WAS THERE EVER

A

“LONDON” SCHOOL OF ECONOMICS?

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[Paper to be presented at the 32nd Annual HES Conference at the University of Puget Sound, Tacoma, WA on Sunday, 26th June 2005]
1. Introduction

A reputable website states that “The London School of Economics and Political Science (known everywhere by its “LSE” acronym) was set up in 1895 by Sidney J. Webb and Beatrice Potter Webb.”¹ Is ‘LSE’ merely an acronym by which the London School of Economics and Political Science is known worldwide², or does it represent a ‘London’ School of Economics that existed or exists, similar to the ‘Chicago School’ (see Reder 1987) or Cambridge at the time of Marshall or Keynes³? This paper will concentrate on the founding of the LSE and its early development.

What constitutes a School of Economics? As an experiment, I e-mailed this question to ?? on ??. The response was 24 replies from 23 respondents, covering a wide variety of views.⁴ Some took a negative view of schools. For example, one quoted from Pantaleoni’s obituary for Pareto (Economic Journal, 1933, p. 590):

> Every great man has had to labour under the inconveniences created by Epigoni. These tend to the formation of "schools", more properly called obnoxious syndicates of fools.

Other contributions were "The one thing that cannot be forgiven a great scholar is the school he leaves behind him." and “The term is usually reserved for one's opponents, who have ceased to engage the facts and now engage only one another.”

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¹ I downloaded the material quoted from http://cepa.newschool.edu/het/schools/lse.htm on 04/02/2005.
² It is unfortunate that the School did not copyright this trademark acronym, as ‘LSE’ now frequently appears in the financial press, where it refers to the ‘London Stock Exchange’. The resulting ambiguity generated by headlines, such as “German move for LSE gets fresh boost” (Financial Times, January 25, 2005, p. 20), can induce considerable anxiety among the denizens of Houghton Street.
³ LSE was not the first or the only institution to offer Political Economy in London. However, while University College had a Chair of Political Economy from its foundation in 1828, Political Economy was a minority subject that attracted few students in the nineteenth century. Similarly, while King’s College appointed Nassau Senior to a Chair in Political Economy in 1831 and had the Tooke Professorship in Economics and Statistics from 1859 to 1915, it never developed a Department of Economics. These two institutions will therefore largely be ignored in the following discussion of a ‘London’ School of Economics.
⁴ My understanding of netiquette in relation to e-mails is not to quote anyone without their permission. While the 24 replies were sent to the ?? and could be read by all subscribers, I have not contacted the respondents to ask explicit permission to quote them, so I shall make some general remarks on the responses without identifying the individual respondents.
On the less negative side, three main ideas emerged. The first was a School of Economic Ideas, which need not involve writers being in the same location. However, there were some doubts as to how to apply it—Mercantanists? No. Physiocrats? Maybe. The second was a suggestion that a school might a geographical base and consist of a group who were in basic agreement on certain economic or philosophical issues. Finally, a number of respondents provided variants on Henry W. Spiegel definition that “a school consists of ’a recognized leader, a closely knit group of followers to exalt and spread the doctrines of the master, and a periodical to help in their dissemination.’ Such schools frequently have a geographic base, institutional links, and access to or control over a journal.”

I shall return to this question in the concluding section of the paper. The rest of the paper is as follows. Sections 2 to 4 provide a background by providing a brief summary of the growth in the number of professorships in Political Economy, the shortage of students and conflicts among economics over the direction economics should take. Section 5 examines the founding of the LSE and the early courses offered there. Section 6 examines the extent to which Fabian money used to found the School affected its academic activities. Sections 7 and 8 consider the extent to which LSE was anti-Marshall and Marshall was ant-LSE. Finally, Section returns to the question of whether there was a ‘London’ School of Economics and draws some conclusions.

2. The Development of Political Economy as an Academic Discipline.

The period between the appointment of Thomas Malthus to the first Chair in Political Economy in Britain in 1805 and the founding of the London School of Economics and Political Science in 1895 witnessed important changes in the status and contents of Political Economy. One important development was the establishment of an increasing number of chairs in Political Economy, a process summarised in Table 1.
However, the expansion in the number of chairs in Political Economy did not automatically lead to a corresponding expansion in the supply of teaching of political economy, as some of the professors held more than one chair and others were somewhat selective in the number of lectures they gave. For example:

- Richard Jones was appointed to the Chair at King’s College in 1833 and gave lectures there in 1833-4 and 1834-5. In 1835 he replaced Malthus at Haileybury College, but continued to hold the chair at King’s until 1855, when he resigned after the College council there demanded that he recommence the teaching he had ceased in 1836.5

- James Edwin Thorald Rogers, Tooke Professor at King’s College from 1859 to 1890 was also Drummond Professor in Oxford from 1862 to 1868 and 1888 to 1890.

- In 1866, John Elliot Cairnes, Professor of Political Economy at Queen’s College, Galway was appointed to the chair at UCL, but allowed to keep his chair in Galway.6

To some extent, the increase in the teaching of political economy was limited by a shortage of students. Thus:

When University of London (later UCL) was founded, the “Scottish model” was chosen, which involved (i) an intensive system of lecturing, (ii) the non-residence of students and (iii) the financial dependence of professors upon fees. However, recognising that it would take time to establish reputations for courses, professors were guaranteed incomes of £300 per annum for the first three years of the university’s existence. John Ramsay McCulloch, first Professor of Political Economy started with 33 students, but the number had dropped to 6 by 1830-1. (Maloney (1993) pp. 23-5.)

McCulloch resigned in 1835 and chair not filled again until 1854.7

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5 King’s College was not entirely without teaching in economics after 1855, as in 1856-7 the Professor of Commerce and Commercial Law, Leone Levi, taught a course in ‘Banking and Commercial Law’ and, from 1858 various courses in ‘Economic Science’. From 1872, he also delivered the Gilbart Lectures in Banking. (See Hearnshaw, 1929, p. 308).

6 One innovation that was made by Cairnes was to allow women into his class in 1871, the first co-educational class in a British university (Maloney (1993), p. 29).

7 The Chair was advertised in 1837, but neither of the two candidates was suitable. One expressed a certain lack of enthusiasm for the post that reflected the problem of finding students for the subject: “I sincerely hope, however, that they may obtain the assistance of some person every way more competent to the task than I can pretend to be, and in a situation better suiting him to make the sacrifice required for an unendowed chair of so unpopular a science as Political Economy unfortunately is.” (Maloney (1993), p. 25).
This lack of demand reflected the fact that Political Economy was not regarded as an important subject. There were no degrees in Political Economy and it was generally to be found as an optional or minor course within Faculties of Moral Science, History or Philosophy. In a number of letters Marshall complained bitterly of the small number of students he had to teach and this situation continued in Cambridge until the institution of the Economics Tripos in 1902. The situation was similar in Oxford and, as Edgeworth, the Drummond Professor of Political Economy, had little interest in teaching or administration, Political Economy remained a minor subject until the establishment of the PPE degree in 1921. At University College, London, Political Economy was only part of a Pass Degree and attracted few students.

3. The University Extension Movement.

There had been proposals for an extension of university teaching outside Oxford and Cambridge by earlier writers, such as William Sewell’s 1850 Suggestions for the extension of the University, or Lord Arthur Harvey’s 1855 pamphlet entitled A Suggestion for Supplying the Literary, Scientific and Mechanics Institutions with Lecturers from the Universities (see Marriott 1984, p. 17), the proposal that finally lead to action was made by James Stuart, following on the success of his lectures to women. In November 1871, he addressed an open

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8 For example, in a letter to John Neville Keynes, dated 2 November 1895 Marshall wrote “Were it not for such men as Berry Flux & Bowley who do not take the Tripos at all, & who learn what they do from me chiefly in private conversation, it would [be] little better than hack work to teach Pol Econ here. Sanger is the only student (man or woman) who has taken up economics for Part II & was really worth teaching.” (Whittaker 1996b, p. 133). Later, in a letter dated 30 January 1902, Marshall wrote “And all the while, through causes for which no one is—in the main—responsible, the curriculum to which I am officially attached [i.e. Moral Science] has not provided me with one single high class man devoting himself to economics during the sixteen years of my professorship.” (italics and bolding in original text) (Whittaker 1996c, p. 350).

