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Working Paper

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CHOPE Working Paper, No. 2019-14

Provided in Cooperation with:

Center for the History of Political Economy at Duke University

Suggested Citation: Medema, Steven G. (2019) : Between LSE and Cambridge: Accounting for Ronald Coase's fascination with Alfred Marshall, CHOPE Working Paper, No. 2019-14, Duke University, Center for the History of Political Economy (CHOPE), Durham, NC

This Version is available at:

<https://hdl.handle.net/10419/201763>

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BETWEEN LSE AND CAMBRIDGE:
ACCOUNTING FOR RONALD COASE'S FASCINATION WITH
ALFRED MARSHALL
BY STEVEN G. MEDEMA

CHOPE Working Paper No. 2019-14

August 2019



Between LSE and Cambridge:
Accounting for Ronald Coase's Fascination with Alfred Marshall

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Version 1.4
September 2018

* Department of Economics, University of Colorado Denver. Email: steven.medema@ucdenver.edu. Ning Wang, Coase's student, co-author, and dear friend has been very forthcoming in providing me with information that goes beyond what is found in the archives and Coase's published writings. I have also benefitted from the comments of Roger Backhouse, Katia Caldari, Marco Dardi, Elodie Bertrand, Geoff Harcourt, Megan Stevens, and Stephen Stigler. The assistance of the staff at the Special Collections Research Center at the University of Chicago's Regenstein Library is gratefully acknowledged.

Between LSE and Cambridge:

Accounting for Ronald Coase's Fascination with Alfred Marshall

I. Introduction

Alfred Marshall is central to the history of economics at the University of Chicago, his *Principles of Economics* acting as a touchstone for price theory courses from Jacob Viner's offerings in the 1920s through the more recent courses taught by Gary Becker and Kevin Murphy. Chicago economists defended Marshall against both the challenges offered by the two Cambridges (e.g., Stigler 1949) and the respective ascendancies of general equilibrium analysis and game theory. Though these non-Marshallian elements are by no means absent from post-WWII economics at Chicago, one cannot tell the story of Chicago economics or the "Chicago school" absent Marshall.

For most economists at Chicago, Marshall was simply an input, the supplier of an approach to economic analysis considered best-suited for the analysis of market (and, eventually, non-market) activity and questions of government policy bearing on market outcomes. For Ronald Coase, however, Marshall was much more than this—a subject of fascination and, at times, almost a reverence and obsession. A sometimes historian of economics,¹ Coase authored five articles on Marshall between 1972 and 1990 and another, published in 1961, in which Marshall figured prominently. Much of this work was derivative of a biography of Marshall that Coase intended to write, and to the research for which he devoted a great deal of effort for some three decades, beginning in the 1960s.

¹ Coase had intended to study history but was prevented from doing so by his lack of knowledge of Latin. "Ronald Coase—Biographical," https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1991/coase-bio.html.

Coase also published several articles on Marshall during his roughly two-decade-long editorship of the *Journal of Law and Economics*,² an outlet that one would not typically associate with the history of economics. It is fair to say, then, that Coase was in some sense Chicago's most devoted Marshallian.

Those acquainted with Coase's background will understand the oddity of this statement. Trained in the late 1920s and early 1930s at the London School of Economics, where indifference and even antipathy toward Marshall was widespread, and a member of the LSE faculty from 1935 until his departure for the U.S. in 1951, Coase would not have ranked high on the list of those expected to become Marshall's first biographer, let alone one who drew on Marshall's methodological approach to castigate both modern economics generally and certain of his ("Marshallian") Chicago colleagues in particular.³ Coase's affinity for Marshall, whom he considered both a "great economist" and a "flawed human being" (Coase 1994, viii) requires some explanation, clues toward which can be found both in his published writings and in the voluminous materials from his researches on Marshall now available in Coase's archives.⁴ In the pages that follow we will examine Coase's biographical work on Marshall and his discussions of Marshall's economics for clues as to the sources of Coase's affinity for Marshall. And as we shall see, the evidence suggests explanations that are at once personal and professional.

² These include Marshall's lectures of *Progress and Poverty* (Marshall 1969), three articles on the appointment of Pigou as Marshall's successor (by himself, Bob Coats, and Trevor W. Jones) and a related piece by John C. Wood on "Marshall and the Tariff Reform Campaign of 1903," as well as his own article, "Marshall on Method" and a comment on it by Hans Brems dealing with "Marshall and Mathematics."

³ On Coase and the LSE, see, e.g., Coase (1982a), Medema (1994), Bertrand (2015b), and Thomas (2016). On Coase and Chicago, see Medema (2018), as well as Posner (1993b).

⁴ The Ronald H. Coase Papers (hereafter cited as RHC Box-Folder) are housed in the Special Collections Research Center at the University of Chicago's Regenstein Library.

II. Biographer

Coase's interest in Marshall dates at least to the late 1940s, when we have record of Coase delving into Marshall's papers at the Cambridge Marshall Library.⁵ The first evidence of his intention to prepare a full-blown biography of Marshall, though, is found in letter from Bob Coats to Coase in August of 1965. Coats reported his "pure joy" upon learning of Coase's intention to write this biography, pledging to help out in any way that he could and noting that "Of course you should write the definitive Marshall after counting all the commas in the *Principles* and the hairs on his mustache!"⁶ Coase himself made his intentions clear in a 1967 letter to John Whitaker, which sheds some light on Coase's motivation for writing a Marshall biography:

My own work on Marshall should be described as biographical. The stimulus to do this kind of work (apart from an interest in Marshall) came from the discovery that there was so much wrong with Keynes' memoir. At the moment I am engaged on three separate projects in connection with Marshall:

- (1) Marshall's ancestry, parents and childhood.
- (2) The 1891-1892 lecture notes.
- (3) The American visit of 1875.⁷

As it happens, only one of these three projects—that dealing with Marshall's heritage—was actually completed, and by the late 1980s Coase had entirely abandoned the idea of writing a full-blown biography.

⁵ Coase to Whitaker, October 16, 1967, RHC 105-5.

⁶ Coats to Coase, August 18, 1965, RHC 105-3.

⁷ Coase to Whitaker, 16 Oct. 1967, RHC 105-5. The Keynes "memoir" to which Coase refers is Keynes (1924).

It should be obvious that these are very disparate projects on Marshall. And, in fact, Coase had yet another Marshall project underway at the time he wrote to Whitaker—the publication of Marshall’s lecture on Henry George’s *Progress and Poverty*, which Coase edited and published in the *Journal of Law and Economics* along with an introductory essay by George Stigler (Marshall 1969; Stigler 1969).⁸ What was it that led Coase down these disparate Marshallian paths? Coase himself does not tell us directly, but with the benefit of hindsight it is possible to discern some clues and, perhaps, even an explanation. Let us take these items in reverse order.

A. The Travels

Marshall’s four-month visit to the United States, undertaken in 1875, was chronicled in notes Marshall made of the trip and in an extensive set of letters to his mother.⁹ The journey was made possible by a £250 legacy provided by his uncle, Charles Marshall, and was in many ways a grand adventure—£250 being a rather large sum in those days. But the trip’s “real purpose,” as Groenewegen (1995, 195) points out, was “visiting factories.” Marshall visited a significant number of them during his American sojourn, and Groenewegen provides some insights into the various ways—often indirect—in which Marshall’s time spent visiting these factories influenced his future work.

Coase reports that he discovered the notes and correspondence from Marshall’s trip during a visit to the Marshall Library in the late 1940s.¹⁰ The reader who has at least a nodding familiarity with Coase’s background will understand immediately his interest in

⁸ The transcription of Marshall’s lectures and the accompanying discussion also included, as appendices, an exchange of letters between Alfred R. Wallace and Marshall, and a report on Henry George’s speech at Oxford, in which Marshall challenged George’s views.

⁹ Marshall’s correspondence with his mother is reprinted in Whitaker (1996, vol. 1, 36-84). For a discussion of his American travels, see Groenewegen (1995, 193-203).

¹⁰ Coase to Whitaker, October 16, 1967, RHC 105-5.

this slice of Marshall's life. Coase, too, traveled to the U.S. to visit factories. This trip took place during the 1931-32 academic year and fulfilled the final-year requirements for his LSE B.Com. degree. Where Marshall left a trail of letters to his mother describing his travels, Coase's trail can be found in a correspondence with his good friend from LSE, Ronald Fowler.¹¹

Coase's goal on this trip, which was funded by a Cassel traveling scholarship, was to develop an understanding of the rationale for what we now call vertical and horizontal integration, no theory of which was to be found in the literature at that time. Though his travels seem not to have been accompanied by the luxury and variety of experiences afforded by Marshall's substantial legacy, the fruits of Coase's factory visits and discussions with businessmen are more readily identifiable than those of Marshall: This trip generated the insights that led to his writing of "The Nature of the Firm" (1937), one of two articles highlighted by the Nobel Committee in its awarding to Coase of the Nobel Prize.¹² Coase's interest in Marshall's U.S. visit provides an early indication of the commonality of vision for economic method that Coase saw between himself and Marshall, about which more below.

