

Robbins and the transformation of welfare economics

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1. Introduction

According to standard accounts (see, for example, Blaug 1997),¹ the significance of Lionel Robbins's *An Essay on the Nature and Significance of Economic Science* (1932, 1935) for welfare economics was that it undermined the utilitarian foundations of Pigovian or Cambridge welfare economics, paving the way for the emergence of the new welfare economics based on Paretian foundations. Inter-personal comparisons of utility could not be part of economic science, implying that it was not possible to make any scientific judgements about the distribution of income. This paper challenges that view.

¹ Honesty requires that I also cite Backhouse (1985) as having accepted this account.

Robbins did argue that there was no scientific basis for inter-personal utility comparisons but this was part of a much broader argument about the inter-relations of ethics and economic science. His target was not so much Pigou (though he did make some specific, technical criticisms of Pigou's work) as more radical welfare economists, such as J. A. Hobson and Ralph Hawtrey. This reinterpretation involves both looking more carefully at the text of the *Essay* and at welfare economics, as it existed in the 1920s. The claim made is that by equating English-speaking welfare economics in this period with Pigou and Cambridge and thereby failing to take sufficiently seriously other traditions, the significance of Robbins's essay has been misread.

2. Robbins's critique of welfare economics

Robbins develops his arguments about welfare economics in three places. In chapter II he distinguishes between "Ends and means". His central argument, that the determination of ends lies outside economics, follows inexorably from his famous definition of economics as "the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (Robbins 1932: 15). In contrast to earlier writers, such as John Neville Keynes (1997 [1890]) who saw economics as comprising both science and art, Robbins equates it simply with the science, and hence with the relation between means and ends, not the determination of ends themselves.²

The discussion get closer to Pigovian welfare economics in chapter III, section 6, where Robbins criticises the approach of considering separately the production and

² It is interesting that Robbins appears not to even mention Keynes.

distribution of wealth. Such an approach might follow from the materialist definitions of economics that he had considered and rejected in chapter I, but it was flawed in that “the idea of changes in the total volume of production has no precise content” (1932:66). Outputs are heterogeneous and all that we have are indices of total output, for which there is no justification at the level of theory. Instead, there should be a theory of equilibrium and variations. Production and distribution were part of the theory of equilibrium.

Finally there is chapter VI in which the first significant argument is a seven-page critique of the law of diminishing marginal utility (1932: 120-6). Here we find the well known argument, on which Hicks-Allen consumer theory was based, that preferences are orderings and that as a result it is illegitimate to draw conclusions that rest upon inter-personal utility comparisons. There is no scientific basis on which to compare one person’s satisfaction with that of another. Normative conclusions based on “social utility” have to be abandoned. After pointing out (in section 3) that the notion of equilibrium does not imply approbation he moves on (in section 4) to discuss two attempts to bring ethical criteria into economics. Here, his focus is on Hobson and Hawtrey. He presents them as having “urged that the boundaries of economics should be extended to include normative studies”: that economics “should pronounce on the ultimate validity of ultimate judgements of value” (Hobson) and that it “cannot be dissociated from ethics” (Hawtrey) (Robbins 1932:132, citing Hobson 1927 and Hawtrey 1926).³

Thus although Robbins does argue with great clarity and precision against there being any scientific basis for inter-personal utility comparisons, it is part of a broader argument in which clarity about ends and means, and hence about what can be seen as scientific, is central. This explains the otherwise puzzling feature of the essay that, if it were primarily an attack on Pigovian welfare economics, he does not focus at all on Pigou. Pigou is cited

³ In Robbins (1935:147) the wording is changed, “valuations and ethical standards” replacing “judgements of value”.

but not in any of the passages discussed above. He cites Pigou's definition of economics as "the study of economic welfare" but, though he clearly rejects it along with other attempts to define economics in terms of its subject matter, he does no more than point out that extant definitions have very different implications (Robbins 1932:2). He follows this up (1932: 20, footnote 2) by including Pigou in a list of economists whose definitions define economics in terms of the problems discussed by Ricardo: they confine economics to "valuations of the market" instead of "press[ing] through to the valuations of the individual". The text focuses on German writers alone.

