

**Resolving the Problem of Poverty:
A Comparison between the Ideas of
Milton Friedman and Alfred Marshall**

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ABSTRACT

This paper examines the approaches to poverty taken by economists Milton Friedman and Alfred Marshall. As a major social and economic problem, poverty has captured the interest of many individuals; and many unique solutions have been devised to tackle poverty. For instance, Friedman advocated the Negative Income Tax to replace the current welfare system; while Marshall supports greater emphasis on public education and private charity. A comparison between the approaches to poverty taken by Friedman and Marshall is notable due to differences of their life experiences, social climate, and intellectual influences. At the center of dissimilarities in their respective approaches is the contrasting attitude about human nature and fundamental regard for human beings.

PREFACE

The theme of this paper, the problem of poverty, grew from an essay written for a class I took with Professor Goodwin during the spring semester of my sophomore year (Econ 150: The Uses of Economics). I was originally fascinated with poverty due to its prevalence throughout modern society –even in rich, developed nations. During the Econ 150 class, I took the opportunity of writing a series of essays from various perspectives of economics on the subject of poverty. These essays ranged from an institutionalist approach to the well-known neo-classical approach. These different approaches offered me a broader perspective on poverty but I ultimately was left unsatisfied with my findings. I hungered for a deeper understanding of the issue but, given limited time and resources, was not able to further pursue my research.

Then, during the spring of my junior year, I found out about the Department of Economics' offering of Davies Fellowships for undergraduate research. I thought it was a great opportunity to revisit my interest in poverty –more specifically, on potential solutions to eradicate the problem. After lengthy discussions with Professor Goodwin and Mr. Dudenhefer, I decided to closely examine Nobel Laureate Milton Friedman's idea of the Negative Income Tax (NIT). The NIT stood out as a unique, unorthodox approach when compared to the traditional methods such as improving the educational system and expanding welfare programs. Yet the NIT seemed a strange idea with respect to its author, Milton Friedman, who was widely regarded as a radical neo-classical economist (read: a libertarian). At first it seemed perplexing that he would advocate a solution to combating poverty. Therefore I decided to look into the origins of the NIT, which required a trip to the Hoover Institution in California –where the bulk of Friedman's archival material is stored. The trip was made financially possible through the generosity of the Davies Fellowship.

Although I compiled interesting evidence to document the origins of the Negative Income Tax, my research at the Hoover Institution left me unsatisfied with Friedman's stance towards poverty. He struck me as lacking dedication, or perhaps compassion, for the poor. Thus after three weeks of research, I returned to Durham unsure of where to proceed in composing an honors thesis. I remained interested in the NIT and Friedman's perspective on poverty, but I felt something else was lacking. Following further consultation with Professor Goodwin and Mr. Dudenhefer, I briefly looked at the writings of British economist Alfred Marshall. He interested me in part due to his perceived advocacy of rights for the poor –both in his writings and through life actions. Ultimately, I settled on composing an honors thesis that compares the views of Friedman and Marshall on the subject of poverty. The two economists, in spite of both being partisans of the neo-classical approach, were very different in their treatment of the subject.

INTRODUCTION

The field of economics has undergone a profound transformation in scope and importance over the past two centuries, helped in part by two of its most influential figures: Alfred Marshall and Milton Friedman. Both men were well-respected authorities on economic matters in their times, and their research on topics ranging from supply and demand curves to monetary policy have deepened our understanding of the field. Despite the social and political differences of their respective historical periods, both Marshall and Friedman shared a desire to see human civilization progress. As a precursor for societal growth, they sought to first identify and thereafter eliminate any forms of malaise affecting contemporary society. It is perhaps no coincidence that both economists would address the issue of poverty, albeit through distinct approaches, a major societal problem until this day. While Alfred Marshall preferred a combination of government intervention and private charity to eliminate poverty, Milton Friedman envisioned revising the tax code as a stepping stone to a radical change in the public perception of poverty, government, and of themselves. This paper will analyze and compare the approaches taken by Alfred Marshall and Milton Friedman to ameliorating poverty.

Alfred Marshall saw poverty as a major detriment to the health of human civilization, due to its negative effects both on individual well-being and on society overall. He theorized the existence of a “residuum”, a class of society mired in inescapable poverty. For these people, external assistance is necessary to lift them out of their conditions. Government intervention and charitable contributions were the main means of external help to Marshall. In contrast to Marshall, Milton Friedman did not

view poverty with the same urgency. His opinion of poverty centered first and foremost on its negative effects on the individual, on how the conscious choices made by individuals determine their future outcome. Furthermore, Friedman believed that poverty is not a permanent condition but one that could be overcome through hard work and determination –both of which are examples of internal stimuli.

A reasonable explanation for the variation in approach to alleviating poverty between Marshall and Friedman could be a fundamental difference in their respective regard for human beings. For example, Marshall repeatedly pointed out in his *Principles of Economics* that the individual man is not an abstract or “economic man” but rather, “a man of flesh and blood”. He argued that human actions are uncertain, complicated by our constant need to relate and interact with others. Friedman, on the other hand, often abstracted individual persons into simple economic units. He saw individuals as selfish agents who are not capable of sustained or long-term, altruism towards others.

The variation in the approach to poverty could also be attributable to the nature of their economic thinking, which may have arisen from life experiences and intellectual influences. Both Friedman and Marshall were born into plebian families. In addition, their beliefs may have been shaped through interactions with other notable economists like Henry Simons and John Stuart Mill. Differences in the social climate during their respective times could also have been a factor. To clarify, the context of poverty as analyzed throughout this paper will encompass both relative poverty and absolute poverty

–which are distinguished by the further deprivation of resources of the latter in comparison to the former.

Introductory Overview to Milton Friedman

Milton Friedman ranks today as one of the most influential figures of modern economics, widely acknowledged for his theoretical and empirical research on topics ranging from monetary history to consumption analysis. While he is remembered in the academic community for his emphasis on the significance of monetary factors, to the general public he is famous for his crusade to minimize the role of government –restated as “his uncompromising defense of the merits of the free market economic system” (Butler 1985, 3). Friedman is credited with influencing numerous political leaders, ranging from British Prime Minister Margaret Thatcher to President Augusto Pinochet of Chile. His fame can be traced “through his trenchant columns in *Newsweek*, his forthright economic advice to leading politicians” (Butler 1985, 3). Few other economists wielded such influence in the two spheres. Amongst his numerous achievements, in 1976 Friedman and his work were recognized with the Nobel Prize in Economic Sciences¹.

In his early years, Friedman was renowned for his contributions to statistics. Economist Alan Walters speculates that had he continued his work as a statistician, “he would have achieved a stature probably as great as that of his most influential teacher, Harold Hotelling” (Walters 2008, 493). For example, while under the guidance of Hotelling, Friedman developed the use of rank order statistics “to avoid making the

¹ Formally known as “The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel”

assumptions of normality in the analysis of variance” (Walters 2008, 493). He would later write a book with Simon Kuznets on a method of using the “separability” of the utility functions to measure price elasticity from budget data. In that book, the authors used insights from their studies to criticize the process of state licensure in the medical profession, amongst others, as a significant barrier to entry. They contended that the result was increased profitability for certified professionals with higher costs of services to consumers. Amongst Friedman’s last contributions to statistics was his formulation of what would later be referred to as “sequential sampling”, which was further developed by Abraham Wald. Sequential analysis became (and remains) the standard method of quality control inspection.

After establishing himself as leading exponent of the Chicago tradition in economics, Friedman led a “counterrevolution against Keynesianism” by reviving the notion that rising prices result mainly from significant expansions in the quantity of money in circulation. As high inflation became a major problem in post-war economies everywhere, the effectiveness of Keynesian policies – which dominated the political and economic landscape at the time – came to be questioned. Economists and policy makers began to search for other means of stimulating economic growth and employment. In opposition to Keynes’s theory, Friedman argued that there exists a “natural rate of unemployment” and a central government would thus be unable to control economic downturns such as economic recessions. He promoted this alternative macroeconomic policy as “monetarism”, and proposed that the “demand for money by the individual household would be a stable function of its money income...[while] the cost of holding

money [would be] represented by the rate of interest and the expected rate of inflation” (Walters 2008, 496). This view was supported in his book *A Theory of the Consumption Function* (1957), in which he outlined the “permanent income” hypothesis². Yet Friedman did not stop at simply theorizing about monetarism. Together with Anna Schwartz, he would check the predictions of his restated quantity theory model against the historical record in *A Monetary History of the United States 1867-1960* (1971). A striking conclusion of their research was that money supply fluctuations contributed to economic fluctuations such as booms and recessions. In the book, Friedman would make his famous proclamation that “inflation is always and everywhere a monetary phenomenon.” Several regression studies with David Meiselman in the 1960s suggested the primacy of the money supply over investment and government spending in determining consumption and output (Friedman 1998, 229). Their results affirmed the significance of the supply of money and its relationship to prices and incomes.

Amongst Friedman’s other notable contributions to economic theory is his argument for a system of “freely-adjusting” foreign exchange rates. His views on the international economic system are grounded on the potential impact of the instability of fixed exchange rates –in other words, the effect of devaluations and other economic policies on trade. Furthering his research into the impact of the supply of money on economic growth, he stated that “a stable growth of the money supply was unlikely to be feasible under a regime of fixed exchange rates” (Walters 496). Friedman instead

² Friedman develops the notion of the smoothed or ‘permanent’ income upon which people base their money-related decisions (i.e. spending, saving, or investing) in preference to their actual, but fluctuating, money income.

advocated freely adjusting exchange rates –better known as “floating” exchange rates— in order to replace the rigid Bretton Woods system in place since World War II. Floating exchange rates were adopted in the United States in 1971 and in Great Britain in 1972. The subsequent oil crisis made the return to the former system impossible³.

In terms of ideology, Friedman did more than just revive the classical liberal attitude in economics. He also added his original ideas to the liberal cause for a dramatic reduction of government involvement in markets. One could argue that Friedman helped to adapt the centuries-old cause to the twentieth century as a result of his observations and explanations. His popular writings such as *Capitalism and Freedom* (1962) and *Free to Choose* (1979) observed the enormous power of the market system to provide for society’s needs –in essence, the perfect automation of a market economy. As a modern-day missionary prophet of sorts, Friedman presented himself as a champion of freedom and called the general public to alter their prevailing sentiments towards government. He appeared to be on a mission to redirect public opinion toward (classical) liberal ideas by promoting personal freedom, free markets, and popular government. Friedman believed that the role of government (to which he sometimes referred as “Leviathan”) had outgrown its natural capacity as a mere umpire. The government of Friedman’s time played the role of caretaker for many of its citizens. In light of the ever-increasing financial burden of programs such as those related to welfare and education, Friedman proposed their outright elimination. Greater sense of social as well as personal responsibility he is viewed as the cure to the malaise.

³ Due to the influx or the “glut” of dollars, otherwise known as “petrodollars”

From his work on monetarism, Friedman rejected the use of fiscal policy as a tool of demand management, and he held that the government's role in the guidance of the economy should be severely restricted. He also wrote extensively on the Great Depression (which he called the Great Contraction), arguing that it had been caused by an ordinary financial shock whose duration and seriousness were greatly increased by the subsequent contraction of the money supply that was caused by the misguided policies of the Federal Reserve. Friedman holds the Federal Reserve largely responsible for converting what might have been a “garden-variety recession”, although perhaps a fairly severe one, into a major economic catastrophe. As he notes in his autobiography *Two Lucky People*, “instead of using its powers to offset the depression, the Fed presided over a decline in the quantity of money by one-third from 1929 to 1933”(Friedman 1998, 233). Far from the depression being a failure of the free-enterprise system, it was a tragic failure of government.

As Walters declares, “the conventional view of Friedman is that he is one of the most ardent and most effective advocates of free enterprise and monetarist policies over the six decades 1945 to 2006” (Walters 2008, 497). Friedman engaged in activism for the public’s understanding of his message in ways few, if any, of his peers did. Aside from the controversies and criticism found in the secondary literature, his advocacy has been successful by “any objective standard”. General opinion in the Western world shifted from a preference for centralized authority and central planning to smaller governments and laissez-faire economics –a preference for economic freedoms that he argued for. Yet Friedman also speculated that “the climate of opinion [and] its effect” can easily change.

Nonetheless, it is difficult to deny the subsequent reforms to governance that were derived from his advocacy. “In his appearances in the various media he was a great persuader, and he played a critical role in promoting such ideas as an all volunteer army, the voucher schemes for education and health, and indexing income tax. In effectiveness, breadth and scope, his only rival among the economists of the 20th century is Keynes” (Walters 2008, 497).

Introductory Overview to Alfred Marshall

Although Alfred Marshall published the bulk of his work before World War I, his legacy and influence in the field remains substantial today. He is revered in the United Kingdom, especially at Cambridge University, where he taught for many years and is credited with having an impact similar to other well-known economists such as David Ricardo, John Stuart Mill, and Adam Smith. Over Marshall’s long life as an economist, which began in 1868 and ended in 1924, he produced much economic work.

Marshall’s best known work is his magnum opus *Principles of Economics*, which has remained in print since its first edition in 1890. The *Principles of Economics* became a popular economics textbook throughout the early 20th century. Claude Guillebaud, Marshall’s nephew, argued in 1952 that “*Principles* could not be neglected by students nor by honors students, because of its qualities in forging tools for understanding actual problems, its strong association with dynamics and forces of change” (Guillebaud 1952, 186). A reason for its longevity and popularity can be the importance of the economic issues to which *Principles of Economics* is devoted. The vast scope of the economics

field it covers is underscored when Milton Friedman points out that *Principles of Economics* “dominated the teaching of price theory...until well into the twentieth century” (Friedman 2004, 139).

Aside from *Principles of Economics*, Marshall was renowned for being an assiduous teacher of economics. He taught the subject for over three decades at Cambridge, in addition to eight years at Bristol and Oxford universities. At Cambridge, Marshall instructed many students who would become renowned economists in their own right. John Maynard Keynes and Arthur Cecil Pigou are two; Keynes’ father, economist John Neville Keynes, aided in the editing of *Principles of Economics* (Groenewegen 2007, 5). The influence of Marshall’s teaching is further evidenced by the establishment of the “School of Economics” at Cambridge in 1885, an economics school of thought heavily influenced by his ideas and theories.

Peter Groenewegen considers the formation of this school in 1885 as “in some respects the most important [of Marshall’s legacies]” (Groenewegen 2007, 187). This is highlighted by the creation of the Economics and Politics Tripos by Marshall in 1903, which improved the teaching methods of economics at his alma mater “and thereby considerably enhanced the quality of its pupils...and in turn their pupils who carried on his work in teaching and developing economics...” (Groenewegen 2007, 186). These actions constituted a living legacy of Marshall for his students and the subject field. Furthermore, Marshall produced three other books (*Industry and Trade* in 1919, *Money, Credit and Commerce* in 1923 and *Economics of Industry* written jointly with his wife in

1879) and over forty articles and chapters in books, together with a substantial number of written responses to governmental inquiries.

Marshall's contributions to the field of economics are difficult to categorize due to the vastness of his influence, and how later generations of economists continued to build on those contributions. Yet a number of significant contributions can be recognized as consequences of his work. In his centenary assessment of the *Principles of Economics*, economist George Stigler listed four major contributions by Marshall which influenced the economic analysis of succeeding economists, including Milton Friedman (Stigler 1990, 5):

1. The first was "making time itself a major factor in the theory of value" (Stigler 1990, 5), with reference to supply and its elasticity as characterized by the market period. This is commonly referred to today as the short run and long run time values. Marshall noted the importance of time in economic analysis through short period concepts –such as 'quasi rent'.
2. The second contribution was to the doctrine of "internal and external economies thereby permitting a reconciliation of competition with increasing returns" (Stigler 1990, 6). This subsequently would draw other economists to the topic of welfare economics, as well as production economics.
3. The third of Marshall's contributions was the prominence given to the "theory of the firm and its relevance in its specific industry" (Stigler 1990, 7). This theory was underscored by the publishing of *Industry and Trade*. Later economists would expand

on Marshall's ideas and treat the firm as an individual agent in the marketplace – which arguably resulted in other significant ideas such as game theory.