¹¹ Copies of some of this correspondence can be found in RHC 22-8. Coase provides a commentary on this trip and his correspondence with Fowler in "The Nature of the Firm: Origin" (1988d). Coase's archives also include correspondence from this trip with Marian Hartung (his future wife) and with his parents. This author has not had occasion to consult this correspondence, but the fact that Coase does not refer to it in his 1988 retrospective on the origins of his work on the firm suggests that it does not shed light on the lessons for economics gleaned from his travels.

¹² Of more personal consequence is the fact that Coase met his future wife, Marian Hartung, on this trip.

B. The Lectures

It is less obvious what it is about the student notes from Marshall's political economy lectures from 1891-92, taken by A.L. Bowley,¹³ that interested Coase. He had discovered these notes among Cannan's papers at LSE, probably in 1964,¹⁴ and Guillebaud, too, apparently had a copy in his possession.¹⁵ Coase noted to Whitaker in 1967 that the notes "are interesting although not of major importance from the point of view of the development of his thought." As such, he did not think them of major interest to Whitaker, who was then working away at bringing to publication a selection of Marshall's previously unpublished writings. What the lectures did do, Coase said, was to "throw a good deal of light on Marshall as a teacher and expositor"¹⁶—a somewhat surprising comment in that, circa the late 1960s, historians of economics typically did not consider lecture notes an important resource for their researches.

Groenewegen provides some further insight into why Coase may have been attracted to these lecture notes. Despite the fact that they followed close on the heels of the publication of Marshall's *Principles*, which informed the structure of the course, the lectures, Groenewegen points out, "tended to avoid the presentation of theory," stressing instead "the moral, philosophical and applied aspects of the subject matter" and paying close attention to history (1995, 319, 320). This would have resonated with Coase—again, see section III, below—and assists us in understanding his assessment that the publication of these notes would provide "information which in various ways will be of help to others

¹³ Groenewegen to Coase, 20 September 1990, RHC 104-11. Groenewegen (1995, 317-21) provides overview of the lecture notes.

¹⁴ See letter from E.A.G. Robinson to Coase, 2nd March 1965, RHC 104-13.

¹⁵ A copy of these lectures can be found in RHC 110-18.

¹⁶ Coase to Whitaker, October 16, 1967, RHC 105-5.

in their researches” on Marshall.¹⁷ Though Coase had intended to publish an edited version of these notes, with accompanying “explanatory material,” in the *Journal of Law and Economics* within a year or two of his writing to Whitaker, this project was never completed.¹⁸

C. Marshall’s Family Background

By far the most extensive of Coase’s researches on Marshall dealt with Marshall’s “ancestry, parents and childhood,” work that he reported to Whitaker was “well advanced” as of 1967 and which Basil Yamey apparently was interested in publishing in *Economica*. As it happened, this research was to occupy Coase for some twenty more years, eventually yielding an article in *History of Political Economy* dealing with “Alfred Marshall’s Mother and Father” (1984) and a second piece on “Alfred Marshall’s Family and Ancestry,” published in a volume commemorating the 100th anniversary of the first edition of Marshall’s *Principles* (1990). When the latter piece was reprinted in Coase’s *Essays on Economics and Economists* (1994), it was augmented by an addendum, “Did Marshall Know Where He Was Born?”—a slightly extended version of a one-page note by the same title that Coase had published in 1984.¹⁹

This research shows us Coase at his best, using the methods that informed his studies of the economics of public utilities, including the BBC and the British Post Office, as well as the U.S. Federal Communications Commission.²⁰ These studies found Coase

¹⁷ Coase to Whitaker, October 16, 1967, RHC 105-5.

¹⁸ Coase to Whitaker, October 16, 1967, RHC 105-5. To the best of this author’s knowledge, these lectures remain unpublished.

¹⁹ The original note, which runs to only two paragraphs, was published in the *History of Economics Society Bulletin* (now the *Journal of the History of Economic Thought*) in 1986. See Coase (1986).

²⁰ Richard Posner (1993a; 1993b) offers a less charitable view of Coase’s preferred methods. This author’s contention that this research “shows Coase at his best” is likely to be subject to the same criticism that Posner leveled against Coase for opining that Stigler “is seen at his best” in his studies of the history of economic

pouring through the archives to chase down government reports, memoranda and correspondence, legal cases, and other documentation that unmasked the history of these institutions and their operations—often to critical effect. Tracking down the details of Marshall’s family history, though, proved far more challenging. Coase applied for membership in the Society of Genealogists (UK) in November 1967, hoping that he could draw on the Society’s records to trace and gather information on Marshall’s “ancestors and relatives” during his summer visits to London and, in July 1968, received word that he had been made an Overseas Member of the Society.²¹ Over the next fifteen years or so, Coase and his research assistants scoured government and other documents in locations including London, South Africa, and Australia.²² Interestingly, the progress of this work seems to have been hindered somewhat by a research assistant in London who, apparently, was only too happy to accept Coase’s funding without delivering the corresponding research—getting Coase into some difficulty with one of his grantors and leading him, after a number of years, to engage a solicitor in London to deal with the matter.²³

We would not do well to recapitulate the many details about Marshall’s family and ancestry that Coase uncovered over the course of his extensive researches. A brief summary, however, is in order.

thought (Coase 1991b, 472). For discussions of Coase’s studies of public utilities and regulated industries, see Medema (1994) and Groenewegen and de Vries (2016).

²¹ Coase to Society of Genealogists, 13 November 1967; Coase to C.M. MacKay, 17 June 1968; C.M. MacKay to Coase 18 July 1968; RHC 104-5.

²² Coase’s research on Marshall’s ancestry was supported in part by Liberty Fund.

²³ This correspondence with his London solicitor, a Mr. Michael Balin, can be found in RHC 17-9. These difficulties are also described in correspondence with the grantor, Liberty Fund. See RHC 26-12.

i. A Mixed Heritage

Marshall's family background was shrouded in mystery, and even Claude Guillebaud, Marshall's nephew, could report to Coase in 1967 that "I do not know much about the Marshall side of my ancestry, and I would not know to whom to turn to find out."²⁴ Keynes had suggested that "the Marshalls were a clerical family of the West," his father being a "cashier" in the Bank of England (Keynes 1924, 311), and Skidelsky, presumably taking his clue from Keynes, tells us that "Marshall was yet another product of the well-connected clerical families which colonized English intellectual life" (Skidelsky 1986, 40).²⁵ The reality, Coase argued, was quite different.²⁶

When Alfred Marshall's father, William, was married in 1840, he described himself on the marriage certificate as a "gentleman" not having an occupation. In fact, Marshall's father was a clerk—a low-level position—in the Bank of England and had been since 1830 (Coase 1984, 521). He was, by all accounts, a very severe man and strict (even by Victorian standards) disciplinarian. Guillebaud referred him "a wicked old tyrant" (Coase 1984, 522), and Coase at various points labels him "a complete fraud,"²⁷ "a bigoted man" (1984, 527), and "a man of extraordinary insensitivity to the feelings of

²⁴ Guillebaud to Coase, 28 June 1967, RHC 104-9. Unfortunately, Guillebaud, who died in 1971, did not live to see the fruits of Coase's labors.

²⁵ Coase, in a fit of sarcasm, opines that "we can almost hear the clink of the teacups on the vicarage lawns" in these assessments (Coase 1990, 9).

²⁶ Recent research by Megan Stevens (2018), the great-great granddaughter of Alfred Marshall's uncle, Charles Marshall (about whom more below), challenges certain of Coase's claims regarding Marshall's family and ancestry. The present paper takes no position as between Coase's claims and those made by Stevens. It bears noting, however, that if Stevens' claims are correct, they only reinforce the conclusions about Coase's motivations, discussed below.