There are, furthermore, other places where Robbins could easily have included Pigou in the list of those whom he was criticising but did not do so. When he lists economists who define economics as "the study of the causes of material welfare", he cites Edwin Cannan, Alfred Marshall, J. B. Clark and, perhaps surprisingly, given that Robbins considered his approach different in other respects, Vilfredo Pareto (Robbins 1932:4). In arguing against making the distinction between production and distribution central to economics, his target was clearly Cannan. Marshall's *Principles* is criticised, but only by comparing "the spineless platitudes" of Book IV with the "masterly sweep of Book V", the latter dealing with "problems that are strictly economic in our sense" (Robbins 1932:65).⁴ Even more surprising is the failure to cite Pigou in the discussion of diminishing marginal utility and inter-personal utility comparisons. He cites Francis Edgeworth and, yet again, Cannan (Robbins 1932: 120). He may have had Pigou in mind when referring to "numberless works on Applied Economics" or "the great majority of English economists who regard these propositions [concerning diminishing marginal utility] as axiomatic" but he does not mention him (1932:121).

4 This discussion of Marshall was removed in the second edition (1935:65) where Robbins stops short at endorsing Schumpeter's "shame at the incredible banalities of much of the so-called theory of production".

Of even more interest is the discussion of the relation between economics and ethics in the final chapter of the *Essay*.

In recent years, certain economists, realising this inability of Economics, thus conceived, to provide within itself a series of principles binding upon practice, have urged that the boundaries of the subject should be extended to include normative studies. Mr. Hawtrey and Mr. J. A. Hobson, for instance, have argued that Economics should not only take account of the valuations and ethical standards as given data in the manner explained above, but that also it should pronounce upon the ultimate validity of these valuations and standards. "Economics", says Mr. Hawtrey, "cannot be dissociated from Ethics". (Robbins 1932:132)

He criticises Hawtrey and Hobson for, essentially, not accepting his definition of economics: for not accepting that there was a "logical gulf" between positive and normative studies that no amount of ingenuity could bridge (*ibid.*) Whilst conceding that economists needed to concern themselves with normative issues, these were, from the viewpoint of economics "outside interests" (1932: 134). Precision in economic arguments required that discussion of ends be kept strictly separate from discussion of means.⁵ Ends were "ultimates" on which there was either agreement or disagreement, whereas rational analysis should produce agreement on the relation between means and ends.

Shut Mr. Hawtrey up in a room as Secretary of a Committee composed of Bentham, Buddha, Lenin and the Head of the United States Steel Corporation, set up to decide upon the ethics of usury, and it is improbable that he could produce an "agreed document". Set the same committee to determine the objective results of State regulation of the rate of discount, and it ought not to be beyond human ingenuity to

5 In a footnote, Robbins (1932: 132, n. 1) claims that his discussion differed from that in Robbins (1927) because he had come to understand the importance of precision in economic generalizations.

produce unanimity – or at any rate a majority report, with Lenin perhaps dissenting.

(Robbins 1932: 134-5).

The point here is that this section is where Robbins is addressing contemporary welfare economics and that he does this by arguing that Pigovian welfare economics smuggles in unjustifiable value judgements but by criticising two economists who sought deliberately to extend the scope of welfare economics to encompass ethics.

3. Varieties of utilitarianism

Welfare economics in Britain is conventionally seen as Pigovian and utilitarian. However, though Pigou was most prominent, on account of his position as Marshall's successor, and through the magisterial quality of his two books, *Wealth and Welfare* (1912) and *The Economics of Welfare*, which went through four editions between 1920 and 1932, his was not the only approach to welfare to be taken seriously during this period. Instead, the situation was one in which economists were approaching the problem of welfare in a wide variety of ways. This variety reflected the intense concern with ethics in late-nineteenth and early twentieth century Britain (see Backhouse 2007a, Backhouse and Nishizawa 2007). The traditional Christian foundations of ethics had been undermined, primarily by biblical criticism, yet it was still believed that some form of ethics was necessary for society to function. At Cambridge, Henry Sidgwick's *Methods of Ethics* (1874) sought to defend utilitarianism, a task in which he was not completely successful. For a later generation, G. E. Moore exercised a comparable influence on Cambridge students, but moved decisively away from utilitarianism and any notion of theism. His thoroughly secular *Principia Ethica* (1903) became the bible of the Cambridge "Apostles": for him the good was apprehended directly, and could not be justified by appeal to utility or any other criterion. In contrast, at Oxford, T. H. Green put forward an ethical creed based on

