



4. *Political economy and the idea of ‘public opinion’*

On 26 September 1889, *The Times* reflected upon the debate surrounding the recent London dock strike. Under the headline ‘Public Sympathy v. Political Economy’ its commentator remarked that ‘when a dispute of this kind arose a generation ago, the majority of people were found complacently quoting certain well-worn formulas about demand and supply, or dwelling with emphasis upon the strictness of the analogy between labour and other commodities . . . But we have changed all that. During the recent strike I do not remember to have seen a single invocation of the once revered laws of demand and supply’.¹ In the third article the contributor criticised the influence of ‘public sympathy in its new *rôle* of arbiter of commercial disputes and regulator of social action’.² The case was encapsulated in the first sentence of the first article: ‘The most remarkable peculiarity of the recent strike as compared with previous movements of a similar kind is the substitution of appeals to public sympathy for appeals to the laws of political economy.’³

These articles, reprinted two months later in the *Journal* of the Royal Statistical Society, not only capture a belief prevalent at the start of the 1890s, but correctly diagnose and date its novelty.⁴ They are, as we shall see, also revealing in their account of the character and composition of the public whose sentimentality they bemoan. Their greatest peculiarity lies in the dismal view they take of the consequences of public opinion’s ‘new role’ as ‘arbiter of commercial disputes’.⁵ For contemporaries displayed a widespread faith in the power of public opinion to regulate justly the economy and to preserve industrial peace.

An important shift occurred between the 1870s and the 1890s in both popular and academic perceptions of the process of collective

¹ *The Times*, 26 Sep. 1889.

² *The Times*, 9 Oct. 1889. ³ *The Times*, 26 Sep. 1889.

⁴ *Journal of the Royal Statistical Society* (Dec. 1889), 595–604.

⁵ *The Times*, 9 Oct. 1889.

bargaining and wage resolution. The dissolution of the doctrine of the wages fund radically disrupted the prevailing account of the emergence of a stable wage rate. Despite the construction of marginal productivity theory in the 1890s, no compelling theoretical account of imperfect competition existed before the work of Hicks and others in the 1920s and 1930s. Amongst economists, there was rather an enduring emphasis upon the indeterminacy of the wage rate. For the wider public, there was a growing sense that trade unions could affect collective bargaining and that economists could not predict its outcome. This theoretical vacuum at both popular and academic levels led to the adoption of ad hoc explanations which were reliant upon an institutional account of the bargaining process. The most popular solution which emerged to the problem of indeterminacy was the invocation of public opinion as the umpire in the industrial struggle. Economists and commentators across the political spectrum regarded public opinion as the referee of last resort.

The rise and fall of the wage-fund doctrine is an important part of the story. The doctrine had peculiar significance as a readily understood portion of political economy. Its authority was frequently invoked by those anxious to cast aspersions on the role of trade unions, and it defined public attitudes to the wages question into the 1870s. The theory's collapse has been much investigated as a problem in the retrospective history of economic analysis. Such accounts have often breached the canons of internalist explanation in their efforts to understand why the attacks of the late 1860s succeeded where other equally coherent rebuttals had failed.⁶ My concern is with more popular understanding of the theory and its implications. This perspective leads to a different focus from that offered in some conventional histories of economic theory. Mill's recantation was a significant development and recent work has, if anything, served to heighten our sense of his significance in shaping popular political economy.⁷ Other influences were, however, at work. The importance of empirical studies of work and wages in establishing the existence of a secular rise in remuneration over the

⁶ John Vint, *Capital and Wages: A Lakatosian History of the Wages Fund Doctrine* (Aldershot, 1994).