²⁷ Coase to Groenewegen, May 31, 1990, RHC 23-8.

others” (1984, 524). Though he fancied himself scholarly and well-qualified to oversee young Alfred’s education, he was, if anything a hinderance throughout.²⁸

Marshall’s mother, Rebecca Oliver, was said by Mary Paley Marshall in a 1925 letter to Keynes to have been the daughter of a “chemist,” a background sufficiently lowly that William Marshall’s family insisted she cut off contact with her relations. The reality, though, was far worse, so to speak. Marshall’s mother was, in fact, the daughter of a butcher, and most of her relations were of similar working-class stock. Because of this cover-up, Coase suggests, “lacking any direct knowledge, learning about ‘the life of the working classes’ became, for Marshall, a research project” (1984, 520).²⁹

Though Marshall’s relationship with his father was uneasy at best, he was devoted to his mother, as his extensive correspondence from America attests. Even so, the domineering influence of Marshall’s father left Coase convinced that “Alfred’s home life was such as would have left most people unfit for serious scientific work” (1990, 23). That Marshall “managed to survive his father’s harsh regime with the fire of his genius still alight,” Coase said, “must have been due to some inner strength, to something within him” (1990, 20). The question, for Coase, was where in his background that strength, and the fire of genius that it unleashed, had come from, and this was no small motivation for Coase’s further digging into Marshall’s family background.

His researches uncovered a variety of interesting characters, scattered about the globe, including naval officers and businessmen of varying degrees of success. Among the latter was Marshall’s wealthy uncle, Charles Marshall—a figure also erroneously described

²⁸ Keynes compares Marshall’s father favorably with James Mill but, says Coase, “James Mill he was not” (Coase to Groenewegen, May 31, 1990, RHC 23-8).

²⁹ The reference in this quote is to Keynes (1924, 329).

by Keynes, according to Coase—about whom Coase until the late 1980s intended to write a paper.³⁰ Uncle Charles owned a very successful sheep station in Australia. He was was a shrewd businessman, but part of that shrewdness involved the use of convict labor, the restrictions on the mobility of which prevented him from losing employees (as others did) after following the discovery of gold in Australia in 1851 (1990, 13-20). Even the story of the most successful man in the family would need to be buried then, Coase argued, since a family concerned to maintain its social position “would not wish it to be known that Uncle Charles made the fortune from which Alfred (and other family members) benefitted in part through the employment of convict labour” (1990, 20).³¹

Though most of Marshall’s family tree would give little hint of “those traits of character and intellect which enabled him to withstand his father and to play a major role in building modern economics” (Coase 1990, 21), Coase found an exception in Louisa Bentall, his grandmother on his father’s side and about whom Keynes says nothing in his memoir.³² Marshall’s relations through his grandmother’s line were highly successful and extremely prominent, including bankers, members of parliament, and important members of the Clapham sect. It was through this line that Alfred was, as Coase discovered, related to both Henry Thornton and E.M. Forster (21-22).³³ And it was from his grandmother, Coase contends, that Marshall inherited “those traits of character and intellect which

³⁰ Coase to Groenewegen, February 27, 1989, RHC 23-8. But within two months of this letter, Coase had decided to fold that material into his paper on Marshall’s family and ancestry. See Coase to Groenewegen, April 6, 1989, RHC 23-8, as well as Coase (1990). In addition to providing the legacy that funded Marshall’s 1875 travel to the U.S., Uncle Charles also provided a loan that financed Marshall’s studies at Cambridge.

³¹ On this subject in particular, see Stevens (2018) .

³² Keynes, in fact, mentions nothing about either Louisa or her husband, William Marshall. William Marshall squandered a significant inheritance, and both Coase and Groenewegen conjecture that they were effectively omitted from the family history going forward. See Coase (1990, 22-23) and Groenewegen (1995, 33-34).

³³ Robert Thornton, Henry’s great-great grandfather, was Alfred’s great-great-great grandfather (Coase 1990, 21-22). E.M. Forster was Henry Thornton’s great-grandson.

enabled him to withstand his father and to play a major role in building modern economics” (21).

ii. Marshall’s Birthplace

The detail of Marshall’s family tree was only one of the mysteries regarding Marshall’s background that preoccupied Coase. A second was the place of Marshall’s birth, and the related questions of whether Marshall actually knew where he was born and, if so, attempted to conceal this from those around him. Keynes, relying on information provided to him by Mary Paley Marshall, reports that Marshall was born in Clapham, a “very respectable,” as Coase (1984, 520) put it, suburb of London. Here again, however, the reality was very different. As Coase discovered from Marshall’s birth record, he was in fact born in Bermondsey, “a much less desirable residential area, situated as it was in the midst of the tanneries, with their accompanying pungent smells, Bermondsey then being the centre of the leather industry” (1984, 520-21).³⁴ The American reader will appreciate Coase’s note in his brief essay on Marshall’s birthplace, that to say Marshall was born in Clapham rather than Bermondsey was “roughly the equivalent of saying that he was born in Westchester whereas he was really born in the South Bronx” (1986, 34).³⁵ It is not that Marshall never lived in Clapham, for the family moved to Clapham when Marshall was a boy of between 3 and 7 years of age. But Bermondsey, not Clapham, was his place of birth.

The part of Bermondsey in which Marshall was born was referred to as “The Leather Market” (Coase 1984, 521n.11) and, ironically, was known to Coase because of his work on “The Federal Communications Commission” (1959) and “The Problem of Social

³⁴ Specifically, Marshall was born at 66 Charlotte Row, Bermondsey.

³⁵ See also Coase (1994, 149).

Cost” (1960). Bermondsey, you see, was used by the judges in the well-known nuisance case, *Sturges v. Bridgman* (1879)—a case which Coase encountered when he was a student at LSE and which he drew on in both of these articles—“as an example of a locality devoted to a trade or manufacture ‘of a noisy or unsavoury character’” (Coase 2004, 200). Such was the quality of life in that area that the judges felt compelled to note in their decision that “‘What would be a nuisance in Belgrave Square would not necessarily be so in Bermondsey’.”³⁶ Bermondsey was not, it seems clear, the cradle of gentility.

When Coase examined the census records for 1871, the earliest ones to which he had access and the only census data that informed his 1984 article, he found that Marshall had listed his birthplace as Surrey, the county that included both Clapham and Bermondsey. This led Coase to conclude that Marshall was willing to conceal his real place of birth, but was unwilling to tell a lie” (1984, 521). In 1881 census, however, Marshall listed as his birthplace Sydenham, in Kent, where the family had lived for a brief period between their time in Bermondsey and Clapham.³⁷ This updated information caused Coase to wonder if Marshall did, in fact, know where he was born or whether, instead, it was more evidence that Marshall knew full well where he was born but was attempting to conceal this information (1986, 34). A decade later, when he was able to consult the 1891 census records, Coase found that Marshall had listed his birthplace as Croydon, a place that, so far as we know, Marshall never lived (1994, 149-50). The plot, then, had thickened,

³⁶ *Sturges v. Bridgman*, 11 Ch. D. (1879) at 865, quoted in Coase (1984, 521n.11). Coase went on to say that “Clapham could well have been substituted for Belgrave Square” (1984, 521n.11). In his most recent discussion of Marshall’s birthplace, Coase later called Bermondsey, “a very undesirable place in which to live.” Coase, “Alfred Marshall and his place of birth, nd, RHC 104-8. Though this document is not dated, its contents make clear that it was written after Coase’s 1994 commentary on Marshall’s birthplace had been published.

³⁷ Coase reports that the Marshalls had moved from Bermondsey to Sydenham by 1846 and moved from there to Clapham sometime between 1846 and 1850.

but Coase was increasingly of the mind that Marshall had concealed from others, including his wife, the true location of his birth.³⁸

Though Coase apparently gave up his tracking of Marshall's census records at that point, his good friend Stephen Littlechild did not, and his 2012 article in *History of Political Economy* reveals that Marshall indeed *did* know where he was born, having listed Bermondsey for himself and Clapham (correctly) for his brother on the census of 1861. Littlechild also found that the 1901 census form, this one completed while Mary Paley Marshall was away, correctly listed Bermondsey as Marshall's birthplace, while the census of 1911, completed when Mary was at home, again listed Sydenham (Littlechild 2012). It is possible, then, that *Mary* did not know where Alfred was born—that her husband had kept this concealed from her and, by extension, from those in their circle—or it could be that Mary was simply content to go along with this little white lie.³⁹

Coase himself would lead us to believe that Marshall's concealment went to his need not to be seen as a man of working-class roots, as someone who felt the need to keep up respectable appearances in a Victorian society where these were considered important—particularly in a place like Cambridge. As with Marshall's father's description of himself as a “gentleman,” and the concealment his mother's family background, the effect of

³⁸ Coase seems to have believed that it was Mary Paley Marshall who had provided at least some of this information to the census taker, which led Stephen Stigler to suggest to Coase that Mary may have been complicit in the cover-up and that she may have “embellished the detail in a favorable direction either consciously or subconsciously” in order to protect her husband. Stephen Stigler to Coase, 7 July 1993, RHC 104-11.