idealism, but that remained within the language of broad-church Christianity (though some of his critics questioned whether he had in fact abandoned this). At the same time John Ruskin was developing a clear ethical critique of economic values. Equally influential at Oxford was the Christian Socialism of men like Charles Gore with its roots in the Oxford Movement. Outside Oxford and Cambridge, ethical societies sprung up to promote ethical thought and provide an alternative to established religious institutions, going so far as to use the phrase “ethical Church”. In the first three decades of the twentieth century discussions of welfare were based on all of these approaches to the ethics.

Cambridge welfare economics clearly owed much to Sidgwick and utilitarianism and in the 1920s was represented by Pigou’s *The Economics of Welfare* (1st edition 1920; 4th edition 1932), based on his earlier *Wealth and Welfare* (1912). This is too well-known to need describing in detail, but certain points need to be mentioned. He argued that welfare comprises states of consciousness and that he was concerned with only a part of this, namely ‘economic welfare’: welfare that arose ‘in connection with the earning and spending of the national dividend. He adopted an aggregative approach, arguing that welfare depended on the level and distribution of national income. Welfare was increasing in the size of the national dividend and the equality of its distribution, and decreasing in the variability of the national dividend. Using this as his framework, Pigou then proceeded to analyze the case for state intervention, finding many cases in which private enterprise would not result in a welfare-maximizing allocation of resources. Yet though his aggregative approach can be seen as utilitarian, dependent on inter-personal comparisons of utilities, it was only a qualified utilitarianism. He talked in terms of “satisfactions” rather than utilities. Moreover, he made it clear that “economic welfare” was only a part of overall welfare: that part of welfare that could be brought into relation

with the measuring rod of money. It was a clear attempt to confine attention to what could be analysed scientifically.

Hobson, in contrast, in *Work and Wealth* (1914) was ostensibly quite different: it was to complete the task identified by John Ruskin: ‘to determine what are in reality useful or life-giving things, and by what degrees and kind of labour they are attainable and distributable’ (*Munera Pulveris*, quoted in Hobson 1914: 10). He wrote of the need to develop a human standard of value and to analyze ‘organic welfare’, taking account of the organic structure of society, the value of whose parts depended on the whole. However, though such language suggests a something very different, Hobson’s conception of welfare can be seen as utilitarian. Organic welfare, he argued, was synonymous with ‘good life’ (1914: 12). He wrote extensively about minimizing human cost and maximizing human utility and at one point (Hobson 1898: 85) he noted that his hero, Ruskin, though in no sense a hedonist, might ‘not inaptly be classed as a utilitarian’. As for his ‘Organicism’, one could argue that in practice it bore a strong resemblance to Pigou’s social costs and benefits.

If Hobson, was a utilitarian, where did his differences with Pigou lie? Pigou recognised that welfare comprised more than simply economic welfare. At the beginning of *Wealth and Welfare*, he wrote:

Economic welfare, however, does not contain all welfare arising in this connection [the earning and spending of the national dividend]. Various good and bad qualities indirectly associated with income-getting and income-spending are excluded from it. It does not include the whole psychic return, which emerges when the objective services constituting the national dividend have passed through the factory of the body; it includes only the psychic return of *satisfaction*. Thus economic welfare is, as it were, a part of welfare. (Pigou 1914: 3-4; emphasis in original)

This is something Hobson would have endorsed wholeheartedly: much of *Work and Life* is an exploration of precisely these differences between what Pigou here calls ‘the whole psychic return’ and ‘the psychic return of satisfaction’. In contrast, after recognising these differences, Pigou goes on to minimize their importance, arguing that economic welfare will generally be a good proxy for overall welfare.