⁷ For instance, E. F. Biagini, 'British trade unions and popular political economy, 1860–1880', *Historical Journal*, 30, 4 (1987), 811–40. On the late Mill and his circle, see especially J. Lipkes, *Politics, Religion and Classical Economy in Britain: John Stuart Mill and his Followers* (Basingstoke, 1999).

nineteenth century and in linking it to productivity gains should not be overlooked.⁸ After Mill's apostasy the development of popular and technical economic thought more clearly reflected distinct patterns of influence. The crucial problem in understanding this process is the nature of the 'crisis' of economic thought in the 1870s and of its resolution. In tracing the evolution of non-technical economic thinking, the relative impact of positivism and marginalism will be very different from that observable at the level of high theory.

The wage-fund doctrine proposed that a fixed sum of circulating capital existed out of which workers were paid. Wages could be established by dividing this stock by the number of workers. In its more stylised Ricardian form, there was little room for variation in levels of remuneration. The governing assumption was of harvest time in an overwhelmingly agricultural economy. Labourers had to be sustained before they gathered the harvest, and this could only happen if their wages were advanced out of capital. The agrarian premise explains both the insistence that capital must precede labour and the implied uniformity of wages. The wages fund was part of a classical synthesis designed to explain long-term macroeconomic trends. The Ricardian theory of rent, the Malthusian population principle, and the associated fear of a stationary state linked together. Malthusianism proclaimed that an increase in the size of the wages fund would merely induce a corresponding rise in the number of workers. The Ricardian theory of rent with its assumptions about diminishing returns precluded any possibility of a sustained growth of capital. The stationary state was thus inescapable.

The character of the classical wage theory is evident from Mill's *Principles* of 1848. Mill insists that 'Wages cannot rise, but by an increase of the aggregate fund employed in hiring labourers, or the diminution of the number of competitors for hire.'⁹ His chapter on the stationary state shows he was hardly complacent about the prospects for the former. The passages on population show that the latter was likewise not to be anticipated in the shorter term. Mill was, though, more optimistic about the possibility of labourers altering their reproductive behaviour. He was convinced, especially in later editions, that

⁸ R. Petridis, 'Brassey's law and the economy of high wages in nineteenth-century economics', *History of Political Economy*, 24, 4 (1996), 583–606.

⁹ J. S. Mill, *Principles of Political Economy, with Some of their Applications to Social Philosophy* (2 vols., London, 1848).

public opinion could be brought to see the accuracy of Malthus's views and that this would contain population growth.¹⁰ Mill echoed an argument of Ricardo's that the notion of a living wage was culturally determined. This meant that labourers would secure different remuneration and exhibit different reproductive behaviour according to whether they set their collective minimum wage higher or lower.

Classical economics supplied a number of justifications for trade unions. Adam Smith remarked on the tendency of masters to combine to depress wages and the corresponding necessity for labourers to combine to secure market rates. In addition he allowed that where low wages impaired worker efficiency, trade unions could achieve a rise in wages that would be sustained by productivity gains. This was an important argument which, it will be seen, was capable of being greatly extended.¹¹ Smith had also devoted considerable attention to the source and nature of variations in wages. He recognised that the assumption of perfect competition was not fully applicable to the labour market. Mill's later ruminations on the inexplicably high fees commanded by professionals similarly acknowledged that in some areas the cake of custom remained unbroken.¹²

Malthusianism was clearly on the retreat by the 1850s and 1860s, and by then as few anticipated the arrival of the stationary state as had earlier believed in its avoidability. Shorn of the stationary-state argument and the Malthusian premise, the wage-fund doctrine became a claim about the primacy of capital and the inability of trade unions to influence wage levels. The only possible source of an increase in wages was the growth of capital. This is not to suggest that an emphasis on labour's status as a *commodity* subject to the laws of supply and demand offered no room for trade unions and their apologists to defend the principle of combination. Eugenio Biagini has thoroughly investigated the use made by trade unions of classical arguments.¹³ But outside the labour movement, the wages fund retained considerable purchase.

John Vint has drawn a striking picture of the theoretical achievements made possible by the doctrine. It is arguable, though, that it

¹⁰ J. S. Mill, *Principles of Political Economy* (8th edn, 2 vols., London, 1878), I, 461–2.