³⁹ Making Marshall's deception regarding the Census all the more ironic is the fact that, in 1890, he provided testimony to the Parliamentary committee looking into the Census-taking process. See Groenewegen, “Marshall's evidence before the Committee appointed to inquire into the taking of the Census (1890),” *Marshall Studies Bulletin* 9 (2005). <https://www.disei.unifi.it/upload/sub/pubblicazioni/msb/2005/groenewegen9.pdf>.

disguising his true place of birth, Coase suggested, “has been to enhance Alfred’s social position but to diminish his achievement” (Coase 1990, 9).⁴⁰

iii. Explaining Coase’s Preoccupation

Why was Coase so preoccupied—one could argue, obsessed—with Marshall’s family and ancestry and, along with that, the precise location of Marshall’s birthplace? No error made by Keynes, save perhaps for in a central result of *The General Theory* (1936), would justify the amount of effort that Coase expended on these subjects. Here, I would argue, we must read between the lines and look to Coase’s own personal history and family background.

Coase was himself was born into a working-class family. He was the only child of two postal service employees, his father having been a telegraphist, both of whom had left school at age 12. In his autobiographical statement for the Nobel Committee, Coase took pains to emphasize that both of his parents were “completely literate,” though “they had no interest in academic scholarship”—preferring tennis (his mother) and lawn bowls (his father). Having no parental guidance in his reading as a youth, Coase was, he said, “unable to distinguish the charlatan from the serious scholar” (Coase 1991a). Unlike Marshall’s father, who was a very severe man and actively opposed Marshall’s efforts to study mathematics at Cambridge, Coase reports that both of his parents were very supportive of his academic endeavors, even if they did not know quite what to make of them.⁴¹ Even so, Coase, like Marshall, appears to have been closer to his mother than to his father.

⁴⁰ See also Coase (1984, 521-22).

⁴¹ Ning Wang to the author, 16 May 2018.

It is interesting to compare Coase's description of his own upbringing and prospects with his statements about Marshall's. Keynes, who thought it only natural that Marshall would emerge as a renowned scholar given his own sensibilities and the information he had been given about Marshall's family background, said that, "William Marshall was a man of 'great resolution and perception'."⁴² But "This is wrong," said Coase. Marshall's father "was a man of great resolution and no perception" who had, among other things, attempted to block Marshall's effort to go to Cambridge to study mathematics.⁴³ In Coase's estimation, "Alfred Marshall, the scientist, owed nothing to this bigoted man" (1984, 526-27).⁴⁴ Though we have no reason to believe that Coase's father was the sort of severe man who raised Marshall, Marshall's remark that his father was "a bad educator," repeated by Coase (1984, 527), hints that Coase may have seen in Marshall someone who, like himself, was left to make his own way in gaining a proper education even if Coase did have parental support in his efforts. Ning Wang, Coase's co-author, former student and close friend, has recently written to this author that "Professor Coase would [have been] happier if his parents were able to appreciate the significance and impact of his work. He understood well, though, that given their background, that was too much to ask for."⁴⁵ One can only wonder whether Coase felt the same was true of Marshall.

⁴² Here, Keynes was simply repeating the information he had been given by Mary Paley Marshall.

⁴³ Marshall's father desperately wanted Marshall to study classics at Oxford, and Marshall was only able to go up to Cambridge for mathematics studies thanks to a loan from his Uncle Charles (Coase 1984, 524).

⁴⁴ Coase went on to say that "Marshall's father was completely convinced of the correctness of his own narrow views, had little regard for the feelings and wishes of others, and thought it right to control the actions of those in his power by 'an extremely severe discipline'" (1984, 527).

⁴⁵ Ning Wang to the author, May 16, 2018.

There are clues, however, that Coase saw more personal commonalities between Marshall and himself than just their family backgrounds. Taken by his father to see a phrenologist at the age of 11, Coase records that he was told,

"You are in possession of much intelligence, and you know it, though you may be inclined to underrate your abilities. ... You will not float down, like a sickly fish, with the tide ... you enjoy considerable mental vigour and are not a passive instrument in the hands of others. Though you can work with others and for others, where you see it to your advantage, you are more inclined to think and work for yourself. A little more determination would be to your advantage, however. ... More hope, confidence and concentration required—not suited for the aggressive competitive side of business life. More active ambition would be beneficial." (1991a)

"It was also noted," Coase continued, "that I was too cautious. It was hardly to be expected that this timid little boy would one day be the recipient of a Nobel Prize" (1991a).

Whatever one might think of phrenology, the report provided to Coase was not very wide of the mark. And those with some knowledge of Marshall's personality and makeup will recognize various of the attributes ascribed to Coase. Though it is impossible to know how much of Coase's personality was derived from nature as opposed to nurture, Coase clearly believe that both forces played a role in Marshall's development:

It is to be expected that the strict control exercised by such a father over his children would affect their attitude in later life. And no doubt Alfred Marshall's extreme sensitiveness to criticism (he suffered, Claude Guillebaud told me, the

agonies of hell when he discovered that he had made a mistake), his evasiveness when there was a hint of disagreement, his dislike of controversy, and other traits were, to a large extent, the result of his upbringing. (1984, 527)⁴⁶

But as he himself had done, Coase saw Marshall rising above the limitations imposed by the environment in which he was raised. Despite these circumstances, Coase said,

it should also not be forgotten that, even when young, his mind ranged free, and notwithstanding strong parental pressure, he formed and acted on his own views; and, when it came to choosing his career, Alfred Marshall ignored his father and followed his star. (1984, 527)

And as in his own case, the payoff was significant:

What is striking to me about the story I have told is the ability of Marshall to overcome very unfavorable family circumstances and to emerge, not unscathed, for some aspects of his character are not admirable, but with the power of his intellect intact and with that devotion to scholarship which can serve as a model to us all and which, in his case, was to produce the *Principles of Economics* (1990, 23-24).

It would seem that we can now begin to understand Coase's obsession with Marshall's place of birth and his apparent concealment of it. We have already noted that Coase and Marshall came from similar working class roots. The similarity extends to their birthplaces, as Willesden, where Coase was born, was at that time an industrial area, as Bermondsey was in Marshall's youth. Unlike Marshall, however, Coase seems never to have attempted to conceal these circumstances. This same forthrightness about personal

⁴⁶ See also Coase (1975, 26).

circumstances apparently did not extend to Coase's father, however. As Ning Wang, has written in correspondence with this author,

His father was serving in the army and stationed in the Middle East during the WWI and stayed there for a few years after the war was over in Europe. He once showed me a photo of his father in military uniform. What made him uncomfortable as a boy at that time was when he found out that his father apparently borrowed the uniform from someone with a much higher ranking in the military. He didn't like the kind of dishonesty and pretentiousness as sometimes shown in his father's behavior.⁴⁷

The sort of concealment practiced by Marshall and by Coase's father flew in the face of the lesson "to always be honest and truthful" that Coase had learned from his mother.⁴⁸ But there is more to it than this. Coase appears to have been most disturbed by the suggestion that coming from working-class circumstances was somehow "not enough" and so must be concealed lest it diminish one's adult status, scholarly profile, and legacy. Coase, said Ning Wang, was struck how, "In the US, successful people often boast about their poor origins," whereas "In England, it is common for successful people to conceal their undistinguished class background."⁴⁹ In a sense, Marshall could not be made to admit for public consumption that he was like Coase. One is left to wonder whether it was this, as much as Marshall's more well-known personality traits, that led Coase to label Marshall a "flawed human being."

⁴⁷ Ning Wang to the author, 16 May 2018.

⁴⁸ One wonders whether Coase was thinking of Marshall and his mother's influence on him when Coase wrote in his Nobel autobiography of his own mother, "My mother taught me to be honest and truthful and although it is impossible to escape some degree of self-deception, my endeavours to follow her precepts have, I believe, lent some strength to my writing" (1991a).

⁴⁹ Ning Wang to the author, 16 May 2018.

iv. Why Was There No Biography?

It remains to answer the question of why Coase never completed the Marshall biography. One might surmise that he was in a sense “scooped” by the news of Peter Groenewegen’s biography, which was published in 1995 and of which Coase became aware several years earlier. But the reality is that Coase had abandoned his own biography well before learning of Groenewegen’s efforts, meaning that we must look elsewhere for clues. The pieces that make up this answer are several. Coase was, by his own admission, a notoriously slow worker. Though his publication record is vastly more extensive than is indicated by the “he only published two articles” trope by which he is often defined,⁵⁰ Coase was not one to churn out article after article. Nor did his method of working assist in this, as his research, e.g., on public utilities and on Marshall’s family and ancestry illustrates. Having gone down the rabbit hole of Marshall’s extended relations, not to emerge from it until after some two decades of painstaking research, Coase would have been hard pressed to complete a study of more than a fraction of Marshall’s own life even if he had chosen to devote his full efforts to that project.