4. The fourth contribution was to the theory of human capital; Marshall also helped develop the theory of the demand for money “through his elaboration of the Cambridge cash balance equation”. Stigler also credits Marshall with the development of the offer curve, or reciprocal demand, technique in diagrammatic form (Stigler 1990, 8).

Although portions of Marshall's contributions to economic theory were expansions of the work of prior economists⁴, his perspective on the economics field was unique. Prior to Alfred Marshall, economically inclined scholars often separated theories of economics from the social context. Marshall instead took a broad view of the economy, seeing it as a culmination of changes in the markets together with social influences. Economics was no longer a subject separate from others but one that was much affected by factors such as each individual's abilities, character, and personal preferences. He argued for a complex relationship between economics and other disciplines, for example that the economics discipline grows through an evolutionary process combining social institutions, markets and the technologies of production and communication (Guillebaud 1952).

In his later years as an economics professor at Cambridge, Marshall augmented his public prominence through participation in public affairs. He began writing private

⁴ Examples include his work on David Ricardo's comparative advantage and Thomas Malthus' population growth

memoranda on British trade policy for the Chancellor of Exchequer (from 1903 until his retirement in 1908), as well as giving lectures to a wide variety of audiences from university students to politicians. Of particular significance are a series of lectures Marshall gave on the topic of progress during his time at Bristol University College in 1882-83, and an address entitled “The Social Possibilities of Economic Chivalry” given in 1907 (Groenewegen 2007, 118). The latter address is noted for his advocacy at the severe curtailment of state social activities by confining them to municipal works alone. Marshall also preoccupied himself with other facets of British economic policy such as the tariff controversy that emerged in 1903. However, these involvements were at the expense of theoretical research. Historian John Whitaker notes that “by 1903 much material had been accumulated for the second volume [of the *Principles of Economics*], but the scope was becoming unmanageable as Marshall became increasingly preoccupied with problems of trusts, trades unions, international trade, and comparative economic development, and decreasingly concerned with matters of pure theory” (Whitaker 2008).

In addition to his public policy duties, Marshall became enthralled with revising his *Principles of Economics* after its initial publication. The last major rewriting of the *Principles* was completed in 1907 as the fifth edition, in which the preface announced the abandonment of any subsequent volumes. The last completed work by Marshall appeared in 1923, a compilation of “the mass of accumulated raw material remaining [from *Industry and Trade*, and *Principles*]” (Whitaker 2008) entitled *Money, Credit and Commerce*. The latter contained Marshall's “fullest” treatment of the theories of money

and international trade but, as Walters explained, “it is an imperfect pastiche of earlier material, some dating back almost 50 years” (Whitaker 2008).

SECTION I: ON POVERTY

Poverty is a major problem not just in the contemporary United States, but also throughout the world. An estimated 12% of the U.S. population lives in conditions considered “poor”, and roughly half the world’s total population –over three billion people— live on less than \$2.50 per day (Chen & Ravallion, 2007). Perhaps more alarmingly, some studies suggest that at least 80% of humanity lives on less than \$10 per day⁵. The World Health Organization defines poverty as “the condition of lacking basic human needs such as nutrition, shelter, healthcare, and access to clean water” (“2007 Human Development Report”, 2007, p. 2). The social significance of poverty is evidenced by a continuing commitment of governments around the world to diverting resources to address it. Poverty affects not only the financial well-being of individuals but also contributes to the breakdown of their health, education and, perhaps most drastically, the future prospects of their children. The term “welfare” describes efforts made by society to improve the well-being of individuals in need, which largely pertains to the poor. Although welfare spending is arguably not the most effective means of measuring poverty’s societal impact (Chen & Ravallion, 2007), it can exhibit the propensity of government or private institutions to help those in need.

⁵ From United Nations Development Program, “2007 Human Development Report”.

While the defining characteristics of poverty have remained largely unchanged in recent decades, the means to alleviate or to combat it have not been static. Political figures, philosophers, and economists alike have all offered their own, often personal, perspectives on how to address the poverty problem. As an example, some perceive poverty as a social reflection of Charles Darwin's ideas on evolution and natural selection: that poverty will always remain as a consequence of societal inequalities. Even celebrities such as Bono have campaigned on the behalf of the world's poor. Likewise, economists have considered the economic implications of poverty; the work of Friedman and Marshall evidence this.

Milton Friedman: On Poverty

Milton Friedman is perhaps best known for promoting a monetary approach to managing the economy and for lauding the free market as the only means by which humankind can achieve freedom and prosperity. As a believer in the virtues of the free market, Friedman was naturally skeptical about the ability of government to eliminate social problems. In both *Capitalism and Freedom* and *Free to Choose*, he vigorously questioned not only the effectiveness of programs such as Social Security and subsidized housing but also the moral efficacy of government involvement. What, then, was Friedman's answer to one of the social and economic problems that was highest on the policy agenda during the peak of his career, poverty?

This section of the paper examines Friedman's views on poverty, particularly in the context of his proposal for a negative income tax. Although Milton Friedman is often

associated with the terms “poverty”, and “negative income tax”, his solution to best resolve the poverty problem is more than an innovative means to tax. He called on the public to realize the real magnitude of the burden to society that present-day welfare measures have become. But in order to comprehend Friedman’s understanding of poverty, it is important to realize that his firm stance advocating laissez-faire governance permeates his solution to poverty –hence we must also examine his social stance.

Poverty in the Context of Liberalism

Freedom serves as an overarching theme of Friedman’s ideas on social reform. He believes that there is an inherently positive relationship between political freedom and economic freedom –that is to say, each is determined by the other. In the opening chapter of *Capitalism and Freedom*, Friedman states that “economic freedom is an indispensable means toward the achievement of political freedom” (Friedman 1962, 8). He further elaborates that economic freedom should be regarded as directly connected with capitalism, and political freedom with democracy. The two freedoms can be identified by their underlying requirement for voluntary cooperation: economic through a “free private exchange economy⁶”, and political through self-determined means to organize and elect leadership. Friedman recognized the short-term effectiveness of employing coercion, but remained a firm believer in Adam Smith’s invisible hand –that production and exchange of goods between individuals can exist without any overarching authority. Friedman identified and praised numerous countries throughout his life for being examples of his ideals: Hong Kong, Estonia, and Iceland are amongst the most well-known examples. In

⁶ Better known as “free market” or “liberal” economic system

addition, it is important to point out that after following the ascension of President Augusto Pinochet to power in Chile, Friedman advised Pinochet to introduce market reforms into the Chilean economy. He later argued that one of his goals was to undermine the power of Pinochet's autocracy⁷.

Although Friedman is in favor of laissez-faire, he also acknowledges the need for some government. Inasmuch as he advocates individual freedom and the minimizing of government's societal role, he argues that a "need for government arises because absolute freedom is impossible...however attractive anarchy may be as a philosophy, it is not feasible in a world of imperfect men" (Friedman 1962, 26). In political terms, the acceptance of majority rule is advocated by Friedman strictly based on its expediency in comparison to the time and effort needed for unanimity on every issue. He states that although the "ideal is unanimity among responsible individuals achieved on the basis of free and full discussion," in reality "we must perforce accept something less... [which is] majority rule" (Friedman 1962, 24). Yet Friedman perceives the role of government to be limited to upholding the rule of law and not to encroach on the lives of its citizens. There are certain areas of society where government involvement is desirable: coining money, law enforcement, and property rights protection to name a few. But Friedman also declares that an indirect goal should be "to reduce greatly the extent to which government need participate directly in the game" (Friedman 1962, 15). In the context of law enforcement, he emphasized how the power of government should be positively used to

⁷ "Commanding Heights: Milton Friedman". PBS Interview.
http://www.pbs.org/wgbh/commandingheights/shared/minitext/int_miltonfriedman.html#10. Retrieved on June 29, 2009.

regulate monopolies –that all types of monopolies (technical, public, or private) are market imperfections. Government should seek to prevent abuse of market power in such situations –thus functioning as an “umpire to interpret and enforce rules” in ways that best serve her citizens (Friedman 1962, 15). Whether or not this observation applies to all enterprises, public or private, is ultimately unclear.

Amongst Friedman’s prescriptions for resolving the poverty problem, he emphasizes the need for everyday citizens to recognize the evils of a massive government. He decries the tendency of the public to “romanticize” the good that a strong government can achieve, that “they forgot the danger to freedom from a strong government” (Friedman 1980, 5). The election of President Franklin Roosevelt was regarded by Friedman as a “watershed moment in the history of the United States,” as government spending permanently and significantly shifted upward. Fueled by a misunderstanding of “the depression as the failure of capitalism and [a belief in] active intervention by government” (Friedman 1980, 93), both the public and the administration were ready to alter the function of government from “umpire” to Thomas Hobbes’ “Leviathan”.

A paternalistic attitude to government is another problem Friedman perceives in modern society. He describes President John F. Kennedy’s famous phrase “[ask not what] your country can do for you” as paternalistic while “[but] what you can do for your country” as “organismic” (Friedman 1962, 1). This is because the former⁸ “implies that

⁸ The latter “what you can do for your country” implies that “government is the master or the deity, the citizen, the servant or the votary” (Friedman 1962, 1).

government is the patron, the citizen the ward, a view that is at odds with the free man's belief in his own responsibility for his own destiny" (Friedman 1962, 1). To Friedman, paternalism refers to the sentiment that assumes incapability of a group of people to decide their own destinies through everyday choices. In the subsequent implementation, social programs may be established to "guide" individuals to choices considered beneficial to them. Friedman uses the practice of handing out food vouchers and subsidized housing instead of cash as one example. Such paternalistic programs essentially "put some people in a position to decide what is good for other people" and creates "a feeling of childlike dependence [in others]" (Friedman 1980, 119). Not only would a ward-like mentality lead to increased reliance on governmental action and thus lead to bigger bureaucracy, but it would also inhibit the "variety and diversity of individual action" (Friedman 1962, 4). A dearth of technological innovations, and therefore economic progress⁹, could result.

Yet Friedman concedes that certain groups in society do require guidance from their peers, that "paternalism is inescapable for those whom we designate as not responsible". He comments: "freedom is a tenable objective only for responsible individuals. We do not believe in freedom for madmen or children" (Friedman 1962, 33). In other words, these two groups of society, at least, should not be allowed the freedom of self-determination because doing so poses potential harm to society-at-large. This "harm" is not suggestive of possible social upheaval but as a drain to public financial resources or excessive on civic institutions. Yet exempting those too young or mentally

⁹ This is a reference to greater efficiency to produce goods and hence expand the frontier for everyone

incapable from the personal freedom enjoyed by others is very significant. Although the rationale behind such exceptions is perhaps understandable, Friedman's point is nonetheless supportive of class division on the basis of youth and mental ability.

Another facet of welfare reform Friedman discusses involves the idea of fairness. In chapter 10 of *Capitalism and Freedom*, the question of whether today's progressive tax system is fair or not is raised alongside the concept of the "lottery of life". According to this notion, everyone begins with near-equal opportunities to succeed according to their respective abilities. Yet as individuals grow and mature, they are involuntarily drawn into a lottery whereby only a few can win; these select winners win big – be it in terms of wealth, power, fame, etc (Friedman 1962, 164). Friedman uses the example of two girls to explain: one who wants to become a movie actress and the other a secretary. The chances of the first girl succeeding are slim (but her appetite for risk is high) and the payoff may be huge compared to the second girl's. In the example, however, Friedman argues that a progressive tax system equalizes the payoff between the two girls and therefore deprives the first girl of the reward for taking the bigger risk. Over time, the net effect would be to discourage individuals from taking risks and instead settle for mediocrity. The unfair nature of the progressive tax is owing to being "imposed after the outcome of the lottery has [already] been decided" –and such taxes are mostly voted for by those who think they have "drawn the blanks" or missed out on the lottery (Friedman 1962,164).

From Friedman's perspective, responsibility and fairness are interchangeable terms in the sense that individuals should be mindful of the consequences of their choices. He points out that people are naturally risk-averse but at the same time, in the words of Alexis de Tocqueville, the less fortunate are "impel[ed] to attempt to lower the powerful to their level" (Friedman 1980, 131). The meaning of this so-called "passion for equality" has evolved steadily over time, from the "Equality before God" in the days of the American Revolution to "Equality of Opportunity" in the mid-twentieth century, until (finally) the present day "Equality of Outcome"¹⁰. Of significance is the fact that Friedman's life spanned the latter two stages. Concerning the claim of unfairness in the inheritance of property and of natural talent, he simply declares that "life is not fair" (Friedman 1980, 137). Friedman further points out that "while it is tempting to believe that government can rectify what nature has spawned...it is also important to recognize how much we benefit from the very unfairness we deplore" (Friedman 1980, 137). This "benefit" is a reference to his previous argument championing capitalism: one has to choose between valuing individual freedom or social equality. Fairness implies equality. He reasons that much like in a game of baccarat as in society, making the winners repay the losers "would take all the fun out of the game".

With respect to poverty, there exists a tension in Friedman's opinions between rewarding individual responsibility and responding to empathy. He argues that it is not right for the financially successful to be deprived of their wealth through progressive

¹⁰ "That different concept, equality of outcome, has been gaining ground in this century" (Friedman 1980, 124).

taxation; but at the same time, Friedman disproves of allowing those in need of aid to starve and die. This is evidenced by his response to a question in 1971 about the right to a minimum standard of living, to which he answered “the poor do not deserve anything in particular any more than you or I deserve anything in particular. But some of us may feel that we would want to do something to help out the poor” (Friedman 1971, B2). He prefers government intervention in the latter scenario to help the poor. The relationship between responsibility and empathy from Friedman’s perspective is a paradoxical one.

Milton Friedman’s approach toward addressing poverty can be summarized as two-sided. On the one hand, he voices a firm belief in laissez-faire economics and against government involvement in private affairs. But he also acknowledges the existence of anomalies that only a central authority can correct; government provides such a means of ameliorating problems. The classic example is the oft-referred free-rider problem or “tragedy of the commons”¹¹, where individual citizens enjoy public goods and services but exhibit a tendency not to pay for their costs and to over-use. Social programs can be regarded in similar light: the average citizen dislikes seeing his fellow citizen in poverty yet, more often than not, does not want to help.

The Negative Income Tax

The idea of a negative income tax (NIT) is commonly attributed to Friedman, who strongly advocated it in *Capitalism and Freedom*¹². There are, however, others who are

¹¹ Friedman prefers the term “neighborhood effect” in his writings.

¹² He also described it in *Free to Choose*.

credited with raising the idea¹³. The NIT is a progressive income tax system wherein people earning below a certain amount receive supplemental payments from the government instead of paying taxes to the government. It is important to note that while such a system has been discussed by economists, it has never been fully implemented aside from isolated field experiments.