9 Under the guidance of the North of England Council for Promoting the Higher Education of Women, it sponsored special lecture courses and demanded a special women’s examination within the ‘Locals’ system”. “The first programme of provincial ladies lectures was given in 1867 by James Stuart, a young Fellow of Trinity College, Cambridge and the North of England Council was in fact a direct result of the success of his courses.” F.W.H. Myers report in 1868 on the first session of ‘Local Lectures for Women’ suggested that they “held
letter ‘A letter on university extension’ to the resident members of Cambridge University

“After another eighteen months of well-organised lobbying Cambridge was persuaded to offer teaching beyond the limits of the University, and an experimental scheme was begun under the carefully-chosen and unprovocative title of ‘Local Lectures’. (Marriott 1984, p. 22).

**Cambridge.** In May 1873 a special university syndicate recommended that Cambridge should set up a scheme of extension lectures, for which the university would provide the examinations, while the teaching was to be done elsewhere. The teaching was to be organised by the university. The first lectures were given in 1873 in Nottingham, Derby and Leicester.

As an attempt to replicate the courses taught at Cambridge, the extension movement was not successful, but the need to adapt courses to local did lead to innovation. As Kadish (1993a, p. 82) notes:

> [T]he extension’s freedom from Cambridge’s rigid examination system allowed it greater flexibility in its list of course subjects, which often proved wider-ranging and more innovative than that provided by the university. Consequently, the extension movement was regarded at the time as something of a vanguard. In retrospect, some of its innovations, such as the appointment of women lecturers, proved to be predictive of things to come.

**London.** the London Society for the Extension of University Teaching was incorporated as a limited liability company early in 1876. It was managed by a Council of leading personalities in education, including representatives of the London institutions, University College and King’s College\(^\text{10}\), and public affairs under the presidency of C.G.

\(^{10}\) After a one-off experiment with evening teaching in 1849 that provided one lecture each weekday evening from 8.00 PM to 9.00 PM, King’s College had established an Evening Class Department that began teaching in October 1855. These were extremely popular and in the session 1858-59 there were 378 evening students registered. The peak was reached in 1867, when there were 674 registered evening students. Hearnshaw (1929, p. 255) stresses the importance of the King’s experiment by suggesting that “[t]his evening work at King’s College was pioneer work, and it was one of the most notable contributions that the college made to the educational institutions of the nineteenth century.” This had an impact outside London and Tribe (1993, p. 193) notes that “[t]he model of King’s College, London was invoked in proposing entry into evening classes during the winter half year at the Manchester Working Men’s College”.

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Within themselves ‘the germ of University extension’. “Within a short time the success of the scheme was adding impetus to the surge of interest in founding local or municipal colleges of higher education and to the demand that the old universities undertake some responsibility for this rapidly broadening concept of ‘extension’.” (see Marriott, 1984, pp. 21-24).
To advise the Council on academic matters, a Joint Board was established in 1878 with members nominated by Oxford, Cambridge and London; including H.S. Foxwell, then Fellow of St. John’s College, Cambridge, a leading nursery for young economists. … The organisation of University Extension courses was based on a partnership between the London Society and local committees which came into being to establish the work in their neighbourhood. Lecturers were recruited by the London Society and their services were offered to the local committee for a payment of £30 for 12 lectures.” (Burrows 1978, p. 8).

**Oxford.** In the case of Oxford, “[t]he Oxford Standing Committee of the Delegates of the Local Examinations was founded on 15 June 1878 for the purpose of organizing extension work.” (Kadish 1993, p. 97). Arthur H.D. Ackland, the Secretary of the Oxford Committee, together with Arnold Toynbee, were keen to target potential working class students and in 1878 Ackland joined Oxford Co-operative Society and tried to persuade it to invest its educational fund in extension-like teaching. “Ackland sought to realize his concept of adult education through the cooperative movement rather than follow Cambridge in creating an independent network of extension committees. In Ackland’s view, cooperation constituted “a platform, a basis, a foundation upon which any number of hopeful movements and any amount of hopeful progress may be raised.” (Kadish, 1986, pp. 175-176).

For many of the teachers the motivation for involvement in the programme was financial. The fact that Political Economy was taught in Cambridge, London and Oxford as a minor part of some other subject meant that most of those who were teaching Political Economy in the Extension movement had only a basic knowledge of the subject and, other than those with some knowledge of mathematics, were unable to keep up with newer developments, such as the work of Alfred Marshall. For example, the future Prime Minister, Herbert Asquith, who taught the London Society’s first course in Political Economy did so because
During my early years at the Bar, when briefs were few and the fees were small, I found it necessary to look about for supplementary resources. I had a growing family; and though my wife had a few hundreds a year of her own, and I myself for a time the income of my Fellowship (which expired in 1881), and though our domestic arrangements were of a simple kind, there was an annual deficit to make good. I became one of the lecturers for the newly formed London Society for the Extension of University Teaching, and delivered courses on Political Economy at Wimbledon, Clapham, and other suburbs. (Oxford and Asquith, 1928, p. 66).\(^\text{11}\)

The local institutions were catering to a wide audience, so that a potential teacher had to have a range of courses that he could offer and be extremely flexible, as was the experience of Arthur Bowley when he applied for Extension teaching.\(^\text{12}\) However, for the successful lecturer, the rewards could be great. For example, Philip Wickstead, who introduced the term ‘marginal utility’ into economics and whose book *The Common Sense of Political Economy* was greatly admired by Lionel Robbins, was one of the most successful Extension lecturers in Political Economy between 1888 and 1917. He began teaching in 1887 with a course of lectures on Dante. However, as his publications on Political Economy gained attention and his popularity as a lecturer grew, he could command £5 per lecture and, at his best, probably earned £500 per annum from Extension lecturing.\(^\text{13}\)

At first, the demand for teaching in political economy was significant, so that during 1875-6 there were 290 students studying political economy and logic out of a total of 1724 (see Kadish, 1993, p. 79). However, in later years the demand fell in favour of more practical

\(^{11}\) He continues “Alfred Marshall had at that time just opened at Cambridge a new chapter in the science, by the first instalment of his “Economics of Industry.” As I have a congenital incapacity for, and an invincible abhorrence of, mathematics, I found his geometrical methods far from helpful, … It was about this time that I made the acquaintance of Jevons, who was my neighbour at Hampstead, and whom I thought, and still think, the most stimulating and suggestive of our modern English economists.” (pp. 66-7) Sadly, no records of the contacts on economics between Asquith and Jevons seem to have survived, so we do not know how Jevons was rated higher than Marshall by one who abhorred mathematics.

\(^{12}\) In 1899, when A.L. Bowley applied to undertake extension teaching, in addition to offering courses in ‘The Growth of England’s Foreign Trade’ and ‘The Progress of the Working Classes’, he also offered to teach Astronomy. (See Kadish, 1993a, p. 103, footnote 102).

\(^{13}\) See Burrows, 1978, p. 9), who also notes that Jevons never received more than £70 per annum as the Professor of Political Economy at University College. In 1876-77, for example, the 25 students who enrolled in his classes at UCL paid £73. 10s. 0d. in fees, of which Jevons received £63. Perhaps it is not surprising that so many university teachers were involved in the Extension movement. While Foxwell would only teach small numbers of students in Political Economy at University College, he had audiences of between 50 and 100 for his Extension courses in West Ham and Hampstead during 1879-1880.
courses relating to commerce and business. Demand was erratic, with some teaching centres offering courses in political economy in some years and not others. One problem was the lack of enthusiasm on the part of potential students for long programmes, so that even wide ranging three-year courses in political economy that also included logic, social history and political philosophy were not taken up. However, there seems to have been more demand for courses in economic and social history that were preceded by an introductory course in economics.