But for Coase, the study of the history of economics was, as he put it, a “hobby,”⁵¹ an activity that, for him, took a back seat to his work on economic analysis. His “Marshall period” also found him publishing on topics as diverse as durable goods monopoly (1972a), public goods (1974), advertising (1977) and economic method (1982b). In 1987, Coase was asked to present three lectures on “The Nature of the Firm” at a conference celebrating the 50th anniversary of that article’s publication.⁵² As Coase wrote to

⁵⁰ Those, of course, are “The Nature of the Firm” (1937) and “The Problem of Social Cost” (1960).

⁵¹ Coase to Tullberg, May 12, 1989, RHC 104-10.

⁵² See Coase (1988d; 1988c; 1988b).

Groenewegen in early 1989, “the effect of the conference was to rekindle interest in the firm and it led me to decide, once my present commitments were out of the way, to devote the next few years to work on the theory of the firm. One result is that I have decided to wind down my research on Marshall.”⁵³ Coase remarked in a letter to Tullberg in 1990 that he had “one other small project” on Marshall to complete—presumably his work on Marshall’s birthplace—and then could hand off the research materials he had collected to others, a thought that made him “very happy.”⁵⁴

Coase’s decision to abandon his work on Marshall was no doubt aided by the increased interest in the New Institutional Economics of Oliver Williamson and others, and what he (perhaps over-optimistically) saw as an opportunity to reshape economic analysis following decades during which, as he lamented in 1972, this work had been “much cited and little used” (1972b, 63). And then, with the fame and accompanying demands on his time that came with his 1991 Nobel, even his assistance to Groenewegen ground to a halt, with Coase noting that “Until you receive the Nobel Prize it is impossible to imagine the demands made on your time. ... You say that you do not wish to intrude into my leisure. At the moment I don't have any.”⁵⁵

Though Coase’s work on Marshall’s family background was prompted at least in part by the gaps and errors that he discovered in Keynes’s memorial essay on Marshall,⁵⁶ he was well aware that he had not unlocked all of the mysteries in Marshall’s background. Still tenacious about the subject as he approached his 80th birthday, Coase noted to Tullberg

⁵³ Coase to Groenewegen, February 27, 1989, RHC 23-8.

⁵⁴ Coase to Tullberg, 22 October 1990, RHC 104-11.

⁵⁵ Coase to Groenewegen, March 31, 1992, RHC 23-8

⁵⁶ In Coase’s words, “Keynes is sketchy—and wrong.” Coase to Whitaker, October 16, 1967, RHC 105-5.

that “I know absolutely nothing” about Marshall’s sister, Agnes, beyond having a birth certificate, calling this “yet another gap in the story I told that I hope Professor Groenewegen will fill in.” Toward this end, Coase provided Groenewegen, whom he had met at the Marshall 100th anniversary conference, full access to his materials on Marshall’s family and ancestry, by that point deposited in Coase’s (then closed) archives at the University of Chicago, and offered to be of whatever help he could to Groenewegen in his preparation of the biography.⁵⁷

Nor was Coase convinced that he had it all right. “I’m also hoping that [Groenewegen] will correct my errors,” he said. Referencing Marshall’s own severe reaction to his own errors, Coase continued:

Working as I have with research assistants all over the world and with genealogical materials with which I have little familiarity, I have always been worried that I may have misunderstood something that I was told. I don’t think there are many errors but it’s upsetting to think that there may be any. In this respect, if in no other, I am like Alfred.⁵⁸

This last sentence was surely an understatement.

III. LSE Marshallian

We now come to the other, perhaps more substantive, reason for Coase’s interest in Marshall. For while Coase would certainly not have been the first to attempt a biography

⁵⁷ Groenewegen to Coase, 20 September 1990; Coase to Groenewegen, 22 October 1990; RHC 104-11.

⁵⁸ Coase to Tullberg, 22 October 1990, RHC 104-11. Coase reports that Guillebaud once told him that Marshall “suffered ... the agonies of hell when he discovered that he had made a mistake” (1984, 527). Coase (1984, 526-27) suggests that this attribute of Marshall was a result of his father’s severe discipline.

of someone he at once considered “a flawed human being” and yet felt some personal kinship, his interest in Marshall was at least as much motivated by his view that Marshall was a “great economist” (1994, viii). Indeed, his reading of Marshall revealed an economist with views on the subject that he considered very similar to his own—views that, if more widely adopted by the profession would lead to a better brand of economic reasoning. Such a stance is, to say the least, a bit unusual coming from someone so closely associated with economics at LSE in the 1930s.

Though the typical view of economics at LSE in the 1930s is of a department pervaded with Austrian and the continental influences, Coase has insisted that a greater diversity of perspectives was in play. “Economists at LSE [in the 1930s], he said,

were not self-consciously Austrians or Paretians or Walrasians, and certainly not Marshallians. In the United States I have heard it said that, until the late 1930s, English economics was largely confined to a study of Marshall. This was not true at LSE. Marshall was in the calendar of saints, but few of us prayed exclusively to him. Marshall was one among many economists studied. (1982a, 34)

Coase did not cite any of the saints, including Marshall, extensively in his writings, but it is notable, and rather against LSE type, that Marshall is the only one to whom he devoted significant attention.

As Bertrand (2015a) has shown, Coase’s own writings contain an odd mixture of Marshallian and LSE cost theory, sometimes relying on the one and sometimes on the other—seemingly oblivious to the potential contradiction. Subjective and objective costs, real and opportunity costs, all play a role in Coase’s analysis, which led James Buchanan

(1986) to chastise Coase for neglecting his LSE roots.⁵⁹ “The Problem of Social Cost” provides an excellent illustration. Coase’s argument regarding the reciprocal nature of harm (1960, pp. 2-3), which could be considered the article’s foundational insight, is a classic application of the LSE opportunity cost approach. Yet, the farmer-rancher parable that Coase utilizes to derive his negotiation result—the result which came to be known as the “Coase theorem”—is grounded in straightforward Marshallian real cost analysis, as was his prescription that the economic approach to externality policy involves adopting the solution that maximizes the value of output. Meanwhile, subjectivism is at the heart of Coase’s critique of accounting practices and yet is nowhere in evidence in vast swaths of his writing.⁶⁰

Coase notes that he studied Marshall’s *Industry and Trade* (1919), rather than the *Principles*, in his commerce courses with Arnold Plant—the closest thing to economics instruction he had during his student years at LSE (Coase 1982a, 34)—and that this was one of the works that had shaped his views on industrial organization (1972b, 62).⁶¹ But he emphasizes that “we did not slavishly adopt Marshall’s views” and, “[i]n fact, we thought his views on cost confused and his analysis of business practices questionable” (1982a, 34). It must be, then, that Marshall grew on Coase over the years, for these 1930s attitudes do not account for Coase’s later glowing commentaries on Marshall’s contributions.⁶²

⁵⁹ Buchanan (1969) had earlier lauded Coase’s contribution to the development of the LSE theory of subjective opportunity costs.

⁶⁰ See Coase (1938). Bertrand (2015a) provides further illustrations of this seeming cost schizophrenia found throughout Coase’s writings. See also Medema (1994, ch.3).

⁶¹ *Industry and Trade* deals with the industrialization process, the organization of industry, and the effects of these on economic wellbeing and is both more historical and less theoretical than the *Principles*.

⁶² See, for example, statements quoted in the previous section of this paper, as well as the commentary below.

A. The Theory-Fact Interplay

Reflecting back on that time in LSE history 50 years later, Coase said that “What was done by the economists at LSE, principally by Robbins, Hayek and Hicks, was to play a leading role in what we can now see was an international movement which brought into being, for good or ill, the modern age in economics” (1982a, 34). But when one reads Coase’s numerous commentaries on modern economics,⁶³ there can be no question that his true sympathies lie on the “ills” side of the balance, and that an economics which reflected more of Marshall’s vision and less of the influence that he (correctly or not) ascribes to LSE would have put the discipline on a better course.