Devised from a perceived need to reform the current welfare system in the United States, the NIT addresses three main problems: (1) it drastically reduces the size and financial burden of today's system; (2) it increases individuals' incentives to work; and (3) it ultimately leads to a more responsible society. Friedman addresses all three in chapter 4 of *Capitalism and Freedom*, "Cradle to Grave". The first problem draws attention to the massive size of the welfare system, "maintenance" of which requires an equally massive bureaucracy. Administrative expenditures and "attractive pay scales [for government workers]" would certainly siphon off the money intended to aid the poor. In the chapter, Friedman creates an analogous chart to illustrate the growing misalignment of interest between bureaucrats and the poor. There are four categories where the tendency for waste and inefficiency increase: from Category I to IV. Categories III and IV are especially relevant:

Category III refers to your spending someone else's money on yourself –
lunching on an expense account, for instance. You have no strong
incentive to keep down the cost of the lunch, but you do have a strong

¹³ Amongst the examples are the University of Wisconsin's Robert Lampman in the 1960s and British politician Juliet Rhys-Williams in the 1940s.

incentive to get your money's worth. Category IV refers to your spending someone else's money on still another person. You are paying for someone else's lunch out of an expense account. You have little incentive either to economize or to try to get your guest the lunch that he will value most highly (Friedman 1962, 117)

The reasoning here is that wasteful spending occurs due to the lack of self-interest of the bureaucrats, particularly under the Category IV scenario. According to Friedman, "only human kindness [and] not the much stronger and more dependable spur of self-interest, assures that [those in charge of money] will spend money in the way most beneficial to recipients" (Friedman 1980, 117). Unfortunately, human kindness is regarded as insufficient and hence the hypothetical result is ineffectiveness. Friedman further laments that "there is a ragbag of well over 100 federal programs that have been enacted to help the poor...One program duplicates another" and successful manipulations of welfare programs lead to "some families who manage to receive assistance from numerous programs end[ing] up with an income decidedly higher than the average income for the country" (Friedman 1980, 108). He argues that as the size of the system grows, it becomes more difficult to prevent individuals from exploiting the system.

Problems two and three are similar in that they pertain to the psyche of the poor on a generalized basis. The oft-unintended consequence of welfare provisions is their tendency to decrease the incentive of individuals to go out and find employment. Because the present tax system does not distinguish between the poor and the affluent, the poor

who work must nonetheless pay tax on their marginal incomes. Friedman points out that although “the tax rates are on paper both high and highly graduated,” the presence of tax “loopholes” and “the usual incidence effect of taxation¹⁴” results in actual rates imposed and subsequent income from taxation being far lower than the nominal rates (Friedman 1962, 172). The present tax system ultimately creates the unintended effect of “[impeding] the accumulation of wealth” (Friedman 1962, 173). Therefore, when the benefit level of welfare is set too high, many receivers question the purpose of working at all. What is the purpose of work when the welfare benefits are comparable? As a liberal economist, Friedman advocates stronger self-reliance for all members of society. Individuals able to work must work and thus be responsible for their own ends.

The NIT divides the present tax system into two: one for those considered poor and the other for the non-poor, whereby poverty is gauged by a pre-established income level. Government allows cash subsidies for the latter while those belonging to the former category would pay the same amount in taxes as they do today. Under an NIT system, the poor would likely receive fewer overall welfare benefits than in the regular tax system. Those who are employed, however, will be able to retain most, if not all, of their earned incomes due to the presence of a “negative tax rate”. Therefore, instead of tax liabilities varying positively with income according to a tax rate schedule, benefits would vary inversely with income according to a negative tax rate (or benefit-reduction) schedule (Friedman 1962, 192). Friedman explains his idea with an example. If the threshold for

¹⁴ Explained as “by discouraging entry into activities highly taxed...[taxes] raise returns in those activities” (Friedman 1962, 172).

positive tax liability for a family of four was, say, \$10,000, a family with only \$8,000 of annual income would, given a negative tax rate of 25 percent, receive a check from the government worth \$500¹⁵. Thus this family would have \$8,500 in disposable income per annum. On the other hand, a family with zero income would receive \$2,500¹⁶.

One of the obvious advantages of the NIT is that “it gives help [to the poor] in the form most useful to the individual, namely, cash” (Friedman 1962, 192). Direct cash-based infusions address problems one and three mentioned earlier. With regard to reducing the size of the bureaucracy, the allocation of cash would only require a single program to manage the transfer process from government to the individual. Other programs such as public housing would no longer be required and hence could be disbanded. Friedman calculates that the potential savings of the NIT would be greater than estimates due to the indirect costs “of such measures as minimum-wage laws, tariffs, licensing provisions” (Friedman 1962, 193) of the present welfare system. In economic terms, cash allowances also lead to much higher utility for and teach responsibility to an individual due to the liquidity of cash compared to, say, food vouchers. Their personal freedoms would not be compromised. Friedman emphasizes that “[cash] is general and could be substituted for the host of special measures now in effect” (Friedman 1962, 192). One could argue that a combination of thrift and smart investing with the cash allowances could lift someone out of poverty.

¹⁵ 25 percent of the \$2,000 difference between its \$8,000 income and the \$10,000 threshold.

¹⁶ This family would be eligible to the full benefits: 25 percent of \$10,000 is \$2,500.

Another detrimental effect of the current welfare system is on private charity, because most people consider government programs as perfect substitutes for charitable giving. The reality is very different. In addition to the previously mentioned wastefulness of government programs, the scope of private charity far surpasses its government counterparts. The extent and diversity of private charitable activity in the United States dominates government-sponsored programs. In his *Capitalism and Freedom*, Friedman declares that “we believe that one of the greatest costs of our present welfare system is that it not only undermines and destroys the family, but also poisons the springs of private charitable activity” (Friedman 1980, 123). The NIT would likely also undercut the public’s willingness to contribute to charities, but its detrimental effect is hypothetically less than the current system’s.

In its purest and intended form, an NIT seems to promise a revolution in American social policy. It would significantly reduce the bureaucracy and hence eliminate waste, in addition to increasing work incentives for the poor. But Friedman makes it clear that he does not regard the NIT as the end-product of welfare reform – merely as a means of transitioning to a society free from welfare programs. As he explains,

Most of the present welfare programs should never have been enacted. If they had not been, many of the people now dependent on them would have become self-reliant individuals instead of wards of the state...However, given that the welfare programs exist, they cannot simply be abolished

overnight. We need some way to ease the transition from where we are to where we would like to be, of providing assistance to people now dependent on welfare while at the same time encouraging an orderly transfer of people from welfare rolls to payrolls...Such a transitional program has been proposed that could enhance individual responsibility, end the present division of the nation into classes, reduce both government spending and the present massive bureaucracy (Friedman 1980, 119).

Yet Friedman acknowledged the immense challenges to the fulfillment of his vision for reforming welfare. For one, he understood that the results of reduced welfare benefits would be so hugely unpopular with the general public that the average politician would not raise the issue.

Another problem is the challenge of outright eliminating the numerous government agencies that currently oversee welfare programs. As he points out, Friedman believed that in order for the NIT to become effective, it must strictly replace all existing welfare programs. He reasons that “the negative income tax would be a satisfactory reform of our present welfare system only if it replaces the host of other specific programs that we now have” (Friedman 1980, 122). The existence of other welfare programs alongside the NIT creates a sort of wasteful redundancy that ultimately undermines the potential of the NIT. For this reason, he stood before a 1969 Congressional hearing during the Nixon administration to, ironically, argue against the implementation of the NIT. During his hearing, Friedman explained the problem that

“when additional features of the proposed plan...plus the proposals about food stamps, are taken into account, the final schedule is not a two-step schedule and the final rates are often far higher than [the desired] zero and 50 percent” (Friedman 1969).

Alfred Marshall: On Poverty

Alfred Marshall was drawn to economics because he believed in its potential to solve the social problem of poverty. In his own words, “the study of the causes of poverty is the study of the causes of the degradation of a large part of mankind” (Marshall 1961, 3). He regarded poverty as perhaps the most significant barrier to harmony in modern civilization. Philanthropist Charles Booth conducted a study of pauperism in 1885 London, and concluded that 35% of the population lived in abject poverty (Booth 1889, 3). For the bulk of the population during his time, mired in poor living and working, little improvement in positive characteristics such as personal habits and self-esteem could be expected without amelioration of their economic conditions. Such social improvement was important not solely for individuals but for its accumulated effect. In other words, Marshall argued for the instrumental role of poverty alleviation in permitting and stimulating improvement in the overall quality and character of the population.

What Marshall ultimately valued was not improvement in the standard of living but in the means whereby this improvement could be achieved. Given the efficient methodology in the economics discipline in reducing complex problems to simple ones, Marshall employed this approach to resolve poverty. He observed that “it is common to distinguish necessities, comforts, and luxuries; the first class including all things required

to meet wants which must be satisfied, while the latter consist of things that meet wants of a less urgent character” (Marshall 1961, 5). Aside from distinguishing the needs from the wants, the additional benefit rendered by economics is its constant push for greater efficiency in both the production and consumption of goods.

This section of the paper examines Marshall’s perspective on poverty, which is arguably more difficult to grasp than that of Friedman. Whereas Friedman is entrenched in classical liberal beliefs, Marshall holds opinions across the spectrum of philosophical thought. As an example, he endorses collectivist ideas such as redistributive taxation and government welfare programs but also emphasizes self-help and individual action. These suggest at times a sense of conflict in thought, perhaps even of self-contradiction. Marshall further deviates from Friedman through his steadfast belief that, to the economist, resolving poverty should be “their chief and their higher interest” (Marshall 1961, 3).

A Residuum?

Alleviation of poverty through steady progress and improvement of the working classes was an important element in Marshall’s initial decision to commence studies in political economy. The wish to free the masses “from the pains of poverty” was prominently displayed in the opening sections of the *Principles of Economics* (Groenewegen 1995, 354). More specifically, Marshall introduced the theory of the “residuum”; these were people belonging to the lowest social classes who could not find a place in the everyday economy.

But the conditions which surround extreme poverty, especially in densely crowded places, tend to deaden the higher faculties. Those who have been called the Residuum . . . have little opportunity for friendship; they know nothing of the decencies and the quiet, and very little even of the unity of family life; and religion often fails to reach them. No doubt their physical, mental and moral ill-health is partly due to other causes than poverty: but this is the chief cause (Marshall 1961, 2).

He argued that increased poverty was mainly a temporary concomitant of growth caused by a population that was temporarily too big in numbers and too low in skills. As a result, employment is difficult to obtain and, even when obtained, the wages are insufficient for adequate comfort or sustenance. A major proportion of individuals adversely affected in this population would belong to the “residuum”. The Residuum population is unique in its inability to escape their depraved conditions; they are stuck in cyclical misery. Contrary to Adam Smith's expectation of rising wages because workers can migrate to better-compensated employment, Marshall argued that wages are contingent on the industrial complexity of the nature of work itself. If the work does not require significant skills and hence of “low industrial ability”, then its “disagreeableness” will have very little effect in raising wages (Smith 1969, 442). It appears that technological progress may well result in sustaining the number of people who are unfit for any but the lowest grade of work.

They compete eagerly for the comparatively small quantity of work for which they are fitted, and in their urgent need they think almost exclusively of the wages they can earn: they cannot afford to pay much attention to incidental discomforts, and indeed the influence of their surroundings has prepared many of them to regard the dirtiness of an occupation as an evil of but minor importance (Marshall 1961, 558).

Poverty in the Context of “Marshallian Economics”

Like the classical writers preceding him¹⁷, Marshall emphasized the rights of private property, human freedom, and the development of social institutions in areas such as in communications and finances. This is evidenced by his writings, speeches, and recounts from his peers. In turn he was a neo-classical economist, not too different from the libertarian Friedman. Therefore, one should not mistakenly believe that Marshall was a socialist. Despite “socialistic” inclinations during his early years¹⁸, he deplored poverty in the context of a classical vision of human society: a place where the virtues of liberty and self-determination reign. Marshall did not push for increasing equality within society. However, he was a little more enthusiastic about government involvement than the classical writers. Scholar Danis O’Brien nonetheless notes that to Marshall, “government involvement in enterprise was harmful to both managerial and innovative efficiency”

¹⁷ Namely Adam Smith, David Ricardo, and J.S. Mill

¹⁸ Peter Groenewegen in Chapter 7 of *Great Thinkers in Economics: Alfred Marshall* highlighted Marshall’s “youthful tendency” to socialist writings and ideas. In 1867, Marshall “brought and subsequently read, volume I of [Karl] Marx’s *Capital*; Marshall also attended a meeting of a “working-man’s party” in Germany between 1869 and 1872.

(O'Brien 1990, 141). Marshall believed, like J.S. Mill, that economic growth was the answer to poverty.

Aside from its significant economic burden on society, Marshall asserted that poverty should also be considered a major source of moral degradation. Those leading difficult lives due to poverty live in a depraved state, due to their inability to partake in what this world has to offer:

We scarcely realize how subtle, all-pervading and powerful may be the effect of the work of man's body in dwarfing the growth of the man...the poor laborer may live and die without even realizing the joy there is in knowledge, or what delight in art; he may never have conceived how glorious a thing it is to be able to think and to feel about things and with many men (Marshall 1873, 101)

The existence of poverty hence creates an ethical dilemma about the disparity in livelihood between groups of individuals. Is it right to tax the rich to give to the poor? There is no correct answer to this question. Furthermore, discussion in Marshall's opinion inevitably introduces the question of human nature. Marshall regards human nature as dynamic: changes take place not only on the outside (e.g. in physique or skills) but also inside the mind (e.g. one's beliefs and morals). It is thus wrong to measure changes in human nature through a single measurement, such as what we now call human capital accumulation (Matthews 1990, 21). In addition, neither is time constant because "[Marshall considered] changes in human nature to occur both within a given generation and between generations" (Matthews 1990, 21).

Marshall also contended that social environment had a significant effect on human nature. Interactions with one's surroundings result in fundamental changes to the individual. For example, living on the frontier made people more self-reliant and urban living was detrimental to their health (Marshall 1961, 197). The children belonging to parents (from the Residuum) who were ill-equipped to succeed would suffer in their upbringing and would become the deprived class of their generation (Marshall 1961, 562). Moreover, Marshall pointed out the effect on human nature can become widespread due to its corrupting factor. The wealthy are liable to become corrupted and, ultimately, become poor themselves.

The incursion of the offscourings of low-paid labor, largely agricultural, from the South of England and Ireland into the best hives of high-class industry, brought with it a degradation of the quality of life, from which the chief manufacturing district of England has not wholly freed itself (Marshall 1919, 76)

Private property, as Marshall noted in the *Principles of Economics*, is the *sine qua non* for risk taking and experimentation that are the *sine qua non* for economic growth and hence for social progress (Reisman 1990, 79). This perspective is similar to that of Friedman: private ownership is critical to individual liberty, and creates the incentive for an individual to partake in uncertainty. Yet Marshall emphasizes the social aspect of private property –for example, that it can be shared amongst a society. Such a defense of private property in terms of social function and little else is unlikely to appeal to a wealthy individual. The wealthy are often presumed to be the opponents of socialism, a

natural enemy in the form of an “implicit proponent of evolutionary socialism” (Reisman 1990, 80).

Marshall stressed that taxes were always levied on people – not on commodities or other objects. Taxes therefore can have unintended consequences, namely because “[commodities] were only a conduit for taxation, when owned, used, brought, sold, or traded” (Groenewegen 2007, 88). Marshall also suggested that equity could be measured either on benefit grounds or by the ability to pay. The progressive principle of taxation, similar to today’s form of rising marginal tax rates as income or wealth increases, was preferred by Marshall on equity grounds. Yet even progressive taxes can yield negative effects, and hence equity is unlikely to be the sole criterion in levying taxes. A progressive income tax, for example, was detrimental to saving (Groenewegen 2007, 88). Marshall believed that the greater equity of a tax system was thus best secured by “removing unambiguously inequitable taxes and not by searching for the spurious perfection of an ideally equitable tax system” (Marshall 1961).