The main reason for this difference would appear to be that Hobson is willing to use a

broader range of value judgements than is Pigou. His way of expressing this was to attack the idea of economic science, which he saw as linked to quantification and the search for exactness.⁶ It was not possible, he believed, to quantify the differences between welfare and wealth, and to assess them it was necessary to rely on a broader range of value judgements than those to which Pigou was prepared to admit. Thus he wrote:

the mechanical method of marginalism lies in its insistence upon applying a quantitative method of interpretation to the most qualitative portion of the subject matter ... Indeed, it is for this reason that economic science, though able to supply relevant and important evidence, can never solve conclusively any social-economic problem, even in that field of action where her authority is most strongly asserted. (Hobson 1914: 344-5)

If Hobson sought to bring into welfare economics a broader range of value judgements than Pigou was prepared to admit, where could they come from? His answer could have come straight from Sidgwick:

The truth of our standard and the validity of our calculus are established by this working test [consensus on practical issues]. It is not wonderful⁷ that this should be so, for the nature and circumstances of mankind have so much in common, and the processes of civilisation are so powerfully assimilating them, as to furnish a continually increasing community of experience and feeling. It is, of course, this fund of 'common sense' that constitutes the true criterion [of welfare]. (Hobson 1914: 321)

He recognised that this would impose limits on what science could do, but he saw those

6 It is possible to argue that Hobson was wrong to adopt such a narrow view of science and that his own work should be regarded as a contribution to science not as an attack on it. See Backhouse (2007b).

7 In the sense of 'surprising'.

limits as much broader than those accepted by Pigou.

4. Critiques of materialist society

Perhaps the most widely known representative of an “Oxford” inspired welfare economics was R. H. Tawney’s analysis of the acquisitive society. For Tawney (1920: 17) an acquisitive society was one where a priority was given to protecting economic rights, in particular property rights, whilst leaving economic functions to fulfil themselves (except under exceptional circumstances).

By fixing men’s minds, not upon the discharge of social obligations, which restricts their energy, because it defines the goal to which it should be directed, but upon the exercise of the right to pursue their own self-interest, it offers unlimited scope for the acquisition of riches, and thereby gives free play to one of the most powerful of human interests. (1920: 18)

Such a society, Tawney argued, had come into existence, in Britain, in the seventeenth and eighteenth centuries, with the rise of individualism and the industrial revolution.⁸ Private property ceased to provide a defence for the small producer against the state and became linked to the ownership of capital from work and hence with inequality of opportunity.

Tawney argued that goods and activities had to be judged according to the contribution made to the public purpose. People were not isolated individuals but parts of societies that had common goals and purposes, or moral principles. After saying that increased production was important, he claimed that ‘plenty depends upon co-operative effort, and co-operation upon moral principles’ (Tawney 1920: 5). However, individualism had destroyed these moral principles and the purpose, without which society could not exist.

⁸ Similar to the development that MacPherson (1962) would later describe as the rise of possessive individualism.

The will to economic power, if it is sufficiently single-minded, brings riches. But if it is single-minded it destroys the moral restraints which ought to condition the pursuit of riches, and therefore also makes the pursuit of riches meaningless. For what gives meaning to any economic activity, as to any other activity is ... the purpose to which it is directed. (Tawney 1920: 18).

There were, until they were eroded by individualism, moral principles that found general acceptance (Tawney 1921: 225). In the above quotation the crucial phrase is 'single-minded': the problem was not with economic criteria themselves, but that economic criteria had pushed aside all else. The vehemence with which he argued this is worth quoting at greater length:

The burden of our civilization ... is that industry itself has come to hold a position of exclusive predominance among the human interests, to which no single interest, and least of all the provision of the material means of existence, is fit to occupy. ... That obsession [with] economic issues is as local and transitory as it is repulsive and disturbing. And it is a poison which inflames every wound and turns each trivial scratch into a malignant ulcer. (Tawney 1920: 86).

He explicitly rejected the utilitarian criterion, as too individualistic, denying the existence of any common end for society (Tawney 1920: 17). Society was not an economic mechanism but a community of wills (Tawney 1921: 227). Given this view that societies had, or should have, common purposes, he was able to argue that some goods and activities were better than others, and that part of wealth was waste, that should never have been produced when there was still useful work to be done (Tawney 1920: 21).