It was only a few years after this commentary on his LSE years that Coase made clear what was, in reality, the great distance between his own approach and that of Robbins, and the greater commonality of his own approach with that of Marshall (Coase 1988c, 24-26). In his 1937 essay on “The Nature of the Firm,” Coase (1937, 386-87) had sought to provide a definition of the firm that at once was “tractable” using Marshall’s principle of substitution at the margin and which would, following Robbins’s prescription from his *Essay on the Nature and Significance of Economic Science*, “‘relate to formal relations which are capable of being conceived exactly’” (quoting Robbins 1932, 66). Coase was of the mind that Robbins would be favorably disposed to his analysis of the firm. In reality, however, Robbins had no interest in it. Commenting on this fifty years later, Coase says that,

⁶³ See, e.g., in addition to the references cited herein, Coase (1966; 1970; 1988a; 1992; 2006; 2012), as well as Bertrand (2016), Medema (1994; 1995), and Medema and Zerbe (1997).

I can now see that I was wrong to expect him to respond in this way. Consider what he says in *Nature and Significance*. ... “We have all felt, with Professor Schumpeter, a sense almost of shame at the incredible banalities of much of the so-called theory of production—the tedious discussions of the various forms of peasant proprietorship, factory organization, industrial psychology, technical education, etc., which are apt to occur in even the best treatises on general theory arranged on this plan. One has only to compare the masterly sweep of Book V of Marshall’s *Principles*, which deals with problems which are strictly economic in our sense, with the spineless platitudes about manures and the ‘fine natures among domestic servants’ of much of Book IV to realise the insidious effect of a procedure which opens the door to the intrusions of amateur technology into discussion which should be purely economic.” (1988c, 24-25)⁶⁴

Coase ascribed Robbins’s attitude here to his “devot[ion] to high theory” as a result of which “I believe he felt some distaste, at any rate in the 1930s, for discussions of such mundane subjects as peasant proprietorships and industrial ‘forms’.” Given that the focus of Coase’s 1937 analysis aligned so squarely with that which Robbins was criticizing in Marshall, he should not, he admitted, have expected that the article would attract Robbins’s attention (1988c, 26).

In Coase’s estimation, Marshall was at best lukewarm to the “high theory” that interested Robbins. In his article on Marshall’s approach to economic method, Coase quotes the following passage from a well-known letter written by Marshall to J.N. Keynes:

⁶⁴ Quoting Robbins (1932, 65).

“You talk of the inductive & the deductive methods: where as I contend that each involves the other, & that historians are always deducing, & that even the most deductive writers are always implicitly at least basing themselves on observed facts. ... I think the right order is first to emphasize the mutual dependence of induction & deduction, & afterwards to show in what kinds of inquiry the economist has to spend the greater part of his time in collecting arranging & narrating facts, & in what kinds he is chiefly occupied in reasoning about them & trying to evolve general processes of analysis & general theories which shall show the Many in the One & The One in the Many.” (1975, 26)⁶⁵

Coase, though, was not content to take Marshall at his word:

Although Marshall claims to occupy this middle ground, and in a sense he does, if we study what Marshall says, it seems to me that *he always emphasises induction, the collection and assembly of facts and plays down what we would term “theory”*, a word which, as we have seen, he did not much like when applied to economics. (Coase 1975, 28, emphasis added)

Coase, for his part, had little use for the methodological niceties of induction and deduction. What attracted him about Marshall on this score was Marshall’s interest in *collecting facts* as a starting point for his analysis—an approach which, as we noted above, also helps us to understand Coase’s interest in Marshall’s 1875 visit to the U.S. As Coase noted in his article on Marshall’s method, published on the 100th anniversary of that visit,

⁶⁵ Quoting a letter from Marshall to J.N. Keynes, 20 September 1890. Reprinted as Letter 321 in Whitaker (1996, vol. 1, 338-39).

Marshall himself, of course, was a great collector of economic facts not only from such sources as Government reports but also from visits to factories and from questioning businessmen and workers. His factual knowledge was apparently formidable. (1975, 28)

Among Coase's various notes for his Marshall project we find his transcription of a fragment from Mary Paley Marshall saying, "I believe that there is no economist who knew as much about the working man and machines as he did up to the age of 40 or 50. And this gives a reality to what he says which is lacking in (eg) Pigou."⁶⁶ Coase no doubt appreciated this even more for what it said about Marshall than for what it said (or did not say) about Pigou.

There can be no question that Coase was attracted to this aspect of Marshall because of its resonance with his own approach to the subject. Coase's eagerness to point to Marshall's emphasis on theories that evolve out of detailed facts and observations led him to pluck from Marshall's correspondence a correction of Neville Keynes's description of von Thunen as an abstract theorist: "'You know von Thunen's *Metier* was that of an agricultural reformer', " Marshall wrote. "'His abstract economics come in by the way. He was up to his eyes in facts about rye and manure and so on'" (quoted in Coase 1975, 28-29).⁶⁷ Coase must have been nodding his head in agreement as he transcribed Marshall's 1899 letter to W.S. Hewins, then Director of the LSE, where Marshall noted that he had "'as little respect for pure theory (otherwise than as a branch of mathematics or the science of numbers), as for the crude collection & interpretation of facts without the aid

⁶⁶ Note by Mary Paley Marshall, nd, RHC 104-6.

⁶⁷ Quoting a letter from Marshall to J.N. Keynes, August 1889. Reprinted as Letter 268 in Whitaker (1996, vol. 1, 293-96).

of high analysis which sometimes claims to be a part of economic history” (quoted in Coase 1975, 29).⁶⁸

The reason for Marshall’s insistence on fact and observation as a starting point for theorizing, Coase contends, is that Marshall’s “aim was to understand the working of the real economic system, a system whose operation we could observe in the factories, the streets, and in the homes of ordinary people” (1975, 28). For Coase, the economic system studied by Marshall “always has this concrete character—it was a system which, leaving the study or the library, one could observe. And for Marshall it was important that one should get this right since it was this real system that one had to explain” (Coase 1975, 28). This disposition toward realism—including in the assumptions that underlie one’s theory—was central to Coase’s own approach and put him at odds with Friedman (1953) and others among his Chicago colleagues (Medema 2018).

But it was not simply Marshall’s emphasis on theory grounded in facts that appealed to Coase. So too did Marshall’s criticisms of many of the uses of mathematics in economics, a number of which Coase quotes in his article on Marshall’s method. Marshall’s objection to the extensive use of mathematics, Coase argued, was grounded in the lack of “data to support any but relatively simple constructions,” the fear that “factors that could not easily be dealt with in mathematical form would be neglected” and, most of all, that “we would be tempted to engage in what he termed ‘mathematical diversions’ ... imaginary problems not conforming to the conditions of real life.” These exercises would, for Marshall, “tend to divert our attention from the real world in which poverty causes

⁶⁸ Marshall to W.S. Hewins, 12 October 1899. Reprinted as Letter 597 in Whitaker (1996, vol. 2, 256-59).

degradation and to the study of which he thought we should devote our whole energies” (Coase 1975, 31).

These attitudes that Coase saw in Marshall reflect bright threads in Coase’s own writings. Coase’s published output—including the more highly theoretical pieces on natural monopoly pricing policies, durable goods monopolies, and so on—contains not a single equation, and his several criticisms of what he called “blackboard economics,”⁶⁹ beginning already in the mid-1960s, routinely disparage what he considered mathematical flights of fancy—particularly in welfare economics and policy analysis. From where Coase stood, Marshall was something of a prophet, warning of the excesses of the “high theory” turn that he saw flowing out of LSE:

In these days, when the mathematical method rides triumphant in economics, one may ask whether Marshall's fears were well-founded. Have we been tempted to embark on “long chains of reasoning” without adequate supporting data? Do we neglect factors difficult to put into mathematical form? Do we concern ourselves not with the puzzles presented by the real economic world but with the puzzles presented by other economists’ analysis? (1975, 31)

Coase’s answer was certainly in the affirmative, and in Marshall, he saw a “saint” who would have agreed with his own dim views about the mathematical turn in economics—a turn that, on balance, he saw as a serious negative for the field:

It is not, of course, possible to indict the whole economics profession—and much good work is done nowadays and some of this work is carried out with mathematical methods. Furthermore, I feel sure that Marshall would have agreed

⁶⁹ See Coase (1966) and the several other references to his work in note 63, above.

that this was so. But it would be hard to deny that the extensive use of mathematics has encouraged the tendencies that he thought its probable consequence.

