

Alfred Marshall and the French Social Contract: A Neoclassical and Institutionalist Analysis

Is France breaking its social contract by reducing public services?

While Marshallian theory seeks fiscal equilibrium, Institutionalist critics argue that cutting services risks "social illfare" by sabotaging the nation's human capital and its status as a "Going Concern."



The Marshallian Goal vs. The Veblen Critique

The "Improvement of the Working Classes."

Consumers are not just "lightning calculator of pleasure and pains"

- The Marshallian Side: Neoclassical theory often views reducing public services as a necessary move to reach "long-run equilibrium" and optimal resource allocation.
- The Veblen Side: Thorstein Veblen argued that the "standard procedure of orthodox economics" fails scientific tests because it relies on static premises.



Pecuniary Gain vs. Industrial Serviceability

Distinguish between Pecuniary (money-making/budgetary) and Industrial (real production/welfare) employments:

Reducing services to meet a deficit is a "pecuniary" goal

The Risk

Veblen warns that this pursuit of profit over serviceability results in "sabotage" of the system and "social illfare"

Impact

A "conscientious withdrawal of efficiency" in the public sector harms the "underlying population"

The Thinker: John R. Commons

Definition of Institution : Collective action in control, liberation, and expansion of individual action

The France Case: The social contract is a Going Concern governed by working rules

The Break: When the state cuts services, it changes the rationing transactions and working rules without collective consent, leading to conflict rather than order

The price system is oriented toward monetary profit, which fails to measure social costs and social utilities

The "Unproductive Surplus": John A. Hobson argues that if resources are not redistributed, the economy suffers from "chronic underconsumption"

Cutting public services reduces the means of livelihood for the working class, potentially leading to an economic depression or illfare

Is the Social Contract Taxonomic?

The Marshallian Fix

Short-Run Equilibrium: Reducing
services to fix pecuniary
imbalances

The Veblen Risk

Social Illfare: Transitioning
from Industrial service to
Pecuniary gain

The Commons Legacy

Working Rules: The Social
Contract is a Going Concern
for the nation

Public services are the Human Capital of the French
Republic

Reducing services is a Sabotage of long-run national
productivity!

SOURCES:



Primary Source: Colander, D. C., & Landreth, H. (1994). History of Economic Thought. Chapter 12: "Institutional and Historical Critics of Neoclassical Economics"



Theoretical Foundations: Marshall, A. Principles of Economics



Specific Thinkers: Veblen (1904), Commons (1934), Hobson (1889, 1902)