A similar line was taken by Henry Clay, a colleague of Tawney's in the Workers Education Association in his very widely used *Economics: An Introduction for the*

General Reader (1916; 1918). Clay does not go so far as Tawney in his view of society as involving a shared purpose, or in arguing for a functional view of society, in which rewards are clearly linked to the functions performed, where these are valued in relation to society's goals. However, he shared Tawney's view that social welfare has to be judged against shared moral values and that the dominance of commercial activities can undermine those moral values. For both of them, there is simply no basis on which what was later called positive and normative economics could be separated. Normative judgements have to be made on the basis of moral values that are themselves a function of the economic organisation of society.

Clay distinguished between "economic wealth" and welfare. The former is output of the economic system and comprises both good and bad wants (1918: 415–7). It is measurable, at least in principle. In contrast, welfare depends on ethical views, counting wants differently according to whether they were good or bad. Thus welfare was subjective and might not be measurable. This, he claimed, was why economists had avoided the concept.

Because there are these divergent conceptions of welfare, varying with every variation in ethical, aesthetic and political views, economists have chosen to leave on one side the study of wealth in this second sense [as welfare], and have confined themselves to wealth in the commoner, agreed sense [economic wealth]; they have studied the organisation for satisfying wants, without considering distinctions in the kind of wants. (Clay 1918: 422)

Given that welfare depends on ethical views and is hard to define, Clay confines himself to asking what he describes as 'the important practical question; how far, and under what circumstances, an increase of wealth is an increase of welfare' (ibid.) He found many reasons why one could not assume a close relationship. Some reasons, related to

externalities and free goods, are familiar, but he brought in arguments that went beyond what the Cambridge economists were prepared to consider. In particular, Clay emphasised that welfare depends on what Clay called ‘internal’ and ‘external’ causes. The external causes of an individual’s welfare are the goods and services he or she consumes, but causes that are internal to the individual (which determine wants) are also important. There are widely diverging views about the relative importance of internal and external causes:

Materialism is the subordination of the internal sources of satisfaction to the external; most religions exalt the internal over the external, and teach that welfare lies in the former, to which the latter must be sacrificed: ‘The Kingdom of Heaven is within you.’ (Clay 1918: 447–8)

Thus in some systems of morality, welfare is independent of wealth. Another system of morality was the utilitarian, according to which different kinds of satisfaction could be added up and maximised (Clay 1918: 434). Clay did not agree with this, seeing different satisfactions as incommensurable, some being ‘higher’ than others.

Clay also viewed wants as endogenous, which could mean that ‘the rich *as a class* are no happier and no better than the poor *as a class*’ (1918: 449). The same was true over time: ‘If we compare ages and countries, we are struck by the apparent unimportance of wealth’ (ibid.) Ages might be measured by art or by religion, according to which the modern age fares less well in relation to its predecessors.

Welfare depends on ethical beliefs and these vary greatly. Divergent conceptions of welfare were, Clay believed, a major obstacle in the way of bringing economic organisation into line with ‘society’s general conception of welfare’ (1918: 475). However, to draw the conclusion that welfare could not be analysed, because of these disagreements, would be to abandon the application of economics altogether.

An argument to which Clay paid much attention was the argument that the business system was neutral, on the grounds that under a system of free enterprise activity will conform to the wants and tastes of the time, and hence the ethical values of the time. He offered many arguments why this was not the case. The first was that a system of free enterprise took account of demands and not needs; inequality in the distribution of income caused these to diverge, and those 'who subordinate everything else to money-getting will exercise the greatest influence' whereas those who 'devote themselves to altruistic objects and neglect the pursuit of private wealth' will have little influence (Clay 1918: 452). St Francis, devoted to a life of poverty, would have no influence at all. Clay also maintained that people did not know what was good for them. It was also common for people to know what was good for them (perhaps not drinking too much) but not do it. They needed, sometimes, to be forced to do what was good for them.