Marshall's thought was that the extensive use of mathematics would lead us away from what he considered to be "constructive work". I very much doubt that what has happened in recent years would have led him to change his mind. (1975, 31)

Nearly twenty years after Coase penned these words about Marshall, he was himself subjected to the charge, by Richard Posner (1993a; 1993b) that he was hostile to the use of mathematics by economists—a charge that Coase rejected.⁷⁰ Coase's (1993) defense of his own attitudes against Posner's charge echoed his earlier comments about Marshall:

Marshall welcomed all methods providing that they assisted in constructive work—and mathematics was not excluded from this. What is I think distinctive in his position is his belief that we should not investigate "imaginary problems not conforming to the conditions of real life." He thought that we should start with the real economic system, that it was our high calling to try to explain how it worked and that we should be interested in techniques of analysis only to the extent that this helped us to achieve the main goal. (1975, 31)

B. The Scope of Economics

Coase also broke with his LSE roots, again siding with Marshall, over what may be the most influential piece of economic thinking to come out of LSE during the 1930s—the definition of the subject supplied by Robbins in his *Essay on the Nature and Significance of Economic Science* (1932). In "Economics and Contiguous Disciplines," Coase used

⁷⁰ Posner (2011) has more recently softened his stance toward Coase's methodological approach.

Marshall's definition of economics as a whip against Gary Becker (1976) and the Chicago-driven expansion of economics beyond its traditional subject-matter boundaries. At the heart of Coase's analysis was a discussion of what economics is and should be, and he took pains to insist that "the normal binding force of a scholarly profession" is "its subject matter" (Coase 1978, 206). "What do economists study?," Coase asked. "What do they do?" His answer? "They study the economic system" (1978, 206). Coase found support for this conception of the subject in Marshall, quoting Marshall's well-known statement that "*Political Economy, or Economics, is a study of man's actions in the ordinary business of life; it inquires how he gets his income and how he uses it*" (1978, 206, quoting from Marshall 1961, vol. 2, 131).

In a later commentary, Coase both expanded on his own definition of the subject and made clear the link he saw between his view and Marshall's:

I have a clear idea of what the subject matter of economics is (and certainly what it should be): the attempt is to understand the working of the economic system, of firms, markets, banks and the other social institutions which make up that system. Marshall in the first edition of his *Principles of Economics* defined economics somewhat differently, but essentially he looked at the subject matter of economics in the same way that I do ...⁷¹

Coase saw George Stigler's Knight-inspired definition of economics, featured in the 1952 edition of Stigler's *The Theory of Price*, as of a piece with Marshall's conception of the

⁷¹ Coase, "The Place of Economics," nd, mimeo, RHC 58-14. See also Coase (1978, 207). "The Place of Economics" may be an early draft of the introduction for the collection that was eventually published as *Essays on Economics and Economists* (1994). The volume that was eventually published, though, has a very different introduction.

subject, noting that both have a similar subject-matter emphasis. For Stigler (1952, 1), economics was defined as “the study of the operation of economic organizations, and economic organizations are social (and rarely individual) arrangements to deal with the production and distribution of economic goods and services.”⁷² What these definitions “emphasize,” Coase said, is that “economists study certain kinds of activity,” which “accords well with the actual topics dealt with in a book on economics” and “distinguishes the economics profession” from other fields of inquiry (1978, 206, 207).

The definition of economics laid down by Robbins, which by this time had, as Coase recognized, come to dominate economic thinking,⁷³ was, for Coase, of a “very different kind” from his conception and that of Marshall (Coase 1978, 207). According to Robbins (1932, 15), “Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.” This definition, as Coase points out, “makes economics a study of human choice” and is, he said, “clearly too wide if regarded as a description of what economists do” (Coase 1978, 207). Looking back on this discussion some years later, Coase recognized that his view, which had remained unchanged, put him at odds with the professional tide: “Given this difference in the underlying view of the nature of our subject, it is not surprising that what I say about

⁷² It is not clear whether Coase was aware of this link between Stigler’s definition and Knight’s conception of the subject, laid out in *The Economic Organization* (1933). Knight, like Coase, was not fond of the Robbins’ definition. See Knight (1934). Curiously, the earlier editions of Stigler’s text had presented a Robbins-type definition. Of course, Stigler’s own work in later years moved much closer to the Robbins-Becker conception of the subject, making it ironic that Coase appealed to Stigler here.

⁷³ RHC, “The Place of Economics,” nd, mimeo, RHC 58-14. On the history of the definition economics, see Backhouse and Medema (2009b; 2009a), the latter of which provides an extensive discussion of the gradual acceptance of the Robbins definition .

what economists should do will be found to differ markedly from what is said by others in the economics profession.”⁷⁴

Coase’s subject-matter based view of economics led him to reject Becker’s Robbins-inspired view that economics is an “approach,” one that is broadly applicable to the various arena’s of human behavior. In yet another break from the “Chicago school” colleagues with whom he is so closely associated, Coase was highly critical of efforts to apply economic reasoning to subjects such as law, sociology, politics, and family life. His reasons for this were several, one of them being that, once one moves beyond economic activity proper, one tends to lose the great benefit pointed to by Marshall—having the “measuring rod of money” which, for Coase, deserves a good share of the credit for economists’ success in analyzing (traditionally) economic behavior (1978, 209). But there were two further reasons for Coase’s pessimism about the extension of the discipline’s boundaries, both tied to methodological precepts he found in Marshall. First, Coase believed that the utility maximization model, which he considered of only minimal importance to Marshall, and rational choice theory were flawed conceptions of human behavior even within the traditional economic realm and considered them of little or no use beyond it.⁷⁵ Second, and reflecting his (and Marshall’s) belief in the necessity of detailed

⁷⁴ Coase, “The Place of Economics,” nd, RHC 58-14.

⁷⁵ See Coase to Whitaker, October 16, 1967, RHC 105-5, as well as Coase (1978, 208). Like Marshall, Coase believed that biology had the potential to offer greater insights for grounding the study of human behavior. That Coase saw this in Marshall seems clear, as one of the passages he copied from Mary Marshall’s notes includes her statement that, “A[lfred] said that 1000 years hence Economics would be entirely different from the science it is today and would probably be based on Biology.” “Notes of Mary Marshall,” entry of 7.1.24, RHC 104-6. On Coase’s own views, including the links to Marshall, see Wang (2016, 280-81). Interestingly, Becker, too, suggested that biology had great potential for informing the economic theory of human behavior. See Becker to Coase, August 25, 1976, RHC 18-1. All that said, one can see commonalities in the discussions of altruism found in Marshall and Becker. See Medema (2015).

fact-gathering, Coase believed that economists lacked the institutional knowledge to make effective contributions to these other disciplines (1978, 208-209).

Coase's prediction that economists' incursions into these other disciplinary realms would be both temporary and unsuccessful was well wide of the mark, at least as a claim about how economists came to spend their time. Though our purpose in this paper is not to debate the accuracy of Coase's various interpretations of Marshall, one is led to wonder to what extent Marshall would actually have agreed with Coase's position on this score. Did Coase, even with all of his detailed familiarity with Marshall's *Principles*, fail to recall that Marshall had said,

There is a large and debatable ground in which economic considerations are of considerable but not dominant importance; and each economist may reasonably decide for himself how far he will extend his labours over that ground. He will be able to speak with less and less confidence the further he gets away from his central stronghold, and the more he concerns himself with the conditions of life and with the motives of action which cannot be brought to some extent at least within the grasp of scientific method. Whenever he occupies himself largely with conditions and motives, the manifestations of which are not reducible to any definite standard, he must forgo nearly all aid and support from the observations and the thought of others at home and abroad, in this and earlier generations; he must depend mainly on his own instincts and conjectures; he must speak with all the diffidence that belongs to an individual judgment. But if when straying far into less known and

less knowable regions of social study he does his work carefully, and with a full consciousness of its limitations, he will have done excellent service. (1920, 780)

Becker likely would have read this passage with approval, for Marshall, both here and elsewhere, seems to have had a less rigid definition of disciplinary boundaries than Coase—and than Coase had allowed him.⁷⁶

C. Economists and Economic Policy

It is safe to say that Coase's affinity for Marshall's methodological predispositions extended to the realm of economic policy analysis. Posner (1993b, 199) has correctly pointed out that "The socialist pitfalls of high theory are a constant refrain in Coase's work."⁷⁷ In abstract theoretical worlds, it is a rather simple thing to show the optimality of all manner of government actions, from the provision of goods and services to taxes or regulations to deal with market failures, and Coase thought economists were all too quick to apply the insights gleaned from the analysis of those worlds to the world around us—with grave consequences for economic efficiency. Indeed, this is arguably the main theme of "The Problem of Social Cost,"⁷⁸ and striking back at the idea that government action is an appropriate (that is, efficiency-enhancing) solution to all manner of market failures is a theme that runs through Coase's writings.

⁷⁶ Indeed, Coase's delineation of the boundaries of economics has much in common with Pareto's. That the latter's influence on LSE thinking was not insubstantial may have something to do with this. Contrast Pareto (1906) and Pareto (1916).

