

Marshall on Central and Local Functions of Government

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Introduction

These notes, written in 1907, are part of 5/36, described in the catalogue of the Alfred Marshall Archive Papers as ‘extremely varied notes, including some from about 1874. No obvious overall subject area, although several sections on functions of government and the ideal state.’ This item in particular is said to be composed of ‘8 pp. on central and local government including tabular assessment of various functions’.¹The manuscript attests to Marshall’s interest in local government, against any excessively centralistic view of the functions of government. The subdivision of taxation between the central and local level of government is examined in detail in the 1897 *Memorandum on the Classification and Incidence of Imperial and Local Taxation*²; less well known are Marshall’s ideas on the appropriate subdivision of public expenses between the same two levels. The question ‘What business affairs should be undertaken by society itself acting through its government, imperial or local?’ is raised in chapter IV of book I of *Principles* as one out of many ‘practical issues’ economics has to deal with. The manuscript partly answers the question.

This interest reflects Marshall’s attention to the peculiarities of local life and culture, which are the foundations of his theory of the localization of industry and nurture his scepticism towards a merely national dimension of political affairs. The manuscript bears witness to Marshall’s preference for the U.S.A. decentralized system of government over French centralism. Local authorities are encouraged to innovate and experiment, but, at the same time, Marshall is conscious of the tasks that properly belong to the central authority. His attribution of functions to the two levels of government – or more, since ‘local’ can refer to more than one level, as it does towards the end of the manuscript - is therefore balanced and not at all unidirectional. The prototype of any organization is the nervous system, whose structure is examined in chapter IX of book IV of *Principles* where the word ‘local’, referring to the peripheral nerves, is repeatedly used in complex interrelationship with the ‘central’ authority of the brain. Turning to economics, instead of being antithetical, big and small businesses are complementary and tend to grow together. The same is true of political centres, as attested by the following sentence: ‘the very extension of empire often leads to an increase of local autonomy; the most despotic rulers have tolerated semi-independent kings, and even republics, within their rule’ (*Industry and Trade*, Appendix B, § 1).

In publishing this manuscript, I hope Marshallian scholars can appreciate this uniquely clear assessment of the subdivision of tasks between different levels of government.

I wish to thank Simon Cook for his help with the decipherment of a few words.

1. Other papers relating to the subject are present in the Archive. Most of them will soon be published by Katia Caldari and Tamotsu Nishizawa in their planned volume on Marshall’s book on progress, whose aim is to collect all the papers he wrote for the book he was working on for many years, but which he was unable to finish.

2. J.M. Keynes (ed.), *Official Papers by Alfred Marshall*, London, Macmillan, 1925.

Text

Central and local Government

Where there is special fitness in the action of

	Central	Local Government
1 Wide survey of international experience needs to be collected at great expense	X	
2 General and especially uniform facts relating to the whole country are needed	X	
3 Specific experience on untried ways in affairs not requiring national uniformity		X
But 4 in such cases local comparisons should be started and backward localities need to work up to advanced standards; while those wh[ich] show vigour should not be interfered with ¹	X	

Onerous local rates²

	Central	Local
5 Hence primary <u>Education</u> should be left as far as possible to local initiative subject to the conditions that <u>a</u> a high standard should be enforced and <u>b</u> where it is shown that percentage of relatively poor is high the expense of education should be borne partly by a neighbouring rich area (partial equalisation of London rates) or in exceptional cases by county as a whole	1/4	3/4
But higher education should be subsidized from central funds by scholarships at general expense given to select students from anywhere, and tenable anywhere ³	3/4	1/4
6 Local property in prestige should be stimulated and partly for that reason every desire on the part of a locality to do things extra well at its own expense should be encouraged: the red-tape veto of dull officials at Whitehall sh[oul]d be restrained: and effective appeals from it should be allowed		X
7 For all such purposes local taxes of any kind that are technically good may be levied; and no special pressure should rest on land values. But these should be taxed [...] ⁴ for all improvements that tend <u>permanently</u> to raise the value of local land		
Poor relief <u>Vagrants</u> should be under national control, local police services being used for these and other purposes, There seems no reason why <u>police</u> expenses should not be generally defrayed at local cost on same lines as education. The term local meaning largely provincial	X 1/4	3/4