J.A. Hobson, who lectured in the Oxford Extension programme, explained the unpopularity of Political Economy by suggesting

> Surely the unpopularity of Political Economy is really due to the fact that it has been too commonly approached from the abstract, metaphysical point of view, instead of from that concrete, present-day statement of living facts and forces which would recommend it to the attention of students whose interests are not purely academic, but in the first and fullest those of citizens. (Quoted in Kadish, 1993, p. 101.)

In summary, while there were opportunities for many teachers within the University Extension Movement, the popularity of Political Economy fluctuated and the abstract approach, whether of Ricardo, Mill or Marshall, was not popular. Courses that had less theory and more emphasis on topical problems and historical analysis tended to attract more students.

### 4. Whither Political Economy?

In parallel with the gradual expansion in the teaching of Political Economy described above, there were struggles going on for control of the direction in which the subject was to go.

Progress of the British Classical School reached its climax with the work of John Stuart Mill and, while a number of authors expounded and expanded on his work in their publications\(^\text{14}\), there were no major new developments. This Classical School had long been criticised for its

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\(^{14}\) Such as Henry Sidgwick’s 1883 *Principles of Economics*. 
abstraction by those who argued that institutions and the historical context of the economic problem being discussed were important and that the relevant methodological position was one of ‘relativism’. This was certainly the view of many of the teachers in the University Extension Movement. For example, William Hewins, who was to become the first Director of the LSE, argued from a relativist position in his lectures on mercantilism:

There were circumstances which justify or explain the appearance of such a system: it arose in the struggle of men to grapple with the practical difficulties of the time. In economics we must constantly bear in mind that we are for the most part dealing with the ordinary business of ordinary men and women; and if we wish to explain the origin or understand the development of any particular theory, we must find out what was going on at the time in the world of ordinary people. (Quoted in Kadish (1993a, pp. 101-102.)

From 1835 to 1855 Section F of the British Association for the Advancement of Science was devoted to “Statistics”, but in 1856 it was extended to cover “Economic Science and Statistics”. The disagreement between those who saw Political Economy as a science and those who took a relativist, historical view are well illustrated in the Presidential Addresses delivered to Section F during the second half of the Nineteenth Century. The former case was put by William Nassau Senior in 1806, William Stanley Jevons in 1870 and J. Shield Nicholson in 1893, while the latter case was made by John Kells Ingram in 1878, Charles Francis Bastable in 1894 and Langford Lovell Price in 1895.15

An attack on Political Economy from another direction came in 1877, when Francis Galton, the General Secretary of the British Association, presented a paper to the Council of the BA proposing the abolition of Section F, on the grounds that the discipline was simply not capable of prosecuting its inquiries in a scientific spirit. Galton took a stern line in defining ‘science’ “confining [it] in its strictest sense to precise measurements and definite laws, which lead by such exact processes of reasoning to their results, that all minds are obliged to accept

15 These are all reprinted in Smyth (1962) along with other Presidential Addresses and an excellent ‘Introduction’ by Terence Hutchinson. Hodgson (2001), Chapters 5 and 6 contains a useful summary of the work of the British historical school.
the latter as truth.” (p. 471). Having listed the papers presented to Section F during 1873-75 (including “The future of the United States”, “Acclimatisation of the Silkworm” and “Use and Abuse of Peat”) he concluded that “It would appear from all this that the subjects commonly brought before Section F cannot be considered scientific in the sense of the word that is sanctioned by the usage of the British Association.” (p. 472).

Robert Giffen, who edited the Royal Statistical Society Journal from 1876 to 1891, was also critical of the lack of statistical foundations to orthodox economic analysis:

Giffen believed that abstract and hypothetical truths or deductive political economy were of little practical utility for “in the real world questions must be dealt with; and in the measurement of tendencies or forces statistics are absolutely essential”. He was a firm supporter of Malthus’ statistical investigations, and defended him against many critics. To him, Malthus’ work was essentially statistical and deductive; “its facts and deductions are derived from the study of statistics of population during the previous century; many of them of an imperfect sort, but still for the most part sufficient for Malthus to draw out important deductions”. (Wood, 1983, p. 162)

The case for the Statistical Society continuing to support Section F was put by Dr. W. Farr (Farr 1877). The defence was not a refutation of Galton’s criticism of the unscientific nature of the material presented to Section F, but rather arguments for the popularity of Section F. For example, it was open to women, who had presented 21 of the 856 papers given to Section F since its origin, including one by Florence Nightingale. More support was drawn from a letter written by Dr Chadwick, a past president of Section F, who argued for the retention of Section F “in order to realise the required funds at the provincial meetings, on which the success of the Association to some extent depends.” Further, “[w]hile Section F has by its popularity brought in many members, is has taken out very little from the funds of the Association” … and “finally, it never in any way offends the religious prejudices of the nation.” (p. 476). These arguments seemed to persuade the Council of the Statistical Society and the scientific status of Political Economy was not discussed again.
Political Economy survived in Section F, but concern with the state of the subject was reflected in the Presidential Addresses to the Section. For example, the Reverend William Cunningham began his Address to the Section in 1889 as follows:

That political economy has fallen somewhat into discredit in recent years is a fact which must be admitted, and which we shall do well to face. Perhaps it may be partly due to the disputes among leading economists as to the scope of the study; each professes to provide the genuine article, and issues warnings against the exponents of science falsely so called. If we look to the two ancient Universities, we find that Oxford declares that the Ricardian economist has “constantly exalted into the domain of natural law what is after all and at the best a very dubious tendency, and may be a perfectly baseless hypothesis” [quote from Thorold Rogers], while Cambridge exposes the mistakes which have been made by the “extreme wing of the modern real or historical school of economists” and asserts that the “most reckless and treacherous of all theorists is he who professes to let facts and figures speak for themselves.” [quote from Alfred Marshall]. (Smyth, 1962, pp. 98-9).16

In addition to the internal criticisms and counter-criticisms, there was a growing sense of unease about the state of the British economy and the technical training being provided by the universities in Britain. Britain’s position as the leader in world trade had been declining with the rapid economic development of the United States of America and of Germany after the process of reunification after 1870. There was a sense that Britain had lost its competitive advantage and needed educational change to meet the technological challenge from those countries.17

The British Association set up a committee, consisting of W. Cunningham, E.C.K. Gonner, F.Y. Edgeworth, J.N. Keynes and H. Higgs, to investigate ‘The Methods of Economic Training adopted in this and other countries’ and their Report in 1894 stressed the urgent need to improve the facilities for teaching and examining economics in British

16 Further developments were occurring with the work of Marshall, Jevons and Edgeworth in Britain that would lead on to the development of the Neo-Classical School of Economics.

17 “It was a period of growing concern over the performance of England in international markets and it was generally assumed that the growing competitiveness of many of the newly industrialized nations was largely due to their superior arrangements for commercial training.” Kadish (1993b), p. 227. In 1893, Sydney Webb had argued for the need to provide commercial training “in order to prevent the English clerk from being ousted by his better educated German rival.” (Quoted in Kadish, 1993b, p. 231.)
universities and colleges. The founders of the LSE used this report to argue that they could establish an institution to rectify some of the shortcomings of the current system.

5. The Founding of the London School of Economics and Political Science.  

The story of the founding of LSE has been told by a number of writers (see e.g. Beveridge 1960, Caine 1963 and Dahrendorf 1995), so the coverage here will be brief. To provide a background for the discussion to follow, this section will outline the events that led up to the founding of the LSE and the structure of the courses initially offered.

One striking feature of the founding is the speed with which things happened, as just over a year elapsed between Sidney Webb receiving news of the Hutchinson Bequest on 3 August 1894 and the opening of the LSE to over 200 students on 10 October 1895 (see Table 2).

(Table 2 near here.)