On the topic of labor unions, Marshall sided with the older trade unionism in Britain rather than with the new. Older trade unionism refers to the so-called “New Model Trade Unions¹⁹” of the 1860s, whose formation tended to be restricted to individual trades and to highly-paid skill trades. These “new Model” unions were also characterized by an emphasis on education of workers and negotiation with employers rather than strike action. In contrast, the new form of trade unionism that emerged

¹⁹ Term coined by Sydney and Beatrice Webb in their *History of Trade Unionism* (1894)

beginning in the 1900s involved the incorporation of workers from different vocations and of varying skill sets. The convergence of workers through this form of trade unionism facilitated the integration of a political agenda –ultimately culminating in the formation of today’s Labour Party. From Marshall’s perspective, this combination of labor and politics created a tendency to resort speedily to strike action for higher wages, shorter work hours, and better conditions. He perceived political power in the hands of workers as dangerous to the health of British industries. As an example, frequent strike action could culminate in a decline in British export competitiveness as compared with new industrial nations, especially economic rivals such as U.S., Germany and Japan (Groenewegen 2007, 121).

The reason for Marshall’s preference for older trade unionism is its apparent commitment to self-help, facilitated by small membership and collective employment background. This preference points to the broader emphasis Marshall placed on self-help and individual action as solutions to poverty and unemployment. He identified self-help with character building, which would lead to the cultivation of desirable characteristics of the working class such as “industry and punctuality, thrift and politeness, [and] a healthy and frugal life style” (Groenewegen 2007, 121).

Outdoor and Indoor Relief

In the *Elements of Economics of Industry* (1920), Marshall shares his views on two different types of relief: indoor and outdoor. “Indoor relief” refers to providing aid to the poor in the Parish workhouse, which resembles the modern day homeless shelters.

These workhouses are managed by the government; their admissions process is contingent on the individual's willingness to move-in and remain there for both work and residence. "Outdoor relief" is characterized by direct aid (financial or other provisions) to the poor, such as food handouts and cash disbursement. In this manner, outdoor relief resembles today's welfare system in many countries. Marshall diagnosed indoor relief in the workhouse as highly "unpopular" because:

It resembles imprisonment, and seems too hard a fate for those whose poverty is not the result of positive vice. When a man goes into the workhouse, his home is generally broken up, so that he cannot easily leave it and start in life afresh (Marshall 1961, 32).

While outdoor relief is "less burdensome to the rate-payer...and is more agreeable to those who receive it than indoor relief" (Marshall 1879, 33), Marshall contends that it is an imperfect solution. Outdoor relief is liable to "great evils" because on the whole, it was found that wherever outdoor relief has been given freely, a large part of the recipient population becomes "idle, thriftless", and in Marshall's own expression, "pauperised". Where outdoor relief was given to the able-bodied, it tended to lower wages; when restricted to emergency cases, its effect on poverty was negligible. The situation is further complicated by the presence of private charity, which itself distributes aid to the poor. Marshall speculates that "while the honest poor suffer great hardships, those who are dishonest often receive Outdoor relief at the same time that their wants are abundantly provided for by private charity" (Marshall 1961, 33).

But Marshall does not suggest that outdoor relief should be replaced by something else. Despite its flaws like incentivizing cheating in the system, outdoor relief is a commendable government program in his opinion. It offers a form of aid to the poor, particularly the Residuum, where there was none before. However, Marshall suggested that outdoor relief ought to be reformed. One recommendation was for its applicants to carry the onus of proof by demonstrating that they deserve it, while decisions to give relief should be supported by tests such as “Workhouse test²⁰” (Marshall 1861, 35). Marshall concluded that provided it was possible to separate the deserving from the undeserving poor, outdoor relief should be maintained (Groenewegen 1995, 355).

Marshall reiterated his support for outdoor relief in a letter to the *Times* in 1886, contending that public sentiment against outdoor relief was not as strong as claimed. The working classes in particular preferred outdoor relief to indoor relief. Marshall added that this opinion “seemed to be that of all working men, without exception, the best as well as the worst” as he had found from personal observations when attending socialist lectures, “where mention of cutting outdoor relief invariably drew angry reactions from all” (Groenewegen 1995, 356). Furthermore, Marshall’s to the *Economic Journal* in 1892 recommended outdoor relief for the more permanent betterment of the elderly poor. Groenewegen believes this recommendation was inspired by his prior attendance (on December 15 1891) at a meeting of the Royal Statistical Society during which “Charles Booth unfolded his scheme for aged pensions by way of conclusion to his paper on the statistical enumeration and classification of paupers” (Groenewegen 1995, 355).

²⁰ Otherwise known as a general “thrift test”

Marshall's Solutions to Poverty: Education

To resolve the poverty problem, Marshall advocated reducing the “cut-throat competition” for the price of unskilled labor by a mix of better education and more active charity. He believed in educating the poor so that competitive forces gradually raised their wages above poverty levels. Education is regarded as a means to equalize the living conditions between the high and low social classes, yielding both direct as well as indirect benefits to society. Marshall viewed education as an instrument capable of lifting up the poor and relocating them into the middle class. The direct benefits come from eliminating much of “that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work” (Marshall 1961, 292). Although movement across social classes is possible, one’s status at birth plays a pivotal role in determining that person’s future. Marshall further comments “all that is present during many years in the opening the means of higher education to the masses would be well paid for if it called out one more Newton or Darwin, Shakespeare or Beethoven” (Marshall 1961, 296). Talent is hence portrayed as an insignificant characteristic. In the following quotation from *The Principles*, he indicates the value of education:

[Education] confers great indirect benefits even on the ordinary workman. It stimulates his mental activity, it fosters in him a habit of wise inquisitiveness: it makes him more intelligent, more ready, more trustworthy in his ordinary work; it raises the tone of his life in working hours and out of working hours; it is thus an important means toward the production of material wealth; at the same time that,

regarded as an end in itself, it is inferior to none of those which the production of material wealth can be made to subserve²¹ (Marshall 1961, 291)

Marshall's primary solution to the problem of poverty is education, but he also exhorts individuals to behave responsibly, with thrift and self control. For instance, he argued they should postpone marriage and have fewer children so that "excessive breeding" does not offset education in its effect on the supply of unskilled workers. An emphasis on self-help is apparent in his references to education, on how individuals should take advantage of educational opportunities provided by the state.

While Marshall regarded government as a potential obstacle to economic affairs and to any type of reform, he also perceived its capacity to impact the masses in a positive manner. The benefits of economic improvement required appropriate changes in institutions, personal incentives and public attitudes, which would elevate the poor from their conditions. Such changes may become lost in the political arena and in the hands of selfish politicians. However, Marshall believed government had a guiding role to play: to lead in reforming the ideals of society. He felt that better understanding of economic consequences by the underprivileged can be accomplished through an informed electorate (Marshall 1961, 38). The diffusion of sound economic knowledge was essential as well as an integral element in the process of socio-economic transformation. Economics thus was itself a noble activity of high importance for the future of mankind.

²¹ In Book Four, Chapter Six: Industrial Training.

It should be noted that Marshall's position on education diverges from his overall perspective on economics. In a departure from the classical tradition of economics, Marshall supported the expansion of the government's role in the area of education. His fellow classical economists, such as David Ricardo and Adam Smith, generally advocated that government take a non-interfering approach (or "laissez faire") with respect to all social functions. Marshall seems to disagree, believing instead that important institutions are best left in the hands of the government (Marshall 1961, 420). That is not to say that he was against privatized education – perhaps only that education should be regarded as a social good. The average citizen presumably cannot afford to send their children to private schools.

A dilemma is that even if economic conditions were improved for the poor, a subsequent result may well be increased consumption of goods irrelevant to improving their moral conditions. With alcohol consumption an example of an "irrelevant good", a solution must be found to encourage healthier and less stultifying behaviors in both working and town life. Marshall also points out the need for change in the middle and upper classes, to rid themselves of a "frequent propensity to showy and ostentatious consumption and excessive materialism". The upper echelons of society and those who had already raised their own standard of life had an important leadership role of helping the poor. Marshall considers voluntary individual efforts to assist the amelioration of the poor to be another vital method to solve poverty.

Marshall's Solutions to Poverty: Private Charity

Economic progress and education may be the primary hopes to end poverty, but only if they would generate greater willingness to extend charity towards those less fortunate. Marshall believed that in the absence of human compassion, poverty as a social problem would not be eradicated. The spirit of generosity within society is enhanced in periods of economic growth. Economic motivation was supplemented by this less selfish motivation during periods of economic growth. He argues that the correlation between generosity of the human spirit and charity toward others is not some random occurrence, but is a natural part of human evolution:

No doubt men, even now, are capable of much more unselfish service than they generally render; and the supreme aim of the economist is to discover how this latent social asset can be developed more quickly, and turned to account most wisely (Marshall 1961, 23).

He explicitly acknowledged the influence of Charles Darwin's theory of evolution in his *Principles of Economics*, especially for the concept of the "survival of the fittest". However, Marshall does not equate the fittest with being the best. The minding of one's surroundings, such as treatment of the environment and neighbors, is emphasized as mainstays to the definition of fittest. He points out that the moral dimension of the world should also be remembered in the definition.

The law requires to be interpreted carefully: for the fact that a thing is beneficial to its environment will not by itself secure its survival either in the physical or in

the moral world. The law of survival of the fittest states that those organisms tend to survive which are best fitted to utilize the environment for their own purposes. Those that utilize the environment most, often turn out to be those that benefit those around them most; but sometimes they are injurious (Marshall 1961, 242).

Marshall's advocacy of private charity also incorporates what he termed "the realm of economic chivalry". Economic chivalry largely refers to ethical businesses practices, both between firms and within firms; unethical means of business conduct include examples such as fraudulent dealings and destruction of rivals. This idea is highlighted in his 1907 paper in the *Economic Journal*. Aptly titled *Social Possibilities of Economic Chivalry*, Marshall discusses the need for the business community to adopt a chivalrous attitude in their business undertakings. The concept of economic chivalry is interesting for its applicability with respect to economic systems: it serves perhaps as a moralizing force within capitalism, and as an alternative faith to that of socialist collectivism. Cooperation between organizations and creating a harmonious atmosphere are highlighted. It should be noted that Marshall proclaimed the dawning of a new age of chivalry at the end of his speech to the Industrial Remuneration Conference in January 1907 (Cook 2008, 49).

The age of chivalry is not over, it is dawning now in this present generation. For now we are beginning to see how dependent the possibilities of leading a noble life are on physical and moral surroundings. However great may be our distrust of forcible socialism, we are rapidly getting to feel that no one can lay his head on

his pillow at peace with himself, who is not giving of his time and his substance to diminish the number of the outcasts of society, and to increase the number of those who can earn a reasonable income and have the opportunity of living, if they will it, a noble life (Cook 2008, 49).

PART II: RELEVANT LIFE EXPERIENCES

One of the explanations of Friedman's and Marshall's positions on poverty is their life experiences, especially in their childhood and teenage years. Such experiences are important especially if they exerted influence on their beliefs and opinions in the later years. The overcoming of childhood disadvantages, typically in economic terms, is especially significant in shaping one's attitude toward others with identical situations. Aside from geographic, cultural, and chronological differences, Friedman and Marshall shared various similarities. For instance, neither was born into wealthy families or had who could support their academic pursuits. Friedman's case is punctuated by the early death of his father. Yet they succeeded despite humble backgrounds –and each would become renowned economists of their eras.

While their backgrounds may be similar, Friedman's perspective on poverty is markedly different from that of Marshall. His attitude is often marked by indifference, and expectation that the poor should help themselves. On the other hand, Marshall is frequently interested in the conditions of the poor and strives to aid through personal interactions or public advocacy on their behalf. This disparity of opinion appears

perplexing at first: how can two individuals from similar social and financial backgrounds vary so much in their treatment of poverty? This section of the thesis examines potential influences of life experiences on Friedman's and Marshall's positions on poverty, and then provides a comparison.

Life Experiences of Milton Friedman

Friedman was born in the immigrant-filled Brooklyn, but he grew up in a lower middle class home in the New York City suburb of Rahway. His unforgiving opinion of poverty may have been influenced by personal encounters as a youth. In spite of financial disadvantages until adulthood, he excelled at academics. His attitude towards the poor appears to question their inability to emerge from their condition, using his life as a ready example. Evidence for this unsympathetic stance can be found primarily in his autobiography *Two Lucky People*²².

Similar to their siblings and neighbors, Friedman's parents emigrated from Eastern Europe in hopes of finding a better life in the United States. Milton was the youngest of four children –and the only son. His father began as a petty trader and his mother worked as a seamstress in a sweatshop in downtown Brooklyn. But, eventually, the family was able to open and operate their own convenience store in Rahway. When recounting his mother's work at the sweatshop, Friedman's tone is one of admiration:

²² "Two Lucky People" (1998) was a collaborated work between Milton Friedman and his wife, Rose Friedman.

In view of the bad reputation of sweatshops, it is interesting that I never heard my mother make a negative remark about her experience. On the contrary, she regarded it as enabling her to earn a living while she learned English and became adjusted to the new country... [The sweatshop] served that function for many immigrants then, and to a lesser extent, it still does. In those distant pre-welfare state days, immigrants were strictly on their own except for the assistance they could get from relatives and private charitable agencies (Friedman 1998, 20).

The obvious inference one can draw from this passage is Friedman's approval of factory employment, without minimum wage laws. Despite the harsh working conditions that characterized sweatshops, employment for pay was nonetheless superior to unemployment. Sweatshops provided livelihood for these immigrants to the United States, and an environment in which to learn English. Friedman writes of the adversity that early immigrants to this country overcame. In those "pre-welfare state days," the kindness of relatives and of private charities was sufficient to meet the needs of those requiring assistance. Everyone seemed to be content without government welfare programs.

The importance of education during adolescence appears also to have made a deep impression on Friedman. His personal experience probably contributed to his positive outlook on education as a solution to poverty. He notes that despite "few luxuries...somehow [his] parents scraped together enough money to pay for music lessons [for their four children]"; music lessons were symbolic of the "high value that

[his] parents, like the Jewish community in general, placed on education” (Friedman 1998, 21). Later on, Friedman credits the local public library with exerting a positive influence over his academic accomplishment; he called himself a “voracious reader”. After graduation from high school, Friedman chose to attend Rutgers University with a tuition scholarship “for students who could demonstrate financial need” (Friedman 1998, 25) or, in other words, those from poor families. This dependence on a scholarship to continue advanced education is significant, due to Friedman’s tendency to neglect its impact on his future; the possibility of post-graduate studies at the University of Chicago was likewise contingent on the offer of a fellowship. Alfred Marshall also relied on the generosity of financial aid to further his education.

While at Rutgers, Friedman devised a number of methods to earn money to support himself such as part-time employment in two near-campus businesses during the academic year. He recounts working “as a part-time clerk in the men’s department of a local department store” for a salary, and to “waiting on tables at a restaurant” for a free lunch (Friedman 1998, 25). In addition to these jobs, Friedman also took the entrepreneurship route by running an “extremely profitable” summer school and a book dealership venture with a friend. The profitability of these money-earning schemes aside, it is important to realize the spirit of self-reliance fostered in these initiatives. Friedman seems to have taken personal responsibility for his own well-being and benefited from the experience. The influence of these experiences on his thought is evident in discussions of self-determination in *Capitalism and Freedom*, amongst other works.

