the developments of statistics, is able to establish the means of raising production and improving its distribution (Pigou 1925: 324-5). However, progress in the rationality of human motives did not follow: 'It is a common saying that we have more reason to be proud of our ways of making wealth than of our ways of using it' (ibid.: 324). The quest for wealth leads to an ostentatious consumption whereas it would be put to better use in the promotion of social welfare (even more so as 'the temporary suspension of the pressure of the Law of Diminishing Return from land on the population of Great Britain gives special opportunities for social reform'; ibid.: 326). Nevertheless, social reform continues, showing that social altruism prevails over class egoism, though it does not develop quickly enough, requiring the promotion of a chivalrous spirit in the economy (loyalty in social relations and unselfishness in serving the collective interest) comparable with chivalry in war in the Middle Ages. One possibility exists: leading

company managers are more prone to act to overcome difficulties and obtain the social recognition of their leadership capacity than for the sake of money (theme of the ‘captains of industry’). Thus, one can act on the motives for action by widening the range of social rewards beyond the financial dimension. This is all the more necessary as the bureaucratization and collectivism of the state and of large firms, which play an essential role, are nevertheless threatening. This prompted Marshall to engage in a real study of the role and scope of state action in its relations with the market.

In the promotion of social progress, state action is necessary, since private action is not always efficient. In order to define its scope, one cannot just respond to the Collectivists with a simplistic ‘laissez-faire’ repartee, because, originally, this phrase did not mean: ‘Let Government keep up its police, but in other matters fold its hands and go to sleep’ (ibid.: 334). Today, the state is no longer corrupt, as in Adam Smith’s time. It has invested itself with a sense of public service. Technical evolution enables the state to implement decentralized action (via municipalities). This action is targeted and adapted, especially since the voters are able to sanction their elected representatives because of their bad management (this is due to the improvements in the standard of living). State action has become so widespread and indispensable that Marshall writes: ‘So I cry, “Laissez faire”: let the State be up and doing’ (ibid.: 336). The main domains of intervention, together with education, are the following:

- the legal supervising of private action through clear laws that put an end to the unfair competitive advantage provided by the financial possibility to cheat and to sue endlessly in court. It is the state’s main domain of action, for which it needs a sufficient body of skilled and well-paid civil servants to prevent any temptation of bribery and encourage them to be the ‘efficient guardians of business rectitude’ (ibid.: 337);

- more generally, the institutional supervising of private action through public health and welfare standards. The idea is, for example, to help and prompt producers to satisfy such standards by setting up municipal distribution networks (for example for baby’s milk), which would force the private sector to modernize, with no aim of ousting it;

- routine activities and, especially, natural monopolies in which the state has to ‘retain the ownership, if not also the management, of the inevitable monopoly in public hands’ (ibid.: 339).

On the assumption of altruism, an assumption implicit in old and modern Socialist Utopias, Economic Chivalry is equivalent to Socialism, without its dangers. Indeed, both of them claim that the common man — not only the leaders — has an altruistic behaviour, while the failures of past socialist experiments teach an essential lesson: ‘The immediate cause of the failure of those Utopias seldom lay in their technical deficiencies’ (ibid.: 341) but rather in human nature: ‘in the common man, jealousy is a more potent force than chivalry’ (ibidem). Thus, when the members’ dissatisfaction became generalized, ‘the whole society was full of sores, and the end came’ (ibidem). If the whole of society had to collectivize itself, bureaucracy would rule over all aspects of life, enticing favouritism and corruption, and if the disgruntled could not escape, ‘disquiet would grow; obedience to authority would be given unwillingly; and, if the discontented were to be kept to their work by force, the resulting tyranny would need to surpass all previous records in minuteness of detail and in the destruction of everything that makes life worth living’ (ibid.: 342). Thus, in the concrete realization of socialist ideals, the assumption of altruism cannot be ignored and if it is fulfilled, then Economic Chivalry reaches the level of nobility embodied in such ideals while preserving the force and pleasure of individual initiative. F. Perroux, who found a basis for his ‘économie du Don’ theory in this article, brilliantly summed up his argument:

A. Marshall distinguishes three components in chivalry. It is a “noble” behaviour, i.e.

immeasurable with mercantilist motives and behaviours; it consists in “doing noble and difficult things because they are noble and difficult.” It is a leadership capability. It is an activity directed to serve and not aimed at seeking earnings by any means. Chivalry in the course of economic life is paired with chivalry in the use of wealth: a code is observed by the wealthy man who *gives* to his people what he has acquired. Agreed upon by public opinion, this code would not only manage a group of individuals, nor even the individual, but the community as a whole. Essential and true socialism feeds on this spirit and cannot prevail without it. (Perroux 1969: 423-4)

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