This in part reflects Sidney Webb’s enormous energy and organising skills, but also a degree of good fortune in his choice of Hewins as the first Director of the School. As was noted above, Hewins had considerable experience in teaching and organising within the University Extension movement and, in addition, as part of his unsuccessful application for the Tooke Professorship at King’s College, he had prepared detailed plans for the organisation of

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18 Some of the material presented below refers to letters and diary entries, based on secondary sources, such as MacKenzie and MacKenzie (1983) and Whittaker (1996a, b and c), or primary material in the Hewins Papers at the University of Sheffield and the Webb and Cannan papers at the British Library of Political and Economic Science. This can only give a partial analysis of what happened, as it cannot make use of any verbal communications between the parties, which may have been important, that are not reported in diary entries or letters. For example, in a letter to Hewins, dated 25 May 1895, Foxwell writes “I think I can undertake the course you propose if the conditions of time and place can be conciliated. It will be better I think for us to arrange these matters verbally.”. The rest of this letter and further letters from Foxwell on 29 May 1895 and 13 August 1895 are mainly concerned with trying to arrange meetings and have no discussion of the details of the negotiations. [Source: Hewins Papers at the University of Sheffield, Bundle 43/210-11, Bundle 43/215-6 and Bundle 44/54-4.]

19 Hewins was offered the Directorship of the new School only after Graham Wallas had turned it down. Had the political scientist rather than the economist held the post, it is possible that the appointments made in economics might have been different, though one has no way of knowing what the difference would have been.
teaching there and these provided a valuable input into the rapid development of prospectus for the School.

The aims of the new institution and teaching arrangements, as described in the Prospectus, were as follows:

**Objectives:** *(Arrangements for the Session 1895-6, pp. 1-2)*
The growing importance of social and economic subjects has drawn attention to the need of further provision for systematic training in economic and political science, and the promotion of original investigation and research. While great success has followed the organization of economic and political studies in certain foreign universities, in the *Ecole Libre des Sciences Politiques*, Paris, *Columbia University*, New York, and other institutions in foreign countries, no similar provision has been made for these subjects in the United Kingdom. It is now proposed to attempt to remedy this situation.

While much attention will be given to the study of economic and political theory, the special aim of the School will be, from the first, the study and investigation of the concrete facts of industrial life and the actual working of economic and political relations as they exist or have existed, in the United Kingdom and in foreign countries. With this object in view the School will provide scientific training in methods of investigation and research, and will afford facilities to British and foreign students to undertake special studies of industrial life and original work in economics and political science. It is hoped that the School may become as far as possible a centre from which the available sources of information on these subjects may be known.

**Teaching arrangements:**

There were to be public lectures and classes, with “special classes arranged as a three years’ course of study, concluding with a research course”. This programme consisted of

(a) Elementary Course (first year) including

(i) Outlines of Economic Theory, to be studied mainly in Adam Smith’s *Wealth of Nations*, Mill’s *Principles of Political Economy*, Jevon’s *Principles of Political Economy*, Marshall’s *Principles of Economics*.


(iii) Elementary Statistics; the relation of Statistics to Economics

(b) Advanced Course (second year), including

(i) α. History of Economic Theory
    β. Critical study of the leading Economic writers

or (ii) Detailed study of the Economic History of England in relation to that of foreign countries.
(c) Final or Research Course (third year), including

(i) Methods of investigation.

(ii) Authorities.

(iii) Practical work, under supervision.

It is not proposed to prepare students especially for any examination, but the lectures and classes already arranged will be found useful for candidates for the following public examinations among others, viz. Civil Service (Class I and Indian), Council of Legal Education, Institute of Bankers, Institute of Actuaries, London University (Mental and Moral Science), London Chamber of Commerce (Commercial Education).

Lectures were to be given between 6 and 9 p.m., with classes being held both in the evening between 6 and 9 p.m. and during the daytime.

The speed with which the new School was launched meant that the full programme of lectures listed for the First Year of the programme could not be offered and the somewhat meagre set of courses actually offered in October 1895 reflected the fact that Hewins had a wide range of contacts and was able to call on some of them to provide courses in the early sessions at the School. The economics courses offered in October 1895 were:

**Economic Effect of Alien Immigrations:** 3 lectures by Rev. W. Cunningham (Tooke Professor of Economic Science and Statistics at King’s College, London).

**(a) The History and Principles of Banking in England:** 20 lectures by H. S. Foxwell (Newmarch Professor of Political Economy at University College, London).

**Foreign Banking Systems. (a) The Bank of France:** 6 lectures by the Hon. George Peel, M.A., New College, Oxford.

**The History of Rating:** 4 lectures by Edwin Cannan, M.A., Balliol College, Oxford.

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20 At first sight it might seem odd that there should be no special examinations in relation to this elaborate structure of courses, but according to Maccoll (1988, p.2) “The trustees decided not to institute examinations in view of the probable establishment of a teaching London University (as proposed by the Gresham Commission in 1894), when it was hoped economics and politics would become recognised subjects.”

21 I have not so far discovered what Dr Cunningham had to say on immigrants nor located a copy of F Bradshaw’s *Alien Immigration: The Case for Restriction*, that is in the LSE List of Publications for 1908-9, but a preliminary survey suggests that the topic was not discussed again formally at the School until the work of Mishan and Needleman that was presented to the Methodology, Measurement and Testing (M^2T) Seminar in the 1960s and published as Mishan and Needleman (1966).

22 Amidst the improvisation of the 1895-6 session, this course was to survive as the core of Foxwell’s teaching at LSE until his retirement in 1922.
Railway Economics: 6 lectures by W. M. Acworth, M.A., Christ Church, Oxford.

Hewins contributed 20 Public Lectures on ‘The State in relation to Industry and Commerce.’

Historical Course. and 20 on ‘The History of English Commerce’.

An indication of the importance given to statistics at LSE as a necessary tool in a research programme was already present in the programme for 1895-6. Among the Classes listed under I. Economics are a set (number unspecified) on

**Elementary Statistics**: the relation of Statistics to Economics; the common use of Statistics; selected chapters from Giffin’s *Essays on Finance*, Jevons’ *Principles of Science*, Booth’s *Labour and Life in London*.

Under II. Statistics, A.L. Bowley is listed to take an advanced set of classes (number unspecified) with a syllabus:

- including course of training in framing forms of inquiry; tabulation; interpolation; investigation of causal relations between economic phenomena by statistical method; applications of the law of error; graphic method of statistics, &c.

This approach represented a significant change of direction for the teaching of statistics in England. There was a strong statistical base at UCL, but that concentrated in biometrics and eugenics and not social sciences (see MacKenzie 1981). Although Edgeworth had presented seven lectures at King’s College in 1885 and the six Newmarch Lectures at UCL in 1892 on statistical matters (see Stigler 1986, pp. 363-373 for details), there were no systematic applications of statistics to the social sciences until Bowley’s courses began in 1895.23

The opening of a new institution is obviously a good time to determine its aims and intentions. A number of earlier writers on the School have discussed two issues. First, the extent to which the fact that LSE was founded using funds that were left to the Fabian Society

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23 Another innovation occurred in the 1902-3 Session, when Bowley introduced ‘A General Course in Mathematics’ at a basic level that was “intended to lead as directly as possible to the conceptions of series, continuity, limits and differentiation. Complex applications of mathematical laws will be avoided.” (LSE *Calendar for the Session 1902-3*, pp. 62-3). This seems to be a precursor to many courses in Mathematics for Economics/Economists that were to follow.
for propaganda purposes affected its view of the way in which economics should be taught.

Second, the extent to which LSE was established as a centre of anti-Marshallian economics.

6. Fabian Influences?

On 4 August 1894, Sidney Webb was informed that he had been nominated as one of five trustees, and appointed chairman and administrator, to administer a legacy of £10,000 that had been left to the Fabian Society in the will of one of its members, Henry Hutchinson, to be spent within ten years for “to the propaganda and other purposes of the Fabian Society and its Socialism, and towards advancing its objects in any way that may seem advisable.”.