This view was consistent with Clay's view that the economic organisation and moral standards interact with each other (1918: 455–60). Wealth is definite and measurable, and hence people attach greater weight to it than they should. Insecurity means that people struggle to get above the minimum that they need, which generates inequality; this raises wants, for those with less will want more, and as a result welfare will not rise proportionately to income. Free enterprise also means that some profit from actions that lower welfare, such as the publican who earns more by getting someone drunk than from keeping him sober. Furthermore, under free markets many receive incomes for which no service has been provided (for example, the unearned increment of land values) which 'obliterates' the distinction between 'social and anti-social effort': 'wealth is respectable however won, and great wealth is honoured, because it is powerful, whatever its source' (1918: 460). Dishonesty was admired as much as honesty. The result, Clay contended, was that the economic organisation of his day strengthened materialistic tendencies at the

expense of idealistic ones. Wealth had come to be unconsciously equated with welfare, and the pursuit of wealth had become a habit. Quoting William Morris, he concluded:

It was this materialism, or ‘utilitarianism’ as Morris called it, ‘which, being interpreted, means the reckless waste of life in the pursuit of the means of life,’ that the idealists of the nineteenth century, Carlyle, Ruskin, and Morris, attacked; all attributed it to the same cause, the influence of the economic system established by the Industrial Revolution; and all extended their attacks to the economists who explained the system, *for ignoring the effects of the system on standards of taste and conduct.* (Clay 1918: 463–4, emphasis added)

5. Welfare economics after Moore

Hawtrey (1926: 184), in an argument criticised by Robbins, proclaimed that ‘economics *cannot* be dissociated from ethics’, on the grounds that to say that anything, whether wealth or utility, was the end of economic activity was to commit oneself to an ethical proposition. He took up the argument, no doubt influenced by Moore, that utilitarianism was flawed, for it presumed that pleasure or happiness was the right end to pursue. This was not necessarily true, and to think so was to participate in the ‘cult of individualism’ (Hawtrey 1926: 182).

Hawtrey conceded that there were strict and less strict versions of utilitarianism, the latter claiming only that ‘man, if left to himself, was on the whole disposed to seek his own happiness’ (Hawtrey 1926: 182). This was highly questionable; utility was merely an abstraction from the observable facts of consumers’ choices. Pigou had moved away from utilitarianism through replacing the concept of utility with those of ‘satisfaction’ and ‘desiredness’. Desiredness determined preferences and could therefore be measured by what the consumer paid for something; satisfaction is, instead, ‘what the consumer would

pay if he foresaw accurately the degree of satisfaction he is to receive' (Hawtrey 1926: 184). In that it this distinction took into account that consumers made mistakes, Hawtrey saw this as an improvement on utilitarianism. However, it was not much of an improvement because satisfaction remained simply 'a revised version of utility' (ibid.). Through identifying welfare with satisfactions, Pigou was assuming that individuals 'had a disposition to prefer the greater good, just as the hedonist assumed a disposition to prefer the greater pleasure' (ibid.). The problem was not the many problems to do with measuring welfare that were analysed by Pigou, but with his basic premise that welfare was an aggregate of satisfactions: 'The aggregate of satisfactions is not an aggregate of welfare at all. It includes good satisfactions which are welfare, and bad satisfactions, which are the reverse' (Hawtrey 1926: 215).

Two points in Hawtrey's argument need to be taken further: his argument that consumers were incompetent seekers of their own satisfaction, and the source of his criteria for distinguishing good and bad satisfactions. As to the first, he assumed that consumers and traders had to learn about products and how they could be used. In such an environment, custom and tradition were important. People were guided by looking at others, for if our neighbour does something, there is a presumption that it must be a desirable thing to do. The poor had little choice about what to consume, but even that did not mean that they spent their income wisely, or even that their needs were met 'even approximately, in order or urgency' (Hawtrey 1926: 213). At the other end of the scale, the rich faced the problem of deciding what to consume and this might tax their capacity; as a result they would follow the example set by their neighbours and adopt conventional standards of consumption. Saving might occur simply because people did not know what to consume. There was also a desire for possession, not because goods were wanted, but in case they might be wanted. The middle classes, who performed tasks that required 'a

certain intellectual equipment and power of taking responsibility' cared more about education and were better qualified as consumers than the rich (ibid.).