Friedman's advocacy of individualism is illustrated in his recounting of the financial prospects at the restaurant where he waited on tables while attending Rutgers. More specifically, it exposed him to "the importance of entrepreneurship" (Friedman 1998, 26). He remembered the restaurant as a "flourishing business" when he first began working there. But after a transfer of ownership business declined dramatically –to the point where Friedman questioned why he remained employed for only a meal. After the new owner sold the restaurant back to the original owner "for decidedly less than he had paid for it", business was "booming again" (Friedman 1998, 26). This personal experience likely revealed to Friedman intrinsic differences (e.g. traits and talents) between individuals; for example, some people are better restaurant managers than others. Entrepreneurship rewards individuals based on their accomplishments and their audacity to take risks. He further noted that the "cycle [of business activity] was repeated at least once more during my tenure: under the control of the right person, a booming business; under someone else, a dismal flop" (Friedman 1998, 26).

Following his graduation from Rutgers and marriage to Rose Director (in 1938), Friedman was employed by a government-sponsored statistics research group until the end of the Second World War. He subsequently chose to return to Chicago where he commenced a lengthy career in academia, beginning his work with a theoretical approach to economics and the utility analysis of risk. This research laid the groundwork for investigations into monetary theory in the mid-1950s. On the subject of his view of poverty, Friedman's overseas travel in 1955 to Japan, Thailand, and India are of great significance. Friedman detailed these experiences in *Two Lucky People*. Although the

influence of these visits on his beliefs is debatable, they shed light about his attitude toward the poor.

While passing through Tokyo (Japan) in 1955, Friedman was able to tour and see the condition of the country. His descriptions of his reaction to the visit are noteworthy, particularly with respect to poverty. Japan at the time was recovering from the immense damage sustained, in material and human terms, during the Second World War. Friedman commented that he “was greatly impressed²³ by the cleanliness and beauty of the objects in the stores, the masses of people on the street; and the poverty” (Friedman 1998, 259). For further emphasis, he recounted in a letter to his wife Rose that “the poverty was impressive and depressing. We really have no idea...how poor people can be and still live” (Friedman 1998, 259).

To say that Friedman was astounded by what he saw is an understatement: he was unprepared to witness the level of poverty in Japan. One is thus left pondering whether Friedman had experienced poverty before, or interacted with poor people. The sense of amazement is surprising when considering Friedman’s own origin as an immigrant. However, the former statement also implies an indifferent attitude towards the poor regardless of national origin. This is reinforced when Friedman admits that poverty was “a phenomenon that has impressed me again and again in the decades that have followed and has led me to assert that there is no level of income below which it is impossible for people to live” (Friedman 1998, 259). Furthermore, this illustration was not unique in its

²³ The adjective used to describe poverty, “impressed”, is remarkable in its positive connotation –which in the process attempts to bypass negative sentiments. Impressed” typically describes favorable sentiments, of something good or admirable; poverty is rarely, if ever, described in such terms.

suggestion of Friedman's attitude to poverty: his commentary on poverty in India was similarly phrased, even more detached²⁴.

Friedman's portrayal of Old Delhi, a city he briefly visited, highlights the poverty he encountered in India. He affirms the uniqueness of its environment in admitting that "a better sample [of economic disparity in India] was provided in nearby Old Delhi" (Friedman 1998, 261). The roads of the city are depicted as constantly being "jammed with people", many of whom live on the streets and are "almost all dressed in what looked like rags" (Friedman 1998, 261). Amidst the deprived surroundings of "oxcarts" and "unpaved dirt," Friedman noticed the prevalence of beggars on the streets –they were "everywhere". He is particularly interested in them, writing to his wife that "one was struck by their generally ragged clothes but even more spindly legs" (Friedman 1998, 261). "First thing that happens is that my 'peon' runs down the hall to grab my bag and keep me from carrying it...Then outside of each door are benches at which at least two 'peons' are sitting for its occupants. They all rise and salute as I walk past. It is really a sight that would be degrading if it weren't so funny. I think I told you I have a full-time peon outside my door to jump when I ring! What a waste of manpower when I'm only there a couple of hours a day" (Friedman 1998, 261).

²⁴ Before arriving in India, Friedman stops in Bangkok (Thailand). His short description is interesting for its implicit condemnation of poverty. "This is a dirty, filthy, unattractive town, hardly relieved by the truly beautiful and in general well kept-up temples and government buildings that punctuate it. The overwhelming impression it leaves is filth and overcrowding... Every street and dirty little alley is lined with [small shops]...Imagine Maxwell Street many times dirtier and more spread out and you have a vague idea..." (Friedman 1998, 260)

Friedman's personal history offers a probable explanation for his antithesis against social welfare, and for his views on poverty. Personal success despite apparent childhood disadvantages such as financial constraints and inferior educational background taught him about the capacity of individuals to overcome. Aside from the "luck" variable, success is also credited to a strong work ethic. Friedman and his family seem to have overcome a number of obstacles without significant, outside support –even the tragic death of his father when he was fifteen years old (Friedman 1998, 23). With the experience of prevailing over adversity in mind, Friedman appears to question the inability of others to succeed with their lives. Why would one need financial aid from the government?

Life Experiences of Alfred Marshall

Marshall was born on July 1842, at his parents' house in the London suburb of Bermondsey. He was the second child in the family of William Marshall and Rebecca Oliver, who were married two years earlier in 1840. There would be five children in the Marshall household: Charles was the oldest, followed by Alfred and two sisters, Agnes and Mabel, and finally Charles Walter. At the time of Alfred Marshall's birth, the family lived on the income earned by William Marshall as a clerk for the Bank of England. Contrary to popular belief²⁵, the Marshall family was not wealthy and hence did not

²⁵ Alfred Marshall is often romanticized as someone from the social elite who is willing to speak for the masses. It's a myth he may have helped to perpetuate.

belong to the British elite. Marshall's biographer Peter Groenewegen speculates that the misperception was encouraged by John Maynard Keynes, and Alfred Marshall himself.

Marshall's entry in the biographical reference work, *Men and Women of the Time* (1889) was limited to just a date of birth. The date of birth "followed immediately by educational achievements and highlights of his subsequent academic career" (Groenewegen 1995, 19). Aside from not conveying further details such as his place of birth, Marshall's entry gives the impression of either being parentless or bitter towards his parents. Both possibilities are refuted by letters of correspondence between Marshall and his parents –his letters to his mother Rebecca Oliver are particularly illustrative of his love and devotion to her (Groenewegen 1995, 34). Therefore, his terseness in writing his biographical information must be explained by something else.

Perhaps Marshall was deliberately attempting to hide his origins. This reasoning is supported by historical documents describing the environment in Bermondsey. Groenewegen states that "all facets of the leather industry were located in Bermondsey: hidesellers, tanners, leather dressers, morocco leather dressers...The account of the Bermondsey leather market given in the *London Encyclopedia* quotes Dickens's comment on the place 'as reeking with evil smells'" (Groenewegen 1995, 21). The detrimental effect of the notorious reputation of his birthplace on his self-image may have led Marshall to be vague on the subject. One must remember that in Victorian-era England, birthplace and ancestral lineage were influential factors for matters such as employment. It is also important to note that the pervasiveness of poverty in Bermondsey

could have influenced his later ideas –Marshall did spend a considerable portion of his childhood there.

Following Marshall's death in 1924, John Maynard Keynes published an obituary in the *Economic Journal*²⁶ revealing significant biographical details of his teacher. Keynes's memoir drew heavily on personal recollections, as well as on the correspondence of others. Important collaborators include Mary Paley (Marshall's wife), John Neville Keynes, and Arthur Cecil Pigou, who each related to Marshall in a different way. As a result of their involvement, Groenewegen admits that "this makes the Memoir a particularly important document for the Marshall biographer" (Groenewegen 1995, 15). But Groenewegen also points out that the Memoir lacks truthfulness with respect to Marshall's family background. He notes in particular that "[Keynes'] opening sentence [in the Memoir] lists date of birth, wrong place of birth, parents' names and wrong description of father's occupation as at the time of Alfred Marshall's birth. It then describes the Marshalls as a 'clerical family of the West', and indicates Marshall's great-great-grandfather was the Reverend William Marshall, a legendary parson of Herculean strength" (Groenewegen 1995, 19). The obvious exaggeration of certain details aside, Keynes mistakes the birthplace of his teacher. As emphasized earlier, the experience of living in Bermondsey may have been a major influence on Marshall's ideas on poverty. Keynes' mistake thus carries serious consequences for shaping the popular perception of Marshall, given the timing of the Memoir's release and the credible contributors to it.

²⁶ Known commonly as "Memoir of Alfred Marshall", and later published in Arthur Pigou's *Memorials of Alfred Marshall* (1925)

Groenewegen's biography of Alfred Marshall, the *Soaring Eagle*, was published more than seventy years later (in 1995).

The personal traits and decisions made by William Marshall appear to have heavily influenced the perspective of his son, Alfred, in both private and public capacities. In spite of his modest position as a clerk with the Bank of England, William Marshall strove to improve the livelihood of his family with his limited income. These improvements were made sometimes at personal sacrifice and in exchange for a better future for his children. His annual salary was around £250²⁷ until near retirement. Groenewegen points to the successive residential movements first from Bermondsey to Sydenham, later to Clapham and Clapham Common (Groenewegen 1995, 26); each successive residence was marked by better material background and social environment than the one before. In addition, William Marshall was said to possess a "puritanical nature." Through personal habits and "extreme severe discipline" he controlled his children (Groenewegen 1995, 22). Alfred Marshall later recounted his father working on his literary projects from 10pm to 3am, after supervising his son do school work "in Hebrew...[sometimes] up to 11.00 in the evening" (Groenewegen 1995, 49). Together with his strong puritan work ethic, the commitment to upward mobility could have impressed Alfred Marshall as desirable traits for the poor. His father seemingly elevated his family's social position despite financial constraints and humble origins. The fruits of

²⁷ To put this amount into perspective, the annual budget for the Marshall household is estimated to be £255, excluding allowances for illness or other unplanned emergencies.

good intentions and unselfishness are further exemplified by the high tuition to Merchant Taylors' School attended by Alfred Marshall and his brother Walter.

Marshall's journey to Cambridge University is noteworthy for its recurring emphasis on the importance of education, and on personal choice. The latter can be alternatively defined as the willingness to take risks in life, which parallels Friedman's decision to attend Rutgers and later pursue graduate studies at the University of Chicago. Both individuals valued education highly. Largely on the decision of his father, Marshall was enrolled in Merchant Taylors' School aged nine in 1852 (Groenewegen 1995, 50). The choice of Merchant Taylors' is important for two main reasons: the quality of its curriculum, and the school's special endowments. Groenewegen states that "at [the time of Marshall's elementary education], about two-thirds of London's elementary schools were private" (Groenewegen 1995, 48). This circumstance is significant because at the time, private schools were often inferior to their public counterparts.

In a report at the time, the "Newcastle Commission" reported that many private schools investigated were "unsuitable for school purposes" and their teachers as "too old, too poor...too unqualified in any or every way...as unfit to school-keeping" (Mingay 1986, 178). In his later years, Marshall's advocacy for greater state involvement in education is understandable through his experience with the depraved conditions of the British school system. He might not have become a successful scholar had he not had the good fortune to attend Merchant Taylors'.

But quality of education was not the sole reason for attending Merchant Taylors'. Groenewegen notes that the school was "one of the seven public schools on a par with Eton, Harrow, and Rugby" (Groenewegen 1995, 50). He speculates that its proximity to the Marshall residence and tuition cost were also influential factors in the choice of Merchant Taylors'. Aside from being "the closest", it was also strictly a day school which meant it was cheaper than the alternatives. Cost "was still an important consideration in the Marshall household" (Groenewegen 1995, 50). Perhaps more important than distance and price, Merchant Taylors' was a well-endowed institution offering scholarships to St. John's College, Oxford University. A number of these scholarships were unusual for their generous provision of aid to needy students; for example, some offered life fellowships at St. Johns College²⁸. Groenewegen reasons that "[a life fellowship] was a very valuable prize indeed for an able, but relatively poor son of the middle classes" (Groenewegen 1995, 50). Yet after receiving such a fellowship to study classical studies at Oxford, Marshall rejected it in favor of studying mathematics at the rival Cambridge University.

The decision to decline the opportunity to study at Oxford was not an easy one for the young Alfred Marshall, largely due to the pressure exerted by his father. While he was fascinated with mathematics and desired to pursue the subject in arguably the top institution for mathematics at the time, Cambridge University, his father was adamantly against this. William Marshall's stance is understandable given his own choice of the

²⁸ Groenewegen notes that these were "abolished in 1861 the year Alfred left school" (Groenewegen 1995, 50).

mundane-yet-secure job as a bank clerk, which he held throughout his life²⁹ (Groenewegen 1995, 26). The father's preference for Oxford reflected his own averseness to risk because, as Groenewegen explains, "the Oxford Fellowship was a certainty, a guaranteed position for life, given the academic and behavior record of young Alfred" (Groenewegen 1995, 50). On the other hand, studying at Cambridge did not come with a fellowship, which meant that Alfred Marshall would have to find other means to finance the cost of attendance. This problem was later solved by borrowing money from his uncle Charles Marshall. But Marshall's choice to study at Cambridge hints at his perspective on becoming successful and independent: one must undertake risky decisions in order to reap later profits. His opinion resembles Friedman's argument for greater individual responsibility and the incentives of risk-taking.

In his refusal to select the guaranteed future at Oxford, Marshall elected instead the uncertainty of Cambridge and the additional expenses involved. The consequences of his decision were unclear at the time, but ultimately proved very worthwhile. Studying mathematics at Cambridge would spur an interest in economics that later became the center of Marshall's career. Groenewegen remarks that "for a person of relatively poor family circumstances like Alfred Marshall, such a gamble was highly risky. For someone like William Marshall, whose own career choice, unlike that of his brothers, avoided all risks by opting for the security offered by a position as clerk in the Bank of England, such a choice bordered on the insane. It threatened waste of the financial sacrifices made by him and the family in educating this seemingly wayward son" (Groenewegen 1995, 59).

²⁹ The preference for job security is further highlighted by the risky undertakings of William Marshall's siblings (*Soaring Eagle*, 27)

Marshall's willingness to take a risk with Cambridge University resembles Friedman's concept of the "lottery of life": he did not settle for perceived mediocrity.

Comparison between the Social Climate of Friedman and Marshall

The difference in views on poverty of Friedman and Marshall can be further explained by the different social environments of their respective times. Public opinion on the treatment of popular issues often influences the perspective of individuals. This section considers the effect of social climate, or public opinion, on the treatment of poverty by Friedman and Marshall.

Similar to the broad scope of his economic ideology, Marshall's social environment is difficult to characterize in light of the numerous momentous events that occurred during his lifetime. He was born at the height of the Victorian era, when Britain was undisputedly the world's leading superpower. British naval supremacy, supporting its dominant position in international trade, literally "ruled the waves" around the world. The Victorian era was characterized by distinct social sentiments on issues such as poverty. Publication of Karl Marx's *Communist Manifesto* in 1848 and *Das Capital* in 1867 triggered new forms of social organization and movement. In 1901, Queen Victoria passed away with the dawn of a new century. Emergence of other powers, such as Germany and the United States, coincided with the slow demise of British supremacy. Marshall lived to witness the appalling violence of the First World War, which would result in further social transformations. New patterns of labor organization, changes in

class structure, and public perception of the government are examples of these transformations.

The impact of the Victorian era, primarily in terms of important social issues of the time, was immense on Alfred Marshall. Peter Groenewegen comments that Marshall's life "involve[d] many features relevant to general Victorian intellectual and social history, because it not surprisingly reflected so many of the characteristics of the late Victorian thinker" (Groenewegen 1995, 2). For example, Marshall would become immersed in the strong belief in human progress that was shared by his contemporaries. Human progress would be spurred by social reforms such as the conferring of universal education, which was widely believed to lead to improving the living standards of the general populace.