Some Fabians were in favour of using the funds for direct propaganda purposes, but Sidney Webb had other ideas.24 While some of the Hutchinson money was to be used to support the costs of Fabian lectures in the provinces, the trustees agreed that the bulk should be used to attempt to set up the London School of Economics and Political Science. Not everyone agreed with this idea and George Bernard Shaw, who was not a trustee, wrote to Beatrice Webb on 1 July 1895:

The general impression was that the Hutchinson trustees are prepared to bribe the Fabians by country lectures and the like to allow them to commit an atrocious malversation of the rest of the bequest; and that as the (Fabian) executive is powerless the best thing they can do is to take the bribe and warn future Hutchinsons to be careful how they leave any money they may have to place at the disposal of the Socialists. This won’t do. First, Hewins must be told flatly that he must, in talking to the Guild of St Matthew and the other Oxford Socialists, speak as a Collectivist, and make it clear that the School of Economics will have a Collectivist bias. Any pretence about having no bias at all, about ‘pure’ or ‘abstract research’, or the like evasions and unrealities must be kept for the enemy. Second, Hewins must be told that he MUST get somebody else than Ackworth and Foxwell to put in the bill. It is easy to say where are the men: the answer is that that is precisely what Hewins is being paid out of Hutchinson’s money to find out. Third, the Collectivist flag must be waved and the Marseillaise played if necessary in order to attract fresh bequests. If the enemy complains, it must be told that the School has important endowments the conditions of which are specifically Socialist;

24 Caine (1963, pp. 2-6) points out that at different times, Sidney Webb gave two alternative accounts of the idea of founding the London School of Economics. One is that he and Beatrice Webb had thought about it well before news of the Hutchinson bequest arrived. The second is that the idea evolved during the discussions of what should be done with the money after the event. Having examined the evidence, Caine inclines to the second alternative.
and that if the enemy wants specifically individualist lectures, he must endow too. … we
must be in a position at any moment to show that faith has been kept with Hutchinson. If
Webb is ever publicly convicted of having served up the County Council and the
Chamber of Commerce on toast to the ghost of Hutchinson everyone will laugh and
think it is an uncommonly smart thing. But if he is ever suspected of having tampered
with a trust of ten thousand pounds from a private benefactor, then we shall lose our
character for being straight in money matters; and none of us can afford to do that.
Please show him this letter and allow it to rankle. (Quoted in Muggeridge and Adam,
1967, p. 154).\(^\text{25}\)

Despite the pressures from some Fabians, either to devote more of the funds to direct
propaganda or to make the new School sympathetic towards the Collectivist message, it
seems clear that Sidney Webb had no intention of yielding to these arguments. First, it seems
clear that the Webb’s wanted to pursue research rather than to proselytise. Having considered
the related merits of propaganda, Beatrice Webb recorded in her diary for 21 September
1894:

So Sidney has been planning to persuade the other trustees to devote the greater part of
the money to encouraging research and economic study. His vision is to found, slowly
and quietly, a ‘London School of Economics and Political Science’—a centre not only
of lectures on special subjects, but an association of students who would be directed and
supported in doing original work. Last evening we sat by the fire and jotted down a
whole list of subjects which want elucidation—issues of fact which need clearing

Secondly, there was the practical problem of raising money. The money from the
Hutchinson Trust was valuable, but it was no more than seed corn and much more funding
was needed from other sources. Sidney Webb, as the Chairman of the LCC’s Technical
Education Board, hoped to obtain funding from them, as well as the London Chamber of

\(^{25}\) There was more opposition to using Hutchinson money to develop the library at LSE. Beatrice recorded in her
diary on 18 April 1896: “Whilst we were in the Lakes, had furious letters from J.R. MacDonald on the ‘abuse of
the Hutchinson Trust’ in the proposal to contribute to the Library of Political Science. J.R.M. is a brilliant young
Scot, lately I.L.P. candidate for Southampton, whom we have been employing as Hutchinson Trust lecturer in
the provinces. These lectures are avowedly socialist, but from the first Sidney has insisted that both
MacDonald and Enid Stacy should make them educational, should issue an elaborate syllabus of a connected
course with bibliographies, etc. And, apparently they have been extremely successful. But MacDonald is
personally discontented because we refuse to have him as a lecturer for the London School. He is not good
enough for that work; he has never had the time to do any sound original work, or even learn the old stuff well.
Moreover he objects altogether to diverting ‘socialist funds’ to education. Even his own lectures, he declares, are
Commerce and other institutions. None of these bodies would agree to subscribe if there were any suggestion of political or other bias.

There is evidence that Webb was correct in this view, as after Hewins had submitted the proposed list of Evening Economics Lectures for the opening session to the London Chamber of Commerce, he received a letter, dated 17 May 1895, from its Secretary:

Dear Mr. Hewins,

EVENING ECONOMIC LECTURES

With reference to the list of Economic Evening Lectures suggested by you, a meeting of my Education Committee has been held this afternoon for the special purpose of considering the suitability of these and their conformity with the general views of the Chamber.

I am firstly to suggest that the question of Alien Immigration (sic) is rather too technical and that as the course is not a complete one it might be an advantage to omit them from this preliminary series, leaving you to take the entire course on Commercial History. The same remark applies also to the proposed course of 6 lectures on the Economics of Railways by Mr. Acworth and it is thought preferable to cancel these for the present. In regard to the currency series, it is suggested that these should be left to Professor Foxwell only and should be confined to general principles, and that the whole of the series should be strictly subject to the guiding principles enunciated in the following resolution:

“That it is desirable that all these lectures should deal with the principles and with historic facts rather than with the advocacy of the particular view of any one party or thought, that they should be academic in character and adapted to first-year students and that in treating distinct open questions the arguments in favour of different opinions should be fairly and dispassionately stated.”

Further questions were raised about the appropriateness of money from the Hutchinson Trust to be used to fund the LSE in 1902-3, at the time when it was in the process of becoming a recognised School of the reconstructed University of London. In response to

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26 At the time, there was a controversy between Monometallists and Bimetallists and Foxwell was known to be a Bimetallist. However, there may have been a concern about a more general potential bias in this resolution.

27 On 3 December 1902, Clara Collet, who had been one of Foxwell’s students at UCL wrote to Vice-Chancellor of the University of London arguing for the need for an inquiry into the working of the new Faculty of Economics and Political Science. While she raised the question of the money from the Hutchinson Trust, her main complaints were to do with the running of the Board of Studies of the new Faculty. She made two complaints. Firstly, that although the LCC’s Technical Education Board had made a grant of £2,500 to the Faculty of Economics and Political Science, Webb had used his influence to get these funds allocated to the LSE and not to the Faculty, which meant that UCL got nothing. Secondly, that he had misused his powers as the Chairman of the Board of Studies to pack it with LSE supporters, by not appointing the full quota of members of the Board, but ensuring that a majority of those appointed were from LSE. Webb chose to respond to the charge that LSE might be politically biased and said nothing about the Collet allegations concerning the Board of
a letter, dated 31 December 1902, from the Vice-Chancellor of London University, the Rt.
Rev. Archibald Robertson, outlining the charge that as the Hutchinson money was given “for
propaganda & other purposes of the said (Fabian) Society & its Socialism … That this money
formed the original endowment of the School; & that such a trust is an improper one to be
connected with a School of the University”, Sidney Webb replied with two long and
somewhat repetitive letters, in which, in addition to outlining the wide range of financial
support the School had received from across the political spectrum, he pointed out that the
Hutchinson money given to the School had amounted to just over £3688 (about 8%) out of the
total of £45,000 that the School had received in the first seven years of its existence.

Webb won the battle and the University took no action over the charges and no more
was heard about Socialist bias at the School. By 1905, the Hutchinson money was spent and
the Trust was wound up. The seed corn had been fruitful and the LSE was in a sound financial
position.

7. Was LSE Anti-Marshall?

A number of writers have suggested that LSE was anti-Cambridge and, in particular, anti-
Marshall. For example, Koot (1982, p. 3) writes that “[b]efore World War I, the London
School of Economics, founded by the Webbs and W.A.S. Hewins in 1895, sought to mould
economic history and applied economics into an alternative economics to Marshall’s more
theoretical version of the subject then being mooted in Cambridge.” Coates (1982, p. 22)

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Studies. The University of London Archives show that a proposal to allocate the TEB grant to LSE went to
Academic Council at its meeting on 18 November 1901 and was referred to the Board of Studies in Economics
and its meeting on 5 December 1901 was informed that the Board of Studies approved of the proposal. Finally,
the Senate of the University of London approved the proposal on 22 January 1902. There is no reference to the
Collet complaints in the Minutes of the Academic Council or the Senate. However, in a letter to Sidney Webb,
dated 14 February 1903, Hewins wrote: “Everyone I have seen regards Miss Collet’s letter with contempt. I
suppose there may be a question on it but anything in the nature of a row is impossible.” This is an example of
where access to verbal communications between the interested parties might be illuminating. [The discussion in
this section is based on material in the Webb Papers in the LSE Archives, Section X, Subsection 2(ii), folio 47.
The cover page has the title Papers as to the attack on the School in 1902:3 in Sidney Webb’s handwriting.]
suggests that “Cannan is nowadays remembered chiefly as an outstanding historian of economics; a fierce critic of classical economics; and a remarkably effective teacher whose iconoclastic treatment of Cambridge economics endeared him to all who, like the Webbs and Beveridge, wished to emancipate English economics from the dominant Marshallian tradition.” What was the motivation of this anti-Marshallian attitude?