This meant that peoples' experiences, and hence their welfare, did not depend solely on their wealth, for that wealth might not be spent efficiently. In addition, the experiences resulting from a given level of consumption depended on circumstances. Within limits, the poor man gets accustomed to the hardships he has to face and does not mind them' and provided these hardships were not harmful, 'he is no further below the zero point than the rich man' (Hawtrey 1926: 213–4). By the same token, the rich man who becomes more fastidious about what he consumes, defeats his own object. Increased expenditure does not raise his satisfaction in proportion because his demands have increased.

For Moore, good and bad are elementary qualities. They are things that people recognise. Hawtrey addresses the argument that this means that they are relative to individuals and cannot form a basis for anything more than subjective judgements of welfare. He points out that even if one person's good is incommensurable with another's, this does not mean that other people cannot know anything about it. People have feelings of approval and disapproval, 'which the course of evolution has planted in our nature in regard to certain classes of objects. ... In so far as other people have similar feelings of approval and disapproval, he and they will find common ground in the search for a solution' (Hawtrey 1926: 187). Welfare judgements, therefore, had to be based on 'the common ethical judgements of mankind' – on those judgements that are common to all ethical systems (Hawtrey 1926: 188). Recognising that agreement was not complete, he went on to say that if people did not agree with his own judgements, they should at least agree on the importance of the questions.

Though others would no doubt have differed from Hawtrey over the details, Hawtrey's argument against utilitarianism would have been shared by his Cambridge friends and

fellow Apostles. The most famous of them, Maynard Keynes, did not write on the theory of welfare, but his views would not have been far from Hawtrey's in relevant respects.⁹ Moore was his inspiration and he accepted Moore's rejection of utilitarianism. The good was an end in itself: activities were not good because they yielded utility. Though it might have been relevant to his political outlook, he never took J. S. Mill's utilitarianism sufficiently seriously to study it, for he had accepted Moore's argument that it was flawed. There is no doubt that he would have shared Hawtrey's view that some satisfactions were good and others bad. Bertrand Russell, another Apostle and contemporary of Hawtrey and Keynes, though not an economist, illustrates these anti-utilitarian views. When he wrote on the link between moral standards and social well-being he wrote about 'mental and physical habits which tend to produce a good community' (Russell 1923: 162). He emphasised that he did not define as virtue 'merely what leads to these good things for its possessor, but what leads to them for the community to which he belongs (1923: 163). Typical for a one-time Apostle, the ingredients for a good community were 'happiness, friendship, enjoyment of beauty, and love of knowledge. (ibid.) There was no suggestion that these were commensurable: where choices had to be made between them, it was necessary to introduce ethical criteria. He thus departed from utilitarianism in believing that things were good because they were good, not because they yielded utility; and in his emphasis on the importance not simply of happiness, but of friendship and beauty. As for Hawtrey, the community was not simply a group of separate individuals, but one linked by shared moral values, enforced by the mechanisms of praise and blame.

6. Conclusions

This account of welfare economics in the two decades before Robbins's *Essay* is necessary to place the book in proper perspective. It differs from the conventional history

⁹ On his attempt to construct an ethical theory, see Baldwin (2006).

though taking into account figures who are normally neglected, so successful was Robbins in his argument that their views should not be taken seriously as economics.¹⁰ However, the conventional story is very much a retrospective view, for at the time these authors were taken much more seriously. The main evidence comes from the United States, where Wesley Mitchell (1969), in a lecture probably first delivered around 1918, picked out as the representative of welfare economics, not Pigou but J. A. Hobson, exploring his work in a lengthy chapter. Walton Hamilton (1919: 318) referred to the English “welfare school” comprising Webb,¹¹ Hobson, Tawney, Cannan and Clay. Pigou is not even mentioned. Paul Homan (1927:776, 790; cf 1928), surveying the state of economic theory, focused on Hobson as the author of one of ‘the most influential attempts to modify the content and purpose of economic theory ... the only economist who has developed any comprehensive body of dissident thought’. Pigou, in contrast, was described merely as perpetuating Marshall’s scheme of thought (Homan 1927:789). Even someone more critical (Wolfe 1931) considered that *Wealth and Life* merited a 15-page review article (as did the editor of the *American Economic Review*). Alternatives to Cambridge welfare economics were also taken seriously in China (Liu 1934) and Japan (see Nishizawa 2007).