Another important development of the Victorian era was increasing guilt by the social elite about the treatment of the lower classes. Evidence of the guilt could be readily found in hardships for the working classes: appalling working conditions, long working hours, lower wages, and difficult living conditions. It was clear to many that the children of factory workers were destined for a similar fate. Dutch economist Rudi Verburg states that "at the turn of the [19th] century...the optimistic overtones in discourses on man and society had given way to messages of gloom as conditions in Britain deteriorated, due to widespread unemployment and poverty" (Verburg 2006, 228). Ideas such as the "trickle-down" effect of wealth were abandoned in light of worsened conditions for the poor, despite rapid economic growth at the time. Along with other economists, Marshall

conjectured that combating poverty required a more direct approach than just anticipating the work of the “invisible hand”. His dedication to alleviating poverty probably grew from this sense of guilt of the Victorian era.

Friedman directly refers to a shift in social environment when he highlights the difference in how his two works *Capitalism and Freedom* and *Free to Choose* was received in 1962 and in 1980 respectively. While the first was released to major criticism of its philosophy (advocacy of freedom and free markets), its successor with an identical message received mass approval. *Free to Choose* would eventually be published by the magazine *Reader's Digest*. This is an anomaly given Friedman's own admission that “the difference in reception of the two books cannot be explained by a difference in quality”. Both works express the libertarian perspective with respect to national economy and government instruments. However, he offers an explanation: “that [the] change in climate of opinion developed while and partly because the role government was expanding under the influence of initial welfare state and Keynesian views” (Friedman 1980, 2). The latter statement refers to the strong impact of Keynesian ideas on the role of government, and to the results of President Franklin Roosevelt's New Deal legislation in 1933. The federal government was exponentially enlarged, both its size and the scope of its powers.

Friedman argues that the elimination of unemployment during the war and thereafter victory over the Axis were misinterpreted as the capacity of the government to manage a national economy. The beliefs that “capitalism was defective” and that

“centralized government was efficient” permeated the Western world following the Second World War (Friedman 1980, 94). Although these notions would be weakened by the subsequent failure of nationalization and Keynesian-motivated programs³⁰, the expansion of government did not stop at nationalization projects; it was instead re-directed to welfare programs and regulatory activities. While bigger government is evidently not the solution³¹ to the nation’s poverty problem, Friedman points out that “the pressure to expand [the welfare programs] grows [because their] failures are attributed to the miserliness of Congress in appropriating funds [and not to how those programs are implemented]” (Friedman 1980, 97).

Public opinion in 1962, influenced by the successful economic recovery in Europe, was largely in support of big government and massive social programs. Unpleasant memories of the Great Depression still lingered in the minds of many, when financial collapse brought a halt to businesses and left people in destitution. The New Deal transformed the role of government in American society: by introducing the concept of social security. Government would serve as a safety net its citizens. As a result, the warnings by a minority on the dangers of big government fell on deaf ears. Friedman noted that when *Capitalism and Freedom* was published in 1962, “those of us who were deeply concerned about the danger to freedom and prosperity from the growth of government, from the triumph of the welfare-state and Keynesian ideas, were a small beleaguered minority regarded as eccentrics by the great majority of our fellow

³⁰ Food shortages and inflation hit war-torn Europe particularly hard

³¹ The U.S. poverty rate has not changed significantly over the past two or three decades

intellectuals” (Friedman 1980, 3). The financial burden of sustaining a large bureaucracy seemed irrelevant at the time when the U.S. economy was growing rapidly, in part fueled by demand for its goods and services around the world. In a time of economic prosperity, Friedman’s *Capitalism and Freedom* appeared to portray a different world. This remained true until the late 1970s because Friedman noted that “even in 1978, of the 25 contributors to [an economics] symposium other than myself, only 9 expressed views that could be classified as sympathetic to the central message of Capitalism and Freedom” (Friedman 1980, 3).

But public opinion changed quickly after 1980, amidst raging military conflicts and changing consumer preferences. Faith in government was further marred by increasing inflation and the poverty rate. Compared to the 1960s, doubt over the capability of government to best decide on affairs of society mounted. The failure of U.S. military operations in Vietnam had cost the government billions of dollars; billions more were spent on President Lyndon Johnson’s “War on Poverty” initiative. Taxes were raised in order to reduce the growing public debt. Discontent over rising taxes, inflation, unemployment, and the poverty rate likely fueled enthusiasm for libertarian solutions to the social woes. This is evident in a sharp increase in inquiries, private and public, to Friedman about the NIT and his beliefs³². In contrast to two decades before, international demand for American goods had been replaced by increasing competition from major foreign companies. Firms such as Samsung and Toyota had even entered the American

³² In the Friedman Archives at the Hoover Institutions, the quantity of letters to Friedman on the subject of the NIT was markedly more from the late 1970s and early 1980s time period. The authors of these letters ranged from *Newsweek* subscribers to U.S. Congressmen.

market to sell their products. It was a period of social uncertainty, compounded by political struggles between the United States and the Soviet Union.

Changes in the 1980s were not limited to the social environment alone –there were new patterns in the world’s political system too. Initial predictions of a quick demise of the Communist bloc were disproven as the Soviet Union remained a major threat to the Western nations. The persistence of the Cold War was offered by champions of communism as evidence for its efficacy. Furthermore, the Soviet invasion of Afghanistan in 1979 prompted a fresh wave of public uncertainty. President Jimmy Carter addressed the precarious situation in the United States with a “Crisis of Confidence” speech. The political impact of the changing social climate is notable. As Friedman observed in a 2002 Preface to *Capitalism and Freedom*, “that change in the climate of opinion had its effect. It paved the way for the election of Margaret Thatcher in Britain and Ronald Reagan in the United States. They were able to curb Leviathan, though not to cut it down” (Friedman 1980, 4). President Reagan’s economic (so-called “Reagonomics”) policies bore much resemblance to those advocated by Friedman, as exemplified by a commitment to deregulation and to reduced government spending.

PART III: INTELLECTUAL INFLUENCES

During the development of their respective positions toward economics and poverty, Milton Friedman and Alfred Marshall were both influenced by the ideas of other individuals. These individuals were often economists themselves, but not always. General

philosophical thinking served as basis for more specific, economic-related inquiries. This section selects two contemporaries of Friedman and Marshall and examines the potential impact of their ideas on the latter. For Milton Friedman, his tutorship under Henry Simons and his long friendship with Arthur Burns appear to have significantly impacted his thinking. The ideology of Alfred Marshall, on the other hand, bears traits of the works of “the pre-eminent British economist of the mid-19th century” John Stuart Mill, and his later Cambridge colleague Henry Sidgwick. In certain instances, such as Henry Simons’ advocacy of rules-centered governance, his intellectual influence on Friedman is direct and obvious.

The criteria for selecting these influential thinkers are primarily based on their relationship with Friedman and Marshall respectively. Consideration of their personal interactions is also important. For example, Henry Sidgwick was a friend and a colleague of Alfred Marshall at Cambridge; yet their relationship was labeled as “stormy” by Bart Schultz. Aside from the depth of personal interactions, another significant factor was an individual’s economic work. In the case of John Stuart Mill, the impact of his ideas on social liberty were important. Mill’s championing of individual freedom against state coercion evidently influenced Marshall’s beliefs –and perhaps Friedman’s as well.

Milton Friedman’s Influence: Henry Simons

Henry Calvert Simons was a professor at the University of Chicago from 1927 to 1946, and widely remembered as a leader of the “Chicago School” of economic thought.

He was Milton Friedman's professor for courses on economic theory while the latter attended Chicago. Simons' beliefs are exemplified by the content of a 1934 pamphlet he wrote, titled *A Positive Program for Laissez Faire: Some Proposals for a Liberal Economic Policy*. Economist and historian Herbert Stein notes that the usage of 'positive' as an adjective for 'laissez faire' "set him apart from both the conventional conservatives of his time and the convention liberals" (Stein 2008). In short, Simons was a true libertarian during a time when there were few³³. He visualized a strict division of responsibilities between the government and the market: the government for maintaining stability and competitiveness, and the market for demand and supply of goods and services.

While little is known about Simons' recommendations for treatment of the poverty problem, one can speculate about his influence on Friedman on taxation, redistribution, and ideology in government. Stein points out that the only (two) books by Simons were on taxation: *Personal Income Taxation* (1938) and *Federal Tax Reform* (1950). Friedman's negative income tax could be reflective of Simons' appeal to reform the American tax system; Simons supported progressive taxation as a means of reducing inequality. With respect to ideology, Simons envisioned a society governed by rules controlling both the government and the market. "A rule to govern the conduct of monetary policy" (Stein 2008), for example, he believed was the solution to the instability of the financial system. The negative tax could likewise be regarded as a

³³ The pamphlet was published in 1934, when totalitarianism was rising in Europe, communism in Asia, and Keynesian economic ideas in both the U.S. and the U.K.

simple rule on the subject of welfare, since it clearly establishes the criteria of eligibility for potential applicants.

As one of the leaders of the “Chicago School” of economic thought, Simons exerted influence over its direction and character. Unlike his fellow colleague Frank Knight, Simons upheld the inherent efficiency of the free market system and pinned its perceived failings on macroeconomic instability. He strongly advocated classical liberalism as the desirable status quo for modern society. Political conflicts undermined stability through the introduction of economically-disruptive legislative agendas. As a prominent professor at the University of Chicago, Simons was able to interact with and influence students with his beliefs. One of these students was Milton Friedman, who recalled sitting in Simons’ classes in his autobiography (Friedman 1998, 181).

Following the publishing of the 1934 pamphlet, Simons in 1936 wrote an article in support of a rules-based economic system entitled *Rules Versus Authorities in Monetary Policy*. Simons argued that economic instability, as exemplified by the financial collapse of the Great Depression, was caused by an inherent volatility of the financial system at the time. He pointed to the overreliance on private debt, the fluctuating price index, and an unreliable central bank as key contributors to the economic fluctuations (Stein 2008). Furthermore, government intervention in the free market system was another leading cause of instability: not due to any partisanship-motivated deviancy but because of the frequency of changes made by the legislative body. Simons believed that economic fluctuations, on a regional or national scale, were

the culmination of each influence. In response, he presented a solution to ameliorate this undesirable tendency of the economy –through the establishment of a framework of rules to govern the conduct of monetary policy (Stein 2008).

The central idea behind the institution of a framework of rules was to support the free-market economy, which largely depended on individual participation of different firms. Simons notes that the purpose was to create an environment “within which enterprise and competition may effectively control and direct the production and distribution of goods” (Simons 1936, 1). Rules are necessary to distinguish between the market forces and non-market forces, which mainly consist of “political controls” that inhibit the spirit of competition. In particular, Simons highlights how labor should be subject to this method of division (Simons 1936, 1). The reference to the division of labor is significant due to the contrast drawn with centrally-planned economies.

From Simon’s perspective, a stable framework of rules is important to establish stability in the financial system which in turn precipitates throughout the overall economy. Instability is undesirable partly due to the uncertainty it introduces to the financial system. Continuing on the theme of segregating the societal role of government from that of the market, Simons stated that

In the past, governments have grossly neglected their positive responsibility of controlling the currency; private initiative has been allowed too much freedom in determining the character of our financial structure and in directing changes in the quantity of money and money-substitutes....we seem largely to have lost sight of

the essential point, namely, that, definite, stable rules of the game as to money are of paramount importance to the survival of a system based on freedom of enterprise (Simons 1936, 3).

In other words, it is the responsibility of the government to create a clear set of guidelines so that the ideals of social order and justice can be sustained. Simons argued that introducing order and structure would be “imperative” to continued prosperity. He perceived the existing amalgam of “private financial services, central-bank action, fiscal changes, and tariff change” provided by a multitude of “uncoordinated monetary measures and monetary authorities” to be “chaotic” (Simons 1936, 22). The term *authorities* refers to institutional organizations or groups of individuals capable of influencing important issues.

For this problem of poor coordination, Simons proposes a unifying set of rules or guidelines that would be highly defined and create consistency. He compares the resulting effect with that of a constitutional amendment, meaning “it must provide the same sort of limitation and mandate” (Simons 1936, 5). This method (of creating fixed rules) is advantageous for important reasons, including: (1) autonomy from “discretionary action by an independent monetary authority,” or a legislative body; and (2) simplicity and relevance of rules to a “contractual, enterprise economy” (Simons 1936, 5). Guidelines extend to the economics realm, particularly in relation to monetary matters. Just as civil laws shape society as the mediator of relations between people, monetary rules mediate the interactions between different monetary authorities such as

the governmental and the private. Rules also simplify the process by minimizing human decision-making. In addition, Simons observed that “at present, monetary powers are dispersed indefinitely, among governmental agencies and private institutions, not to mention Congress itself” (Simons 1936, 22). There is marked similarity between Simons’ observation of monetary powers and Friedman’s observation of welfare programs: both are too dispersed to be effective.

It is significant to note that, although rules are acknowledged as being limited by Simons, he goes one step further by suggesting that rules should be upheld “unrationally –on faith— as religion” (Simons 1936, 13). This ardent outlook on the advantages of a rules-based system underlies this economist’s libertarian beliefs. Government or another authority is responsible for establishing rules and regulations but, once those rules are deemed effective and acceptable to society, they are not to be tinkered with anymore. Only in extreme circumstances –such as combating an economic depression— are changes to the rules warranted. Using the analogy of the clockmaker, the authority creates rules that “should work mechanically... [and] to some extent, self-enforcing in so far as the actions of the enterprisers and speculators come to be predicated upon its enforcement” (Simons 1936, 23). The similarities to a religious deity implicit in Simons’ diction are striking³⁴.

The fundamental ideas underlying Friedman’s negative income tax bear resemblance to Simon’s philosophy for rules. As noted in prior sections, the negative

³⁴ In the Deist conception of the world, God is the almighty creator but chooses to become a mere observer. This is commonly illustrated using “watchmaker analogy”: God is a watchmaker who set everything in motion. Theologian William Paley famously used the analogy in his *Natural Theology* (1802).

income tax was designed primarily to reduce the size of the bureaucracy responsible for welfare matters. This is accomplished through a change in the tax laws: to make the recipient's welfare package proportional to his or her tax liabilities. That alteration to the tax code is essentially equal to introducing a (relatively) simple, overarching rule to replace the vast network of government agencies and programs currently in place. In addition, the steadfastness of Friedman's belief in the negative income tax as the solution to poverty is denoted by absence of competing alternatives. This perspective is not dissimilar to Simons' purported regard for the rules-system as a "religion".

Aside from the evidence that the negative income tax may have been an extension of Simons' ideas, Friedman and Simons were also unified in their staunch support of libertarianism. Both economists sought to minimize the role of government in society, especially relative to economic issues. The main responsibility of the government was to be the "umpire", to maintain order and enforce the laws of the land. Intervention in markets was to be decried –except in cases of support for competition and curtailment of monopolistic behavior. They also sought to curtail the unpredictability of human decision-making process through introducing fixed rules to regulate society. From this similarity of their economic ideas, one can speculate that Simons' opinion of poverty perhaps paralleled Friedman's. Friedman, after all, was Simons' apprentice in economics.

Milton Friedman's Influence: Arthur Burns

Arthur Burns was an economist who became chairman of the Federal Reserve Board in 1970. He served as chairman until 1978. Aside from being a strong advocate of free market economics, Burns is remembered for his efforts to fight inflation using monetary policy. Inflation of the 1970s was triggered by negative economic events such as oil shocks and heavy deficit-spending by the federal government. Burns' directives as the chairman of the Federal Reserve reflect Keynesian economics. He was a close friend of Milton Friedman, having studied together under Wesley Mitchell at Columbia University in 1933. In a memorial tribute to Arthur Burns, Friedman declared that "save for my parents and my wife, no one has influenced my life more than Arthur –as my teacher, mentor, colleague, and friend" (Friedman 1998, 29).