Sidney Webb thought that theory had a limited role to play in social investigation and that the collection and classification of facts lay at the core of research. He seems also to have had a critical attitude towards Marshall’s achievements as an economist. Beatrice Webb wrote in her diary on 27 July 1890 that Sidney had told her that:

When I left you yesterday … I went straight home; found two urgent letters, one from O’Brien begging me to write the London articles for the Speaker; the other from Massingham, telling me I must review Marshall’s book [Principles of Economics] for the Star. I went straight to the Club and read right through Marshall’s six hundred pages—got up, staggering under it. It is a great book … but it will not make an epoch in economics. Economics has still to be re-made. Who is to do it? Either you must help me to do it, or I must help you! (MacKenzie and MacKenzie, 2000, p. 144)

Webb’s personal attitude may also have been affected by the mauling he received on 17-18 November 1892 from Marshall when he appeared as a witness before the Royal Commission on Labour 1894. He was so upset that he ended the first of two days of questioning with an outburst (for which he had to apologise the following day):

I should be delighted to come to-morrow at considerable inconvenience in order to give any information to the Commission, but I must venture to ask to be excused from debating these things. I should be very glad to debate the matter with any Commissioner at a proper time, but I cannot presume to take up the time of the Commission by debating questions and answers. I am prepared to give any information in my power, but not to debate or argue. (Groenewegen, 1996, pp. 185-6).

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28 In an uncharacteristic lapse, Stigler (1959, 1965, p. 273, note 12) writes “There seems to be no doubt that Beatrice did not contribute to the work on economic theory. Perhaps one reason was her haste;” and he then incorrectly attributes this feat of speed reading to Beatrice and not Sidney Webb.

29 O’Brien (1997, p. 1883) suggests that “What Marshall was aiming to do was to destroy the credibility of Webb’s account of the views of the classical economists”
Hewins early interests in economics were stimulated by Charles Kingsley, Ruskin and Carlyle and his antipathy towards classical economics stemmed from his observations of economic hardship during periods of depression:

My practical interest in economic questions began with the depression of trade in the late seventies and the early eighties. This involved great hardships and I wanted to know the reason. From that time until I went to Oxford I read many economic books, but they did not help me. I disliked their theoretical outlook, their materialism leavened with sentiment and their remoteness from real events as I saw them in South Staffordshire. The ‘economic man’ made no appeal to me. There was little correspondence between the industrial system of the text-books and the industry that was being carried on around me and men and women actually engaged in it. (Hewins, 1929, pp. 14-15)

If one accepts the hypothesis that LSE was anti-Marshall, what form was this view to take? One possibility might have been for the School to side with the historians against the theoreticians in the struggle for the direction of economics. William Cunningham, who was involved in a bitter controversy with Marshall, was Tooke Professor at King’s College, London and might have been encouraged to take an active role in the teaching at the School, but while he gave a few lectures in the first few sessions, he was never more than a marginal figure. Economic History did develop very strongly at the School, but it was not of anti-theoretical kind proposed by Cunningham.

Another possibility lay in the choice of the teachers of economic theory, though the improvisation involved in the opening of the School suggests that little forward planning took place. In the event the two important appointments were Foxwell and Cannan, though it is unlikely that anyone in 1895 foresaw that they would teach continuously at LSE until 1922 and 1926 respectively.

Foxwell would have been an odd choice as an anti-Marshallian, as they had been close friends and Foxwell had tried to help Marshall get back to Cambridge, during his unhappy period in Bristol. While it is true that tensions developed after Marshall returned to

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30 While Hewins expressed an antipathy towards economic theory, he does not appear to have been personally anti-Marshall and their relationship was reasonably amicable (see Section ?? below).
Cambridge in 1884, they continued to work as colleagues until the final break came when Marshall supported Pigou and lobbied against Foxwell in the professorial election in 1908. However, Foxwell taught an historically focussed course and, given his teaching commitments at ULC and Cambridge, not to mention his book collecting activities, his contribution to the School ran parallel to the teaching of economic theory.  

Cannan was at Balliol College, Oxford, where he took mathematics in his finals and graduating with a BA in 1884 and an MA in 1887. While in Oxford he was an active member of the Oxford Economic Society, whose other members included Hewins, L.L.Price, W.J. Ashley and L.T. Hobhouse. In 1889 he had some correspondence with Sidney Webb, in which Cannan complained “that collectivisation of the means of production was no cure for extreme poverty.” As a result, in July 1889 he read a paper entitled ‘The Bearing of Recent Economics on Individualism, Collectivism and Communism’ to the Fabian Society. Despite Webb’s entreaties, Cannan did not become a Fabian (see Ebenstein, 1997, pp. 13-14). 

Cannan’s contributions to the early sessions were a short course on the History of Rating in the opening session, which resulted in the first of the LSE series of publications, and several short courses in the following year. He first taught a course in elementary economic theory in the Lent Term of 1897.  

Some information on Cannan’s appointment may be found in the LSE’s Administrative Committee Minute Books. The Minutes for the meeting of 23 January 1896, p.56 reports that “The Director reported that Mr. Edwin Cannan, M.A., Balliol College, Oxford had expressed his willingness to undertake next term certain classes in Economic Theory, now taken by the Director. The arrangement was approved.” At a meeting of the Administrative Committee on 7 December 1896 that considered teaching arrangements for the Lent Term 1897, the Committee approved, as an elementary course in economics, “Economic Theory, to be studied mainly in Marshall’s Principles of Economics. By EDWIN CANNAN, M.A., Balliol College, Oxford.”
Principles in due course) when the errors of the earlier authors, of which Cannan found many, were held up for scrutiny. His criticisms were scathing and a collection of his comments on the work of Alfred Marshall from his Review of Economic Theory are presented in Table 3.

[Table 3 near here.]

Taken in isolation, these comments could be seen as ammunition in an LSE anti-Marshall campaign, but Cannan was an iconoclast who was rude about many other economists. For example, in discussing a confusion over capital accumulation he writes:

In this very example of the fisherman, Roscher, one of the greatest of the German economists in the middle of the nineteenth century, actually makes the fisherman accumulate, at the rate of one a day, a stock of one hundred fish, and then knock off fishing altogether for a time while he makes the boat and net and lives upon this stinking, putrid mess! Even Jevons, acute as he was, in his earlier period had the same idea. Approving the Japanese maxim, "Dig a well before you are thirsty," he adds, “But you must have capital to live on while you are digging the well.” (Cannan, 1929, 1997, p.132).

One could add many more examples of a similar kind.

Marshall’s written response to Cannan’s criticisms was mild and was contained in two footnotes in his Principles. In the Third Edition (1895, p. 150, n. 2): “Held’s point of view has been developed with great acumen in Mr. Cannan’s suggestive and interesting Production and Distribution, 1776-1848: though some of the utterances of the earlier economists seem capable of interpretations quite as obvious as those which Mr. Cannan attaches to them, and more consistent with the belief that they were not greatly deficient in common sense.” Then in the Eighth Edition (1920, p. 681, n.2): “Cannan’s Production and Distribution, 1776-1848, contains much acute, if sometimes too severe, criticism of the earlier wage theories.” There are a number of cordial letters from Marshall to Cannan and they also collaborated personally

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33 This was quoted with obvious relish by Cannan (1924) in his obituary note on Marshall in Economica.
in university administration, so that Cannan was an examiner with Marshall for the Cobden and Adam Smith Prizes in 1906.