As for the others, Clay’s *Economics: an Introduction for the General Reader* (1916) may have been an elementary textbook – no match for the work of Marshall or Pigou – but it was taken very seriously by contemporaries. The British edition (1916) and the American (1918) were widely reviewed, including a ten page review article in the *Journal of Political Economy* (Hamilton 1919). Clay was also widely respected as an

10 Of course, their neglect is due to far more than Robbins. For example, changing views about science associated with logical positivist philosophy and a desire to rid science of metaphysics no doubt played an important role too.

11 He does not specify whether he refers to Sidney or Beatrice.

applied economist. Similarly, Hawtrey, though he does not usually figure in histories of welfare economics, was anything but a marginal figure.¹²

The significance of Robbins's *Essay* for the development of welfare economics, at least in Britain,¹³ is that it marked the exclusion of ethics from economic science. John Neville Keynes, as one might expect from a colleague of Henry Sidgwick, Leslie Stephen and T. H. Green, allowed that ethics might play a significant role in economics. By ethics, he meant not just working out the implications of moral judgements, but also the task of "scientifically" determining the ideals and standards according to which economic conduct should be judged (Keynes 1997: 61-2). The normative science of economics lay intermediate between the positive science and the art. In the following decades, economists such as Hobson, Hawtrey, Tawney, Clay and others sought to construct such a science, though arguably sometimes blurring the boundaries between positive and normative. Given that utilitarianism involves ethical judgements, Pigou falls into this category. However, in confining himself to what could be quantified using the measuring rod of money, Pigou was seeking to minimize explicit reliance on ethical criteria. From Hobson's perspective, Robbins was not a critic but a 'supporter' of Pigou:

Supporters of Pigou contend that, if we introduce distinctively ethical criteria, we and ourselves in a region not merely outside measurable facts, but outside agreed facts. This is clearly put by Mr. Lionel Robbins. "It is not because we believe that our science is exact that we wish to exclude ethics from our analysis, but because we wish to confine our investigations to a subject about which positive statement of

12 The fact that much of the admiration for Hobson's welfare economics came from American institutionalists, whom he compared unfavourably even with the German historical economists, would not have cut much ice with Robbins.

13 The broader story of the role of ethics in economics during this period has yet to be written. It is worth noting, however, that Knight paid great attention to ethics (see Knight 1997; see also Emmett 2007).

any kind is conceivable.” (Hobson 1929: 128, quoting Robbins 1927: 176).

Pigou and Robbins were both guilty of narrowing economics to what could be quantified and stated exactly, which forced them to play down the differences between wealth and welfare.

This makes sense of Robbins’s emphasis in his essay. He makes the “technical” point that Pigou’s appeal to the measuring rod of money is flawed (1932: 20), but only in the contest of defining economics. In Chapter II, where he distinguishes ends and means, in his critique of the distinction between production and distribution as an analytical framework, and in the crucial Chapter IV, where he discusses diminishing marginal utility and the relation between ethics and economics, he chose *not* to target Pigou. He might have done so, but the fact that he did not suggests that Pigou was not his main target: in comparison with others, whom he chose to attack explicitly, in much stronger language and at much greater length (Hobson, Hawtrey and Josiah Stamp),¹⁴ Pigou was on his side in wanting to develop a scientific economics in which the role of ethical judgements was carefully circumscribed. To see the *Essay*, therefore, as being primarily an attack on the use of interpersonal utility comparisons in Pigovian welfare economics is to miss its larger target. Perhaps it is because Robbins was so successful in pushing ethics out of economics, with the result that Hobson and Hawtrey are no longer thought of as serious welfare economists, that economists have failed to see the true significance of Robbins’s *Essay* for the development of welfare economics.

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¹⁴ Stamp (1927) has not been discussed here, despite being one of Robbins’s targets, because he was discussing aesthetics rather than ethics but similar problems arise.

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