A major reason for the lasting friendship between Friedman and Burns could be the similarity of their upbringing. Both were immigrants to the country who worked hard to become successful. Burns' background was arguably more humble than Friedman's: arriving in the United States without any knowledge of English, and "the son of parents in poor economic circumstances" (Friedman 1998, 29). Despite these conditions and with little financial assistance from his parents, he graduated from Columbia University, Phi Beta Kappa. Using Burns as his example, Friedman states that "one cannot but marvel at the human potential that a free society can release" (Friedman 1998, 29). One could argue that to Friedman, Burns served as a constant reminder of the ability of some to overcome obstacles even greater than his own.

Burns was a strong proponent of capitalism and the libertarian approach to economics. In his published work and speeches, he repeatedly emphasized the advantages of a free market economy over a planned economy. The antagonism toward communism is understandable in the context of the Cold War. But the degree to which he praises capitalism is interesting, because Burns is constantly focused on the macro aspect of society's well-being and living. This is evident in his 1970 address in Tokyo titled "Triumph of Free Enterprise", in which he did not once refer to microeconomic reasons for Japan's prosperity. Exemplary government policy and the inherent efficiency of capitalism are credited as the main contributors. Burns points out that the adherence to Adam Smith's laissez-faire approach to the economy triggered a massive expansion of the British economy, noting that "two hundred years ago, English peasants, living at a subsistence level without any of the benefits of modern industry or science to ameliorate their condition, were probably worse off than their counterparts in most of free Asia today" (Burns 1970, 8).

Burns' discussion of the reasons for a decrease in American labor productivity in a commencement address³⁵ alludes to his perspective on social problems like poverty. He argues that the principal explanation is a growing sense of entitlement by the average American worker, which is reflective of "a change in our societal values and attitudes that have contributed significantly to poorer job performance in recent years" (Burns 1977, 38). Although the entitled feeling probably began at an individual level, the

³⁵ Commencement address at the University of South Carolina, May 14, 1977. "The Significance of Our Productivity Lag"

aggregate effect in the population creates a problem. The change is between historical industriousness of the American people, of “[the striving] for self-improvement and the betterment of our families...to sacrifice and scrimp when investment opportunities beckoned”, and a “lessened sense of industriousness” (Burns 1977, 39). Burns used an empirical record of rising job absenteeism to illustrate this point: an estimated five million unscheduled absences by workers that translate to more than 100 million hours of working time lost. Not only does this absenteeism pose excess labor cost to firms, but it also leads to “inefficiency in the operations of our businesses” (Burns 197, 39). Because the sense of entitlement is a personal characteristic, Burns here identifies the heart of the problem to be sloth. He presents changing “the basic work attitudes of employees” as the solution³⁶.

Like Friedman, Burns criticized government measures such as minimum wage laws as counterproductive to the goal of reducing unemployment. His contention is equally critical in highlighting that minimum wages raise the cost of labor to potential employers. These employers subsequently become reluctant to hire new workers – whereas they would in the absence of minimum wage laws. Burns adds that “evidence has shown, too, that minimum wage legislation has become an increasingly significant deterrent to the employment of young people” (Burns 1977, 61). Citing minimum wage laws as barriers to entry into the labor market for “both young people and adult women”, he suggests that such legislative measures result in increased unemployment. The thrust

³⁶ Burns did not speculate on how this change should be carried out in his address. His statement may have been purposely left open-ended.

of his reasoning is simple: government intervention introduces inefficiency and other complications to the otherwise efficient free market system. Furthermore, Burns speculates that “liberalization of both unemployment insurance and welfare programs has clearly increased the potential for idleness” (Burns 1977, 61). This point only reinforces his previous identification of modern society’s problem of an increasing sense of entitlement.

Although it is hard to estimate the degree of intellectual influence of Burns on Friedman, Burns’ personal qualities and beliefs most likely played an important role. Burns’ success in spite of his humble origins impressed Friedman. The latter looked upon Burns as his mentor, particularly in Friedman’s early career. As Friedman recounted in his memoir, “another impact [by Burns]...was to introduce me to the great nineteenth-century economist, Alfred Marshall. Arthur was a great admirer and thorough student of Marshall’s *Principles of Economics*, and we spent many a pleasant hour then and in later years discussing the precise interpretation to be placed on passages from that magnificent book” (Friedman 1998, 30). Perhaps one should not be surprised that their perspectives on subjects such as capitalism and the role of government in society appear so identical. The relative extremism of Friedman’s beliefs compared to Burns’ is understandable when remembering that Burns was once chairman of the Federal Reserve. Appointing a seemingly radical economist to that vaulted position seems unlikely –which may have resulted in Burns moderating his views, at least vocally.

Alfred Marshall's Influence: John Stuart Mill

John Stuart Mill was a philosopher famous for his publications on liberty and classical economics. His work, *On Liberty*, was reportedly read and annotated by Marshall during the latter's extensive travels (Groenewegen 1995). His influence on Marshall is evident throughout Marshall's *Principles of Economics*, which many consider to be a restatement of Mill's *Principles of Political Economy*. That work was influenced by Adam Smith's *Wealth of Nations* –thus Mill adopted the “Smithian” approach to political economy (West 1965, 39). The impact of Mill's ideas on Marshall is two-fold: on the ideal values of contemporary society, and on necessary social reforms to sustain human progress. On the subject of poverty, one can see Mill's preoccupation with the causal relations between overpopulation and resource constraints reflected in Marshall's argument.

Marshall and Mill were briefly contemporaries, with Mill's career spanning the early half of the 19th century. Even at that time, the social problems of poverty and unemployment were being widely debated in both public and private spheres. Living conditions for the working classes steadily worsened as the Industrial Revolution continued. Mill's awareness of the lower classes of British population thus parallels that of Marshall on this account: poverty and its consequences were too widespread to be ignored. Furthermore, the presence of the poor was a paradox with respect to the ideal society founded upon (social and political) liberty that Mill envisioned. Citing “an opinion that corn dealers are starvers of the poor” as an example, he points out that while a corn dealer “ought to be unmolested when simply circulating through the press...[he]

may justly incur punishment when delivered orally to an excited mob assembled before the house of a corn-dealer” (Mill 2007, 32).

Although Mill adopted the “Smithian” approach to political economy –otherwise known as the classical approach— he modified certain elements to communicate his own beliefs. Both men advocated the establishment of a political system to maximize the liberty of its citizens, one epitomized by democratic governance and adoption of a market-approach to the economy. The importance of the market-approach was defended for its efficiency to distribute goods and services throughout society. However, Mill and Smith differed over the impact of poverty and the effects of the market-approach on the poor. For Adam Smith benefits of growth trickle down from highest social classes to the lowest. In other words, “if a system of natural liberty were established allowing the invisible hand to direct and coordinate the economic actions of prudent individuals, then the benefits of growth would extend to the lower ranks of society” (Verburg 2006, 228). Fulfillment of material needs would, in turn, lead to moral progress of individuals mired in poverty. Changes in the moral dimension correlate with changes in behavior and personal character.

But to Mill, the moral well-being of an individual is separate from that person’s material well-being. Solving the problem of poverty required a positive change in character, and “...until there is a change in [the laborers], there can be no lasting improvements in their outward condition” (Mill 1906, 375). The laissez-faire approach to

the poor was thus an insufficient solution to the problem. This perspective bears a similarity to the conclusions of another famous economist, Thomas Malthus (1766-1834).

Malthus argued that the invisible hand's ability to improve the material condition of the poor is limited, due to the population paradox: "the constant effort toward population, which is found to act even in the most vicious societies, increases the number before the means of subsistence are increased" (Malthus 2004, 8). It is nearly impossible to accumulate the fruits of economic growth –without those fruits being distributed across society. Therefore, material improvements to the condition of the poor are prevented by a natural tendency of human populations to grow. The resulting zero-sum effect "tends to subject the lower classes of the society to distress and to prevent any great permanent amelioration of their condition" (Malthus 2004, 10). Continued development of this trend will ultimately lead to a "Malthusian catastrophe"³⁷.

In order to avert the Malthusian catastrophe and to alleviate the conditions of the poor, Malthus urged the practice of personal restraint on moral grounds. Voluntary population control was thus presented as the solution to poverty. Mill supported Malthus' idea through developing the moral argument for population control. He claimed that, for instance, the income of the laboring classes depended on the relationship between the amount of capital and the number of laborers –or the "wages fund" doctrine. In *An Essay on the Principle of Population*, Malthus speculates that "the increase of the human species can only be kept commensurate to the increase of the means of subsistence, by

³⁷ The Malthusian catastrophe, formulated by Ferdinand Lassalle based on Thomas Malthus' *Principle of Population*, predicts that universal living conditions will be subsistence-level once population growth outstrips food production.

the constant operation of the strong law of necessity acting as a check upon greater power” (Malthus 2004, 9). Thereafter moral restraint is presented as the solution to the poverty conundrum through its potential to “supersede” (Malthus 2004, 44) the law of necessity. For Mill the impulse to reproduce is primarily born out of self-interest: to preserve one’s livelihood in old age, in addition to any egoistical concern (e.g. passing on the family name). This is the first stage of human morality: self-interest and self-preservation trigger and motivate actions. Only in due time and with moral progress will selfish tendencies be replaced by altruism –the concern for society at-large.

A hierarchy of human development is evident in Mill’s philosophy, highlighted by the initial selfishness and the concluding altruism. Moral progress is achieved through ulterior influences in an individual’s environment, which then prompt an internal desire to change. Mill contends that man has the power to alter his character, if he wills it, because man’s own desire to mould his character is one of the circumstances which form his character. “We are exactly as capable of making our own character, if we will, as others are of making it for us” (Mill 2007, 70). For example, education and life circumstances can alter a person’s self-perception by enlarging the scope of possibilities. They can provide the incentive for people to change their own circumstances for the better. According to Mill, with the advance of civilization and the accompanying strengthening of social ties, the sympathetic and social feelings of mankind become stronger (Mill 2007, 83). Consequently, individuals are more likely to curb their self-interest, act with a view to the welfare of others “without going to the length of violating any of their constituted rights” and unite self-interest to social ends (Mill 2007, 91).

Returning to Mill's potential influence on Alfred Marshall, one can see hints of Mill's work in Marshall's writings. Marshall generally agreed with Mill and Malthus on the problem of poverty being compounded by the population paradox. Population growth continues to add to those belonging to the Residuum because, as explained by Malthus, "the poor must live much worse [in times of food shortage], and many of them be reduced to severe distress" (Malthus 2004, 10). Likewise, Marshall also argued for the cultivation of moral awareness throughout human society. Moral awareness for the poor is especially important in order to provide them with the motivation to escape their misery.

But Marshall's enthusiasm about a role for government in helping the poor is not shared by Mill, who was adamant against the expansion of government's role in education. Mill placed emphasis on social and political liberty above all –with liberty defined as freedom from rules and restraints. Society cannot decree how individuals are to pursue happiness or how they are to define their welfare. The reason is because happiness is individualized, to "be learned by exercise, experimenting with character traits, lifestyles and preferences, experiencing how choices work out" (Verburg 2006, 90). In retrospect, this could explain Marshall's classification as a neo-classical economist rather than a classical one.

Alfred Marshall's Influence: Henry Sidgwick

As noted previously, Henry Sidgwick, the renowned Victorian-era economist and philosopher, was a colleague of Marshall at Cambridge. His 1874 *The Methods of Ethics* is considered a “masterpiece” of philosophical ethics (Schultz 2008, 1). Historian Barton Schultz calls Sidgwick “the third greatest classical utilitarian, after Jeremy Bentham and John Stuart Mill” (Schultz 2008, 1). Sidgwick was deeply interested in what became known later³⁸ as the “Pigouvian” problem of public goods, arguing that government played an important role in the provision of certain goods and services. This position is evidenced in book III of his *Principles of Political Economy* (1901), where he observes that “there are some utilities which, from their nature, are practically incapable of being appropriated by those who produce them or who would otherwise be willing to purchase them” (Sidgwick 1907, 407). It is obvious that Sidgwick was a strong proponent of government intervention in certain areas of society.

In contrast to John Stuart Mill, Sidgwick claimed that there should be strict limits to a laissez-faire approach to the economy. He contended that the market failed where individuals were incapable of helping themselves. Two examples were highlighted by Sidgwick: the humane treatment of lunatics³⁹, and the prevention of cruelty to animals (Sidgwick 1907, 362). A similar rationale was applied to the problem of poverty, when the poor were incapacitated by their condition. Aside from subtle differences, Marshall's

³⁸ Although Sidgwick preceded Arthur Cecil Pigou. This is evident by the label of “Pigouvian” on various public-private concepts, e.g. the “Pigouvian tax”.

³⁹ One should note this example as the same one used by Friedman in *Capitalism and Freedom*. Friedman's concern was mainly on paternalism, that the State should respect the liberty of its citizens. Those with mental problems were amongst the rare exception.

perspective on poverty parallels Sidgwick's. The residuum class of citizens is characterized by Marshall by their inability to escape poverty. External help such as government welfare would be necessary to elevate them out of misery. Overall, Marshall's preoccupation with the ethical approach to poverty was clearly influenced by Sidgwick.

Sidgwick's *The Methods of Ethics* describes and evaluates three fundamental methods that characterize ethics. The term "method of ethics" refers to a rational procedure for determining what decisions human beings ought to make in any particular instance (Sidgwick 1962, 1). Sidgwick believed that an individual's thought process involves a limited spectrum of "ultimate reasons" that culminates in a certain action. One explanation of these "ultimate reasons" is moral intuitions. As economist David Holley states, "intuitionism or the morality of common sense is based on the idea that proper conduct is defined by conformity to certain rules or principles that are intuitively known to apply unconditionally" (Holley 2002, 47). The two other methods identified by Sidgwick are egoism and utilitarianism –which are distinguished by the object of one's end action. If the end action is primarily for the benefit of the individual agent, then egoism or selfishness is the prevailing source; but if the end action is for the benefit of everyone, the source is utilitarianism. Pursuit of happiness is regarded as the universal source of motivation in the decision-making process (Sidgwick 1962, 10).

Egoism and utilitarianism sometimes juxtapose one another due to the conflict of interests created for an individual. In everyday life, many decisions result in the benefit to

the self but to the detriment of society at large; one must thus make calculated choices. It is a zero-sum game in such circumstances. Should an individual optimize his or her outcome at the expense of others? Sidgwick distinguishes between a wider and a narrower sense of “morality” (Sidgwick 1962, 25). The wider sense corresponds to his methods of ethics, while the narrower sense contrasts “moral behavior” with “prudential behavior”. Moral behavior is marked by a sense of duty to the public, which identifies with the utilitarian method of ethics. In contrast, prudential behavior is characterized by a strong concern with one’s personal well-being and hence is identified with egoism (Holley 2002, 48).

In Chapter V of *The Methods of Ethics*, Sidgwick presents a practical reconciliation of the dilemma between the egoist and the utilitarian methods. He argues that there are cases when moral duty and individual happiness coincide: when observing moral standards can build a better society. The rationale is simple: “that each person’s happiness is a good to that person, and the general happiness, therefore, a good to the aggregate of persons” (Sidgwick 1962, 388). An individual’s judgment of what promotes his or her own happiness needs to take into account the operation of two sorts of sanctions: social (external) and internal.