Poor expenses go with police expenses and education. Pawnshops	1/4	3/4
Public health Savings banks		X

Non onerous rates

All these to fall on ultimate landlord mainly, but partly on lessee and tenant

	Central	Local
Streets, bridges		
French Continental plan for big motor routes local routes	X	X
Sewers, Scavenging, Baths, Parks, Waterworks , Markets, Cemeteries		X
But Waterworks, Lighting , Transportation , Docks	Water itself ^s	Works
Docks, Lighting, Trams, Electric Power No general rule, all depends on size of local area and its relation to neighbouring districts. Two questions: Should the industries be public? If so, is present local authority sufficient [?]	1/4 local; 1/2 provincial; 1/4 central. N.B. in incidence of taxes	

But in a big Country such as U.S. Provincial (ie “State”) functions must become very important. France has suffered from the want of this. Our County Councils are a step towards recognizing its importance. In U.S.A. it is becoming clear that though (1) State Legislation must do more than had been expected of the kind which here may be discharged by both central and local, yet (2) so far as trade and transport goes central authority must be greatly strengthened.

On the other hand in a little state such as Holland or New Zealand much may be done by central Government wh[ich] in larger populations should be done by local; because:-

1 There are fewer grave questions to be considered: central authority is not so hopelessly overworked: and false steps more easily retraced.

2 People know one another better: there are fewer to be known

Further in New Zealand the old world experience is of relatively little guidance for many matters; and the central Government may reasonably try experiments as to central organization.

The general principle as regards taxation should be that each area parish, town or county (province) take the expenses of all administration under its control (on the same principle that each county in postal union keeps payments for the understamped letters which it receives) unless it shows cause for thinking it suffers hardship. Then it may receive a grant from the authority next above, with a possible obligation to explain its accounts and possibly act on suggestions for greater economy

- 1 The same opinion is expressed in the *Memorandum on the Classification and Incidence of Imperial and Local Taxes* (1897): 'The chief work of the central authority should perhaps be, on the one hand, to help the most enlightened local authorities in comparing, criticising, and profiting by the experiences of one another; and, on the other hand, to put pressure on the more backward to work up to a high level. ... Each first-class local authority should have considerable freedom of experiment as to methods of raising revenue' (*Official Papers by Alfred Marshall*, ed. by J.M. Keynes, p. 358-59).
- 2 The 1897 *Memorandum* deals at length with 'onerous rates', either local or central. The distinction between 'onerous' and 'non onerous' or 'beneficial' rates is drawn in *Industry and Trade*, Appendix L, § 2: 'Local taxation is commonly divided into that which is "onerous," and that which is "beneficial" or "remuneratory." Onerous local taxes, or "rates," are said to be those which are levied for purposes in which the locality has but a partial interest. Remuneratory rates are said to be those which supply the means of obtaining local benefits, in such wise that—under good management—they render services to the locality which outweigh their costs. These descriptions are adequate for some purposes: but they ignore the fact that, as a locality has some special interests which are not shared by the rest of the country; so the permanent residents in a locality, and especially the owners of land and buildings in it, have some interests which do not extend in full measure to other residents'.
- 3 The following passage from *Industry and Trade* (Appendix L, § 2) may be referred to: 'Exceptionally heavy local rates levied in a town for the purposes of education, are said to be in some measure onerous; because those, who have benefited by the education, may leave the locality. But, if local industry and trade are developed by the facilities to which good education has given increased strength, the expenditure may lead to net immigration; and thus greatly benefit local owners of land, buildings, and established businesses'.
- 4 Illegible word.
- 5 'As regards the supply of water, local interests cannot be isolated. The chief sources of water supply should therefore be declared national property' (*Memorandum in Official Papers*, cit., p. 360).