⁷⁷ Socialist economists, such as Oskar Lange (1936; 1937) and Abba Lerner (1944) were prominent among those developing general equilibrium theory and associated approaches to welfare economics, for example.

⁷⁸ For the uninitiated, the negotiation result that we now know as the "Coase theorem" was aimed at showing that private action works as well as government in such a world. The real world of positive transaction or coordination costs, Coase emphasized, leads to imperfect markets and imperfect government, necessitating an assessment of the relative efficiencies of the various alternatives for dealing with (in this case) external effects.

Coase believed that sound economic policy required a detailed examination of the relative merits of alternative institutional structures for allocating resources in society—whether that be allowing (or not) the B.B.C. a monopoly position in broadcasting, allocating broadcast frequencies in the U.S. via administrative fiat or instead utilizing the market, or how best to deal with situations of externality, such as pollution. That said, Coase also believed that a comparison of government and private activity would often reveal the superiority of the latter and that governmental cures tended to be worse than market diseases. His extensive case studies of public utilities in Britain, and of the actions of the Federal Communications Commission in the U.S., only reinforced this belief, and Coase’s decision to emigrate to the U.S. in the early 1950s owed much to what he considered the socialistic turn in British economic affairs.

Coase found what he considered a kindred view in Marshall’s entry into the debate over the British Postal Service monopoly, the subject of his first extensive engagement with Marshall in his own writings.⁷⁹ Coase’s article on “The British Post Office and the Messenger Companies” (1961) takes up the Post Office’s defense of its monopoly against the incursions of private messenger services in the late 1800s. Marshall features here owing to his decision to respond to an “anonymous” article in *The Times* in 1891, defending the postal monopoly. Marshall’s very lengthy letter prompted an equally lengthy reply from this “anonymous” Post Office defender and this, in turn, stimulated a second

⁷⁹ Coase’s only published references to Marshall prior to 1961 are passing ones in an early paper on duopoly (1935, 139n.4) and “The Nature of the Firm” (1937, 386-87, 388).

long letter from Marshall.⁸⁰ Coase elected to quote each of Marshall's letters in its entirety in his article.⁸¹

Coase conjectures, likely rightly, that Marshall's decision to inject himself into this controversy owed to his experience with the private post operated by St. John's College, a service that Marshall called "splendid" and which operated at far lower cost than its government counterpart.⁸² Marshall thought the Post Office's unconditional monopoly injurious to the public welfare and advocated its abolition. The original monopoly privilege, he said, "was granted without a thorough study of its real bearings," calling its efficacy into question (Coase 1961, 54). For example, though the economies of scale benefit was asserted by the anonymous correspondent as demonstrating the importune of this monopoly, these economies, Marshall emphasized, were never actually made the subject of study, and he found claims for them questionable given that private enterprise was able to under-price the Post Office.

Marshall's letters on this subject also made much of his concern that the postal monopoly raised the specter of socialism, "the chief dangers of [which] lie ... in its sterilising influence on those mental activities which have gradually raised the world from barbarism, and have made the average English working man of today really richer than the average Englishman was not long ago" (quoted in Coase 1961, 51). Marshall allowed that "The character of Post Office business is such that we might expect *a priori* that there, at

⁸⁰ It turns out that this anonymous corresponded was, in reality, the Post Office Solicitor, a fact that Coase believes Marshall had sniffed out.

⁸¹ The letters were written by Marshall on March 23 and March 31, 1891 and were published on March 24 and April 6, respectively. They are reprinted as letters 351 and 353 in Whitaker (1996, vol. 2, 19-21, 22-25). Coase (1961, 50) erroneously dates the first of Marshall's letters to 1890. References given here are to Coase's 1961 quotations from the letters.

⁸² See Marshall fragment in Pigou (1925, 359).

least, Socialism would not perceptibly tend towards lethargy.” “But,” he continued, “experience has shown otherwise” (quoted in Coase 1961, 51). Marshall felt that the Post Office, like many government agencies, was not responsive to consumer demands for service, and private enterprise had moved in to satisfy those demands (Coase 1961, 51). This competition, he argued, would stimulate the Post Office to greater efficiency. Marshall even went so far as to use his consumer surplus analysis to estimate the loss associated with the Post Office monopoly, which he placed at 6s. per person, an amount that, when totaled up, exceeded the Post Office’s total net revenue (Coase 1961, 56). The effect of the Post Office monopoly, Marshall concluded, was that “we secure, as far as the influence of the Post Office reaches, most of the evils of Socialism with but few of its benefits” (quoted in Coase 1961, 51).

It is quite easy to see why Coase would have been attracted by Marshall’s position here. “To Marshall,” Coase said, “the significance of Post Office policy towards the messenger companies was in the light it threw on the relation between Socialism and economic progress” (1961, 61). The stinging rebukes of socialism found in Marshall’s letters would certainly have resonated with Coase.⁸³ But there is also a methodological issue in play here. “The main thrust of Marshall’s argument,” Coase emphasized, “was to show that Mr. Hunter’s defence of the monopoly was invalid” (1961, 61). As Coase noted, Marshall did not recommend the *unconditional abolition* of the postal monopoly; he did, however, support the abolition of its *unconditional monopoly* and “as soon as possible.”

⁸³ It may be Marshall’s antipathy toward what he saw as the socialistic flavor of Henry George’s *Progress and Poverty*, combined with Marshall’s use of rich institutional detail in making his case against George, that led Coase to publish Marshall’s lectures on George’s book in the *Journal of Law and Economics* (Marshall 1969).

But here Marshall advocated for a more nuanced approach to the problem than, in his estimation, had governed the establishment of the original monopoly. Determining how best to go about deciding in what areas the Post Office should retain their monopoly and in what areas it should be continued, he said, cannot “be discovered except by careful inquiry of people with more technical knowledge than I have” (Coase 1961, 54).⁸⁴

This is precisely the position that Coase (1959) had adopted only two years earlier in his analysis of the U.S. Federal Communication Commission’s rules for allocating broadcast frequencies—a position which he had continued to press in congressional testimony and more popular writings. Coase did not recommend the replacement of the fiat-based allocation of broadcast frequencies with a market system. What he said, instead, was that the possibility of using the market had never been considered, and that it would behove the U.S. government to undertake a careful analysis of the most efficient mechanism for allocating these frequencies. There can be little doubt that Coase believed that such analysis would reveal the superiority of the market here, just as Marshall had complete confidence that there were slices of the larger market in which the private messenger companies could improve on Post Office performance. But at the heart of the issue, both for Coase and for Marshall, was a failure to undertake a careful analysis of

⁸⁴ Marshall’s position in *Industry and Trade*, written nearly three decades later, was perhaps a bit less nuanced, speaking much more favorably of a postal monopoly. See Marshall (1919, 428). Given Coase’s familiarity with Marshall’s writings and the fact that he cut his teeth on Marshall’s *Industry and Trade* as a student (and cites another part of that book in his article on the postal monopoly), it is noteworthy that Coase made no mention of this modification in Marshall’s views.

benefits and costs in the first place, instead leaping to the conclusion that governmental control was the appropriate way forward.⁸⁵

IV. Conclusion

Coase's affinity for Marshall owes, it would seem, to factors both personal and professional—to parallels between his own background circumstances and those of Marshall and perceived commonalities of vision for doing economics. But this examination of Coase's treatments of Marshall also give us some insight into Coase as an historian of economics. Coase took the history of the subject seriously, as evidenced by his many decades of membership in the History of Economics Society. One of the insights that we can draw from the foregoing discussion is for the rather eclectic historiographic views that informed Coase's work—not just on Marshall, but on Adam Smith and others.⁸⁶

Unlike Coase's good friend, colleague and fellow historian of economics, George Stigler, Coase considered biography a useful element of the history of economics. But so too the history of ideas and intellectual history. Yet as much as all of these, Coase saw the history of economics as a tool to nudge economists toward what he considered a more useful way of doing economics. That he published "Marshall on Method" in the *Journal of Law and Economics* rather than *History of Political Economy* likely was no accident, as it would have afforded him the opportunity to preach to and perhaps legitimate for a broader audience of economists the particular methodological gospel that he favored.

⁸⁵ Coase's interest in the effects of the postal monopoly was not confined to Britain. George Priest's (1975) study of the U.S. postal monopoly was effectively commissioned by Coase and, perhaps coincidentally, was published by Coase in the *Journal of Law and Economics* as the article immediately following Coase's article on Marshall's method.

⁸⁶ See the essays reprinted in Coase's *Essays on Economics and Economists* (1994).

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