Finally, while it is true that Cannan produced many detailed criticisms of Marshall’s economics and couched them in a trenchant style, his course probably involved LSE students reading Marshall’s *Principles* with more care and attention to detail than was true elsewhere, even including Cambridge.

8. Was Marshall anti-LSE?

From statements in various letters, it would seem that Marshall’s feelings towards the LSE were mixed. His initial reaction to the institution seems to have been positive. Hewins approached many leading economists, including Edgeworth and Marshall and received a positive response from both. The School was keen to attract big names and according to the LSE’s Administrative Committee Minute Books, the meeting of 9 December 1895 “Resolved – That Professor Marshall be invited to deliver the inaugural address.”, though the Minutes of 14 January 1896 record that Marshall had declined the invitation. It appears that Hewins was concerned that an article in the *Daily Chronicle* on Friday, 7 June 1895 stating that “Mr Hewins has secured the cordial cooperation of the Society of Arts, the London Chamber of Commerce, many leading political economists, including Professors Marshall, Cunningham and Foxwell …” might have upset Marshall and wrote to him to explain the comment (though the relevant letter from Hewins has not been found). In a letter to Hewins, dated 7 June 1895, Marshall wrote:

No harm has been done by the statement in the Chronicle. It attributes to me more virtue than I can lay claim to: but when I read it, I took it only to mean that you regarded me as a member of the informal advisory Committee of the School.

I was very pleased to see that so much progress had been made on what seems so excellent a plan.” (Whittaker, 1996b, p. 125).
From at least one angle, Marshall welcomed the LSE. Thus in a letter to John Neville Keynes, dated 30 August 1897, he wrote:

The success of the Econ: & pol: school in London will strengthen the demand in Cambridge for a bonâ fide economics school, under a Board wh[ich] shall regard it as a study worth having in itself, & not as an ‘inferior’ study; as the framers of this deadly scheme openly avowed that they regarded it. (Whittaker, 1996b, p. 194).

Marshall was concerned about the way Hewins was marketing the LSE; it making the case for the new institution, he was, in Marshall’s opinion, denigrating the teaching of economics at Cambridge. He wrote several letters to Hewins complaining (see Coates 1967, 1993). For example:

For I hope that in the address, wh[ich] I am delighted that you are to give at the Church Congress, your text will be ‘Economics should be studied, and it can be studied in London’ and you will stop there; that you will not add as you did, I think in the blue book: - ‘and it cannot be studied anywhere else in England! So down with the cash please, for without the London School there would be no true economic study at least on this side of salt water. (Coates, 1993, p.365).

In other respects, Marshall had a good opinion of Hewins, as he did of Cannan and of Bowley, who was one of his former tutees.

Marshall had a low opinion of Sidney Webb as an economist and was concerned about the Fabian influence he thought Webb exercised at the London School. This suspicion remained with him for a considerable time and in a letter to William Ramsey, dated 21 April 1902 he wrote:

I regard a University as an engine for finding out what is true. The Fabian society is an engine for making people believe that a certain set of doctrines is true. The Governors of the London School of Economics include enough Fabians who can attend meetings regularly, to be able to rule the school, if the other members attend irregularly. The other members are mostly very eminent & very much occupied.

I am not clear that there is any security that the Governors of the ‘London School’ will not ere long have a Fabian majority.

Very shortly Webb will, I expect, have practical autocracy as regards details. I expect him to use his powers with judgement, & to retain a few strong men like Cannan who do not agree with him. But he may keep the money power in his own hands, & take care that the general effect of the school is to ‘permeate’ society with those peculiar doctrines w[.h] are dear to him.
This would be a comparatively small matter if there were security that the faculty of
Economics at London University would remain Catholic. But if the London School acquires
a monopoly of the higher teaching, the faculty may cease to be Catholic.
… (Whittaker, 1996b, 378-380).
He was also critical of what he saw as a somewhat ‘mechanical’ approach of LSE and
wrote to Bowley on 3 March 1901:

Adelphi Terrace is doing wonderfully good work: but it has the defects of its
difficulties. It must strike the public imagination; & therefore it cannot afford to be quite
frank in explaining how very difficult economic problems are; how untrustworthy is the
knowledge that can be got by slight study; how many years a man must work at science
before it will teach him to speak as wisely in difficult social problems as he could have
done by mere instinct, if he had spent the time in a level headed observation of life,
instead of in formal study. Partly for this reason; & partly because it has to do with
officials in public and private employment whose province is the faithful execution of
orders rather than a profound investigation of the principles on which those orders
should be based, the School tends to emphasize the mechanical methods of
investigation: ie those in which highly specialized calculating machines—whether made
of cog-wheels or of torpid flesh & blood—can be set to tunes based on formulae (often
mathematical formulae) & to grind out results wh. are officially pure & above reproach.
Such work needs to be done: but you were made for better things. …

It is clear that if there was an anti-Marshall attitude at the London School, Marshall, in
turn had considerable reservations about the London School.

9. Conclusions: Was there ever a ‘London’ School of Economics?
Three possible interpretations of a ‘School of Economics’ were discussed in the Introduction
to this paper. The first, was a School of Economic Ideas and this can be ruled out, as the
London School in its early years did not produce any distinctive set of economic ideas or
theories. The second idea of a school as having a geographical base and consist of a group
who were in basic agreement on certain economic or philosophical issues, has a stronger case
if one considers the LSE as a whole, but as a School of the Social Sciences, for the way in
which Economic History expanded and flourished and new social sciences developed, such as
Sociology gave the LSE a cohesion and drive that was unique in the United Kingdom at the
time. The third possibility is that there was a School of Economics gathered around a
recognised leader and the case for this interpretation depends on how one views the work of Cannan.

For many years, Cannan’s reputation had rested on his work editing Adam Smith, but with the rise in support for economic liberalism, he has been claimed for that cause. In Ebenstein’s view (Ebenstein, 1997, pp. 48-9):

Cannan’s guidance of LSE economics in a classical liberal direction has had profound implications for twentieth century libertarian thought. … To found a school is perhaps the greatest accomplishment of any scholar. LSE is the London School of Economics. It is not primarily (as also contained in its name) the London School of Political Science. And the brand of economics that has been developed at it has been vitally influenced by Cannan. From the vantage point of 1900 it was most unlikely that economics—through which LSE has made and continues to make its greatest impact on the academic world—would move it in the direction it has. His influence has had significant practical repercussions for Britain especially, but beyond as well through the percolation and diffusion of ideas. Despite his relative lack of renown, Cannan made a difference. Certainly Beatrice Webb did not intend that LSE would become a site for the preservation and revitalisation of classical liberalism. If the school had gone in the far more likely direction of—in its economics as most other departments—socialism, practical events could have taken a different turn.

Perhaps a more balanced view comes from Hugh Dalton, who was a student of both Maynard Keynes and Cannan. Writing in the Festschrift for Cannan he wrote:

I have heard it suggested that Professor Cannan’s teaching is “critical rather than constructive” and that he has not “founded a school” in the sense in which Marshall and certain foreign economists are said to have performed this operation. … “Founding a school” may easily be carried too far, so as to result in the over-standardisation of ideas and a too mechanical use of terms and processes of reasoning. The walls of the school may unduly confine its members and limit valuable contacts with the rest of humanity. For young students in particular, the walls may be so high that no view of the outer world can be seen over the top of them. In such surroundings promising originality may be cramped or put out of countenance. (Dalton 1927, p. 8).

Professor Cannan’s early preoccupation with the historical development of economic theory has left its mark upon some of his later writings and upon the still unpublished lectures which have moulded and given a distinctive character to the thought of successive generations of his students at the London School of Economics. Just as philosophy is sometimes taught with special reference to the ancient Greeks and within a framework of critical comment upon Aristotle and Plato, so he has taught economics—to an important extent, though not, of course, exclusively—within a framework of critical comment upon the English classical economists. No other living economist has so sure and intimate a knowledge of these classics of ours and no other

I [JT] have omitted here a long footnote that occurs at this point quoting Meghnad Desai and James Buchanan extolling the virtues of a large number of LSE economists.
could have made such a teaching method so illuminating. In later years he has extended it so as to include Marshall and other writers now passing into the middle distance.