¹¹ Thompson, 'Political economy, the labour movement and the minimum wage'.

¹² Mill, *Principles of Political Economy* (8th edn), I, 487.

¹³ Biagini, 'British trade unions and popular political economy'.

is mainly in the discussion of the 1860s, which eventuated in Mill's recantation, that such theoretical innovation can be found in the various attempts to sink or save the doctrine.¹⁴ There is a tradition amongst historians of economic thought that the wages fund was actually a good theory of capital disguised as a bad theory of wages.¹⁵ The argument is that the emphasis on the primacy of capital in wage-fund theory anticipates the view of the Austrian school that in a *growing* economy wages are in part paid out of past product and thus that 'the stock-of-goods-in-the-pipelines has real significance for the functioning of the system'.¹⁶ It is not, however, solely in such rarefied realms that we shall find the key to the lay appeal of the short-term understanding of the wage-fund theory, though it is important that Fawcett, Mill and others continued to propagate the doctrine right up to the 1878 edition of the *Principles*.

The stubborn refusal to acknowledge that the men could ever win a strike, complained of by Frederic Harrison in 1865 and continually apparent in the employers' evidence to the Royal Commission, suggests some of the sources of the wage-fund theory's appeal.¹⁷ While the vulgar notion of the wages fund was seductively simple, it was also materially convenient for those who were not subject to its strictures. Furthermore, it partook of the authority of political economy, which was perhaps at its peak in the 1850s and 1860s. The emphasis on supply and demand incorporated labour within the conventional understanding of pricing and accorded with the basic assumption of commercial society. Nonetheless, the resilience of wage-fund theory should not be exaggerated, for while the doctrine did not finally leave the stage of public discourse till the end of the 1880s, it was clearly shuffling towards the exit from the end of the 1870s.

Mill had defended the doctrine against the criticisms of Longe but finally capitulated in a *Fortnightly* review of the work of Thornton.¹⁸ It has been noted that he renounced a doctrine far cruder than anything he had actually promulgated. He was persuaded by the argument that

¹⁴ Vint, *Capital and Wages*, pp. 124–76.

¹⁵ M. Blaug, *Economic Theory in Retrospect* (3rd edn, Cambridge, 1978), p. 196.

¹⁶ E. Bohm-Bawerk, *Positive Theory of Capital* (London, 1889).

¹⁷ F. Harrison, 'The limits of political economy', *Fortnightly Review*, 1 (Aug. 1865), 356–76.

¹⁸ J. S. Mill, 'Thornton on labour and its claims', *Fortnightly Review*, 5 new ser. (May 1869), 505–18 and (June 1869), 680–700.

there was no fixed fund out of which labour was paid. The agrarian assumptions underpinning the theory were clearly no longer applicable. Thornton's claim that workers were paid out of the value of the goods they produced seemed more plausible. It was similarly evident that a great deal depended on how much employers choose to pay themselves and on how circulating and fixed capital related. Neither of these was determinate. Edgeworth once described economists as somewhat indeterminate in their use of indeterminacy. The wages fund was a prime example of this, but it became increasingly obvious that the epicycles necessary to save the doctrine required rendered it not so much indeterminate as tautologous.

Biagini has noted that it is only in the late 1870s that trade unionists and working-class newspapers begin to make use of the recantation.¹⁹ In order to understand the popular reception of its academic rejection it is necessary to begin with the state and status of political economy in the decade of the English *Methodenstreit*.

The 1870s witnessed a fierce debate about the methodological character and epistemological status of economic knowledge. The pages of the *Fortnightly* in particular resounded to various assaults on the verities of orthodox classical political economy. The dinner held in 1876 by the Political Economy Club to commemorate the hundredth anniversary of the publication of the *Wealth of Nations* sheds light on the state of the debate.²⁰ The Belgian historical economist Lavelle offered an account of Adam Smith's project diametrically opposed to the deductive Smith invoked by Robert Lowe.²¹ Nonetheless, faith in the structure of classical political economy, especially with regard to the great principle of free trade, was much in evidence. The coverage of the dinner suggests some of the speakers were considerably more sanguine than many thought appropriate.