Is the self to which I refer my deliberate volitions, a self of strictly determinate moral qualities, a definite character partly inherited, partly formed by my past actions and feelings, and by any physical influences that it may have unconsciously received; so that my voluntary action, for good or for evil, is at any

moment completely caused by the determinate qualities of this character, together with my circumstances, or the external influences acting on me at the moment — including under this latter term my present bodily conditions?” (Sidgwick 1962, 61)

External sanctions such as laws have the potential to frame an individual’s mindset toward desiring more utilitarian outcomes. Sidgwick points out that an extremely effective system of legal sanctions would make it difficult to decide selfishly in cases where the sanctions promoted behavior opposed to moral duty. Individual free will is not violated in cases when the end result is “in itself admirable and desirable” (Sidgwick 1962, 135).

But Sidgwick admits that while legal sanctions can make some immoral behavior imprudent, even the best of legal systems cannot make immoral behavior always disadvantageous. An example is the “Fugitive Slave law in the United States before [the Civil War]”, which he refers to as “extremely unjust” (Sidgwick 1962, 266). Yet the said law remained in effect –and was enforced– for many decades. Sidgwick’s conclusion is that neither external nor internal sanctions will be sufficient to make the fulfillment of moral duty to always concur with the promotion of an individual’s own sense of happiness. While he allows that virtuous conduct will generally contribute to individual happiness, he argues that even with an optimal system of sanctions⁴⁰, the coincidence will

⁴⁰ Sanctions can also be interpreted as “punishment” in this sense. The fear of punishment is an effective of influencing an individual’s decision-making process.

not be complete (Sidgwick 1962, 136). There will be instances where egoism compels an individual to behave in ways that are contrary to the requirements of moral duty.

The conflict between egoism and utilitarianism is further complicated by blurring of boundaries in cases of altruistic giving. Although the act of giving is admirable and utilitarian on the exterior, one's inner sentiment for the action could be misplaced. For example, a generous individual may well derive self-centered pleasure from the act of helping someone less fortunate. Sidgwick notes that "...for the effusion of pity is itself pleasurable, and we commonly feel more keenly that amelioration of the sufferer's state which is due to our exertions than we do his pain otherwise cause, and there is further the pleasure that we derive from his gratitude, and the pleasure that is the normal reflect of activity redirected under a strong impulse towards a permanently valued end" (Sidgwick 1962, 501). There exists the danger of misinterpreting moral duty with acts of egoism, in the tainting of one's perception of ethics. This "tainting" of morals is achieved through a desire for personal glory⁴¹ or, on the contrary, pessimism at the magnitude of the problem. Sidgwick points out that "the philanthropist's sympathetic discomfort must necessarily be considerable; and the work of combating misery, though not devoid of elevated happiness, will be less happy on the whole than many other forms of activity; while yet it may be to just this work that Duty seems to summon us" (1962, 501).

However, he offers an alternative to this dilemma through a third type of sanctions.

⁴¹ In other words, one can easily be enamored with solving a social problem due to the prospect of wanting to be remembered by history. The classical example is Alfred Nobel, who is believed to have established the Nobel Prizes in response to criticism of the destructive power of his dynamite invention.

It is important to realize that in the final chapter of *The Methods of Ethics*, Sidgwick states that the only kind of sanctions that could unite egoism and utilitarianism would be religious sanctions:

If, then, we may assume the existence of such a Being as God, by the consensus of theologians, is conceived to be, it seems that Utilitarians may legitimately infer the existence of Divine sanctions to the code of social duty as constructed on a Utilitarian basis; and such sanctions would, of course, suffice to make it always every one's interest to promote universal happiness to the best of his knowledge (Sidgwick 1962, 504).

The conception of God as a utilitarian able to reward or to punish accordingly seems to offer a means of uniting the dilemmas noted before. Pursuit of individual happiness is no longer an option where the option for societal benefit exists. Sidgwick comments in a footnote that even in the absence of a "Supreme Person", moral conduct can be developed and upheld as in the case of non-theistic Buddhism (1962, 505). In Buddhism "impersonal law" provides the appropriate rewards and punishments that encourage utilitarian behavior. This point is significant because it suggests that Sidgwick believed ethics can be regarded as a religion in itself.

Returning to the problem of poverty, Sidgwick was similar to Alfred Marshall in the belief in a "duty" to help the poor. Both economists felt something had to be done to ameliorate their plight, which reflects the prevailing feeling of the late Victorian era. However, Sidgwick's conception of "duty" is seemingly moralistic in nature through its

emphasis on happiness. He argued against redistribution of wealth on the grounds that “the happiness of all is on the whole most promoted by maintaining in adults generally...the expectation that each will be thrown on his own resources for the supply of his own wants” (Sidgwick 1962, 436). In other words, an individual’s happiness is as important as the aggregate’s; hence no person should be coerced into giving up their income for a utilitarian effect.

Sidgwick’s influence on Marshall seems largely based on his study of ethics, and his advocacy of utilitarianism. Marshall’s concern for the moral conditions of the poor reflects the utilitarian principle found in *The Methods of Ethics*. To a greater extent than John Stuart Mill, Sidgwick packaged issues of morality within ethics and presented it as a new branch of philosophy⁴² –or even “religion” as he suggested. Reading the works of both Mill and Sidgwick on utilitarianism perhaps persuaded Marshall to further pursue the subject. Marshall also shared Sidgwick’s perception of the role of private charity and, to a lesser extent, the role of government in reducing poverty. These roles are considered critical to improving the living conditions and future prospects of the poor. This is supported by Sidgwick’s statement: “a Utilitarian has to weigh the indirect evil [of encouraging improvidence in others] against the direct good of removing pain and distress...whether we are considering the minimum that should be secured to [the destitute] by law, or the proper supplementary action of private charity” (Sidgwick 1962, 436)

⁴² His position would later be categorized as ethical hedonism.

Despite a “stormy relationship” in their later years⁴³ (Schultz 2008, 1), Marshall voiced his admiration for Sidgwick some months after the latter’s death in 1900. The cause of their rift is speculated to be from a deep-seated disagreement about Sidgwick’s belief that economics should remain integrated with the study of politics. In one public encounter, Marshall accused Sidgwick of “over-regulation” and being a “University politician” (Whitaker 1996, 181). But Marshall would later state, albeit effusively, that “[Sidgwick] was, so to speak, my spiritual father and mother: for I went to him for aid when perplexed, and for comfort when troubled; and I never returned empty away” (Groenewegen 1995, 663). Sidgwick’s intellectual influence would be clear when Marshall added that he saw himself as “wholly [Sidgwick’s] pupil” in the Moral Sciences (Groenewegen 2007, 38).

SECTION IV: COCLUDING THOUGHTS

At first glance, Milton Friedman and Alfred Marshall appear alike in their childhood circumstances and study path of economic theory. Friedman read Marshall’s *Principles of Economics* for his courses and was thus influenced by Marshall. One would expect them to share similar views on major social issues such as poverty. They both came from humble backgrounds but, through hard work and the financial generosity of others (e.g. scholarship and loans); they succeeded to become respective “giants” in the field of economics. Their success is testament to what both described as the human

⁴³ Their disagreement was not poverty-related, but instead primarily on the issue of women’s rights and Sidgwick’s perceived involvement in politics by Marshall.

potential to accomplish great works if given the right incentives or resources. In their study of economics, Friedman and Marshall advanced the subfield of neo-classical economics: a focus on the determination of variables such as price, output, and income distribution through supply and demand. Mathematics and statistics subsequently became mainstays in economics. They also contributed to an increased importance of monetary economics –Friedman in particular with his work on monetarism. However, as the contents of this paper suggest, Friedman and Marshall differed greatly in their treatment of poverty.

To Friedman, poverty is a byproduct of the modern welfare state and diminished sense of social responsibility. Individuals become less willing to be held accountable for their own actions and, instead, turn to the government for protection. He spoke of an inherent human potential to achieve but lamented an increased unwillingness to do so. The public image of government had shifted since the Great Depression, says Friedman, from the mere “umpire” to the “caretaker” of society. Friedman argues that government programs like Social Security have eroded individual initiative and responsibility, given the prevailing belief that “government will provide for my needs”. From a financial perspective, Friedman views the welfare programs implemented to address poverty to be a major waste in resources; he especially highlights the redundancy in a significant number of such programs and the necessary bureaucracy to maintain them. This is exemplified by the existence of multiple programs for child support, different only in minimum requirements. From a moral standpoint, he points out the unfairness of income redistribution through methods like progressive taxation. In a letter to a *Newsweek* reader,

Friedman contends that “if the State is to support anyone’s family, it is morally obliged to support them all” (Friedman 1972, B229). Individuals take risks in life and are consequently rewarded (or not rewarded) for their choices: the rich often for their propensity to take risks, and the poor for their unwillingness to do so.

The negative income tax is proposed as an efficient solution to the problems caused by the current welfare system. Friedman suggests providing direct cash payments to welfare recipients as a “win-win” situation for both parties: cash-only provisions reduce the need for extensive bureaucracy to regulate individual welfare programs, and its recipients are allowed the freedom to determine how that cash will be allocated. Frugal spending and strategic investing could well lift the poor from their financial conditions. In the absence of personal initiative, Friedman points out the availability of private organizations such as charities to help instruct those welfare recipients in maximizing their assets. However, it is important to remember that the NIT is not regarded as an end –only as a temporary measure to ultimately do away with welfare completely. As Friedman explained in a letter, “we are not starting from a clean slate, [instead] we do have the accumulation of welfare programs” (Friedman 1973, B229). The NIT is thus proposed as a “transitional program” to gradually eliminate the perceived need for a welfare system. This is particularly relevant in light of the potential political barriers.

Marshall’s approach to poverty appears to be one of singular purpose, claiming on more than one occasion that resolving this social problem was his main focus as an economist. He regarded poverty as exerting negative influences throughout society –even

to the extent of creating a new social class (the “Residuum”⁴⁴). Without external aid such as government programs or private charities, the poor would not be able to escape their conditions. Active intervention into their lives is not perceived to be a choice, but a necessity; paternalism is not always carried out with ill-intent. Marshall believed that the benefits of resolving poverty reverberate throughout society as a whole, which further supports the need for exterior intervention. Furthermore, he suggested that the problem of poverty is only partly explained by the lack of financial resources: moral degradation is also a prime consequence. Being poor is damaging to one’s perception of the self, of others, and of the environment. The diminished sense of self-worth exhibited by the poor complicates the problem due to difficulty in ameliorating this aspect –which involves a transformation of personal habits and an increase of self-esteem. To Marshall, effective solutions to poverty would need to address both the exterior cravings as well as the inner psyche of the poor.

Marshall proposed greater emphasis on public education as one of these effective solutions; the other is an expanded role of private charity in society. Like Friedman, Marshall regarded education as an equalizer in society –the means through which one can transcend traditional class barriers. But he highlighted the role of the government to provide education to everyone, of the equal opportunity for all individuals to be educated so that they play their social role as informed citizens. Marshall’s advocacy of public education, as funded and administered by the government, differed from other classical economists. Education is also important to increasing wages in the labor market, since it

⁴⁴ The similarities between Marshall’s characterization of a Residuum and today’s discussion of a “culture of poverty” are interesting.

teaches workers relevant skills and thus they become more productive in their employment. Although an advocate of government intervention, Marshall held that private institutions play an instrumental role in alleviating poverty. Charities and non-profit foundations are edifices of human generosity, which are required ingredients of the solution to poverty. He believed that human progress over time leads people to have greater compassion for one another.

Despite the similarities between Friedman and Marshall, their perspective on poverty highlights how different they are –as individuals and as economists. Their incongruities are more vivid given their similar childhood experiences of financial need. Friedman saw humans are mainly preoccupied with material possessions, meaning that financial compensation would be the best means to help the poor. His analysis is heavily focused on the financial aspect of poverty. As a true utilitarian, Friedman appears to adhere to the rational man paradigm through a tendency to reduce human beings to units of economics. Individuals are believed to be inherently selfish and predictable, which consequently allows the creation of uncomplicated rules to govern them. The NIT is an example of such rules. In addition, it is interesting to note that in some ways, libertarian beliefs cater to the “glorification” of the self. Friedman certainly believes that an individual should be free to pursue his or her sense of happiness, unhindered by neither moral duty nor financial obligations to others.

In contrast to Friedman, Marshall emphasizes the merits of cooperation and compassion between all social classes. The poorest segment of the population is especially dependent on the help of others. He proposed that one should regard the act of

extending kindness to the needy as “duty”, and those practicing their duty be commended for their “chivalry”. From Marshall’s perspective, the moral state of human well-being is equally important as their physical and financial state. Merely providing food and shelter is not sufficient to resolve poverty –development of the poor’s perception of self-worth is regarded as instrumental. Desirable traits such as self-confidence and a work ethic are learned behavior through one’s environment. While in praise of private efforts to address the problem, Marshall also argues for an expansion of the government’s role in alleviating poverty. He is a firm supporter of public education and has called for increased financial investment to that end. Unlike Friedman, Marshall is neither critical of welfare programs nor against the concept of welfare.

As New York Times columnist David Brooks proclaimed in a recent piece, “The United States is becoming a broken society” (Brooks 2010). Mounting public debt, a high unemployment rate, and increased discrepancy between the social classes are only a few examples from the long list of perceived shortcomings in the America of today. The implication is that shortcomings are establishing an unhealthy environment –capable of ultimately dissolving our sense of order and structure. Brooks points to a series of social conflicts, such as “the [growing] public contempt for the political class,” as illustrative of the larger problem of an increased sense of cynicism about public action. In spite of the benefits of individualism or social independence, he argues that espousing greater self-awareness is detrimental to the cohesiveness of society and leads to fragmentation. This is evident in the demise of “local associations” and “traditional manners and mores” in

favor of self-organization and iconoclasm. Yet social cohesiveness must be maintained for any hope of future reform.

The “brokenness” Brooks refers to is also characterized by a growing divide between ideological beliefs on the political economy. There is a perceived dilemma, or public confusion, about choosing between the Left, the Right, and the Middle. Over the past fifty years, capitalism and the market system have become virtually synonymous with economic growth; any non-capitalist economy is frowned upon as “backward”. The guiding principles (e.g. free market) underlying the economy of the United States appear firmly entrenched on the political Left; yet the Right has begun to espouse them too. While there is widespread agreement on the virtues of capitalism, the role of government in a capitalist economy has proved increasingly polarizing. Some decry at the effects of recent deregulatory measures, which have contributed to steady elimination of local shops by giant supermarkets like Wal-Mart and Target. Others contend that government has grown to mammoth proportions and drains our national resources. Adding to the confusion is a prevalence of social problems, chiefly among them poverty.

“A surge in vehement libertarianism [because] people are disgusted with Washington” appears to truthfully reflect the current social environment. Public opinion everywhere has become increasingly antagonistic toward private corporations, especially toward the large financial institutions which they accuse of greed. In the United States, welfare programs are being eliminated from the government budget in face of rising unemployment and massive public debt. Reports of homelessness and the line at soup kitchens are likewise growing in length. Distrust in the government is also increasing.

The situation looks bleak; comparing the perspectives of Friedman and Marshall, the current social climate hints at a fulfillment of Friedman's vision.

Yet buried beneath the constant news of human and natural disasters are stories of compassion, of human kindness and generosity. The unlikeliest individuals are donating their resources to the help of others⁴⁵. Billions of dollars have been raised for relief efforts in post-earthquake Haiti. Even amidst a "confluence of crises", modern society has shown that it is not as fragmented or as apathetic as some believe. There is ample evidence of deepening relationships between individuals that culminate in strengthened communities, locally and globally. Marshall's advocacy also rings true. Perhaps a universal solution to poverty does not exist: cultural differences are significant barriers in and of themselves. Brooks notes that "Britain is always going to be more hospitable to communitarian politics than the more libertarian U.S." (Brooks 2010).

⁴⁵ Countless stories about passionate individuals donating large amounts of money to the earthquake-stricken Haiti. Or the recent story of the lady (Grace Groner) who donated \$7million to her Alma Mater.

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