The special value of this method consists in its suggestive demonstration of the relationship of economic doctrine to contemporary economic conditions, and in its exposure of the origins of concepts and of the frequent continuity of error, no less than of truth, through a succession of changing appearances. This method, as he once wrote to me, “is not a mere recital of obsolete opinions, but a revelation of the rottenness of existing opinions made by showing how they are only the obviously absurd opinions of a previous age dressed up in cunning disguises”. It is a corrective both to hero-worship of the ancients and to the superficial method of the clean sheet, on which are written none of the lessons of past experience. (Dalton 1927, pp. 14-5)

On the whole, I think this is a more balanced view of Cannan’s position. He was a scholar, a redoubtable critic of economic doctrines and, for some, an inspiring teacher. But when one looks for the followers needed to produce a School of Economics, one has a problem. Upon his retirement, he was replaced by Allyn Young and it is difficult to see him as a follower of Cannan, except in occupying the Chair. Allyn Young’s untimely death led to the appointment of Lionel Robbins, but whether he should be counted as a follower is another story.
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<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1727</td>
<td>Chair in Oeconomie, Policey und Cammersachen established at the University of Halle, Prussia.</td>
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<tr>
<td>1727</td>
<td>Chair in Kameral-Okonomie und Polizeiwissenschaft established at the University of Frankfort an der Oder, Prussia.</td>
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<td>1805</td>
<td>Thomas Malthus appointed Professor of History and Political Economy at the East India College, Haileybury (to 1834).</td>
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<td>1825</td>
<td>Nassau William Senior appointed to the Drummond Chair in Political Economy at Oxford University (to 1830).</td>
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<td>1828</td>
<td>George Pryme recognised as Professor of Political Economy ‘by grace of the Senate’ of the University of Cambridge (to 1863).</td>
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<td>1828</td>
<td>John Ramsay McCulloch appointed to a Chair in Political Economy at the University of London (which became University College, London in 1836).</td>
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<tr>
<td>1831</td>
<td>Nassau William Senior appointed to Chair in Political Economy at King’s College, London.</td>
</tr>
<tr>
<td>1832</td>
<td>Samuel Mountifort Longfield appointed to Chair in Political Economy at Trinity College, Dublin (to 1836). Regius Professor of Law there from 1834 to 1882.</td>
</tr>
<tr>
<td>1834</td>
<td>Pellegrino Rossi appointed to a Chair in Political Economy at the Collège de France, Paris (to 1840).</td>
</tr>
<tr>
<td>1845</td>
<td>Queen’s Colleges founded in Belfast, Cork and Galway, each with a Chair of Jurisprudence and Political Economy in the Faculty of Law.</td>
</tr>
<tr>
<td>1859</td>
<td>James Edwin Thorald Rogers appointed to the Tooke Professorship in Economics and Statistics established in the University of London, at King’s College (to 1890).</td>
</tr>
<tr>
<td>1863</td>
<td>Henry Fawcett appointed as the first salaried Professor of Political Economy at Cambridge University (to 1884).</td>
</tr>
<tr>
<td>1866</td>
<td>William Stanley Jevons promoted to a Chair of Political Economy at Owen’s College, Manchester (to 1876).</td>
</tr>
<tr>
<td>1870</td>
<td>William Ballantyne Hodgson appointed to new Chair of Commercial and Political Economy and Mercantile Law at the University of Edinburgh (to 1880).</td>
</tr>
<tr>
<td>1871</td>
<td>Charles F. Dunbar appointed to a Chair in Political Economy at Harvard</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1872</td>
<td>Francis A. Walker appointed to a Chair in Political Economy at Yale College (to 1881).</td>
</tr>
<tr>
<td>1876</td>
<td>William Stanley Jevons appointed to the Chair of Political Economy at University College, London (to 1881).</td>
</tr>
<tr>
<td>1880</td>
<td>J. Shields Nicholson appointed to the Chair in Political Economy and Mercantile Law at the University of Edinburgh (to 1925).</td>
</tr>
<tr>
<td>1881</td>
<td>Herbert Foxwell appointed to the Chair of Political Economy at University College, London (to 1922).</td>
</tr>
<tr>
<td>1885</td>
<td>Alfred Marshall appointed to the Chair of Political Economy at Cambridge (to 1908).</td>
</tr>
<tr>
<td>1896</td>
<td>William Smart appointed to the new Adam Smith Chair of Political Economy at the University of Glasgow (to 1915).</td>
</tr>
<tr>
<td>1898</td>
<td>William Hewins (Director of LSE from 1895 to 1903) appointed to the Tooke Chair (to 1903).</td>
</tr>
<tr>
<td>1898</td>
<td>J H Muirhead appointed to a Chair of Mental and Moral Philosophy and Political Economy at Mason College, Birmingham.</td>
</tr>
</tbody>
</table>

**Table 2: The Timetable for the Founding of the LSEPS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 August 1894</td>
<td>Sidney Webb receives news of the Hutchinson bequest.</td>
</tr>
<tr>
<td>4 August 1894</td>
<td>Sidney Webb discusses the bequest with Graham Wallas and George Bernard Shaw at Borough Farm.</td>
</tr>
<tr>
<td>8 February 1895</td>
<td>Hutchinson Trustees agree “to spend the major proportion of the money on education, and more particularly, on the London School of Economics and Political Science” (LSEPS).</td>
</tr>
<tr>
<td>23 March 1895</td>
<td>Graham Wallas declines the offer of the Directorship of the LSEPS.</td>
</tr>
<tr>
<td>24 March 1895</td>
<td>Webb writes to W.A.S. Hewins offering him Directorship.</td>
</tr>
<tr>
<td>30 March 1895</td>
<td>Hewins accepts.</td>
</tr>
<tr>
<td>1 April 1895</td>
<td>Hewins appointed Director of the LSEPS.</td>
</tr>
<tr>
<td>July 1895</td>
<td>Printed Prospectus for the LSEPS published.</td>
</tr>
<tr>
<td>10 October 1895</td>
<td>LSEPS opens with more than 200 students.</td>
</tr>
</tbody>
</table>
Table 3: A Selection of Cannan’s Comments on Marshall.

<table>
<thead>
<tr>
<th>Cannan on Marshall (bold added)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marshall endeavours to show, in defiance of all evidence that Ricardo never desired to put forward the pure labour theory of value. He had apparently never looked at the first and second editions of Ricardo’s Principles, without which the third is scarcely intelligible; (p. 177)</td>
</tr>
<tr>
<td>At this stage the labour-and-other-costs theory should have been recognised as moribund, but Marshall, with that exaggerated “youthful loyalty” from which age never released him, gave it a new lease of a sort of life … (p. 189)</td>
</tr>
<tr>
<td>[On the Law of the Normal Rate of Interest] It would be difficult to beat this as an example of an “economic law” which give no real information. (p. 262)</td>
</tr>
<tr>
<td>The old conception, however, was deeply rooted and difficult to shake. Marshall during this period seemed to move, if at all, rather backwards than forwards in this particular matter; (p. 302)</td>
</tr>
<tr>
<td>But Marshall’s principal aim was always the explanation not of distribution but of values. In pursuing it he was encumbered by misplaced loyalty to the traditional doctrine that land and capital occupy different positions in regard to the value of products from those derived from property … (p. 320)</td>
</tr>
<tr>
<td>In the first two sentences of this paragraph Marshall is evidently misled by the ambiguity mentioned above … (p. 322)</td>
</tr>
<tr>
<td>In one of his rash moments Marshall declared that though such phrases as “the general rate of wages” or “the wages of labour in general” were “convenient in a broad view of distribution”, yet “in fact there is no such thing in modern civilisation as a general rate of wages”. (p. 333)</td>
</tr>
</tbody>
</table>

**Source:** Cannan, A Review of Economic Theory, (London: King and Son, 1930).