The proceedings of the commemorative dinner end with a digest of 'public opinion' drawn from a handful of contemporary newspapers.²²

¹⁹ Biagini, 'British trade unions and popular political economy', 824–6.

²⁰ D. Winch, *Wealth and Life: Essays on the Intellectual History of Political Economy in Britain, 1848–1914* (Cambridge, 2009).

²¹ *Revised Report of the Proceedings at the Dinner of 31st May, 1876, Held in Celebration of the Hundredth Year of the Publication of the "Wealth of Nations"*, p. 20.

²² *ibid.*, p. 65. The publications included were *The Economist*, the *Daily News*, *Capital and Labour* and the *Pall Mall Gazette*. Most of the articles are approving and the excerpts from the *Pall Mall* do not reflect its acerbity.

The picture is selective. Jevons reflected in his *Fortnightly* article on 'the future of political economy' that 'some of the newspapers hinted in reference to the centenary dinner that the political economists had better be celebrating the obsequies of their science than its jubilee'. He went on to remark that 'the *Pall Mall Gazette* especially thought that Mr Lowe's task was to explain the decline, not the consummation, of economical science'.²³ Jevons detected a widespread disenchantment with the claims of political economy and identified it especially with advanced liberalism. For Jevons this opposition clearly stemmed from a historically induced relativism which in the 1870s was more radical than conservative in its political thrust.

The impact of the historical method on late nineteenth-century political economy has been much discussed.²⁴ It has particular significance to an argument about the shift from political economy to public opinion as the primary mode of explaining wage rates. Historical economists in both Britain and Germany were especially concerned with wages and trade unions. Investigations of wages were often designed to prove that Ricardian (and later Marxian) predictions of immiseration were historically inaccurate. Examinations of trade unions were frequently intended to demonstrate their role in raising wages and to reveal the necessity of a historical and institutional approach to economic understanding. The centrality of trade unions to historical economics was matched by the centrality of the historical method to the economics of trade unions. In the theoretical vacuum produced by the fall of the wages fund, recourse to history was a common response amongst economic writers faced with the problems posed by trade unions. It is in considerations of collective bargaining and imperfect competition that the extent of the concessions made to the historical method by orthodox political economy become apparent. To gauge the impact of the historical method on late nineteenth-century political economy, we need to examine the place of trade unions in the historical economics of the 1870s.

²³ W. S. Jevons, 'The future of political economy', *Fortnightly Review*, 20 new ser. (Nov. 1876), 619.

²⁴ See for example G. M. Koot, *English Historical Economics, 1870–1926: The Rise of Economic History and Neo-mercantilism* (Cambridge, 1987), and Collini, Winch J. Burrow, *That Noble Science*.

The most influential work about trade unions produced by a historical economist was perhaps Brentano's *On the History and Development of Gilds, and the Origin of Trade-Unions*, published in 1870.²⁵ This greatly influenced Schulze-Gaevernitz's later *Social Peace* and largely held the field as a history of trade unionism prior to the Webbs' book of 1894.²⁶ Jevons, who counselled that Brentano's view on legislation should be read '*cum grano*', thought that his history was 'excellent'.²⁷ The appreciative reception of Brentano's work is important because it did much to impart a favourable teleology to contemporary accounts of the evolution of trade unions. Brentano portrayed trade unions as analogous to guilds but characteristic of a more advanced stage of industrial development. Both were a response to the rise of disorganisation and class conflict in previously harmonious societies. Guilds originated in the family and merely extended the scope of the recognised community. Trade unions had emerged from the ravages of industrialisation with its concomitant class antagonisms. They were destined, though, to establish the rule of conciliation and thus restore the harmonious community of producers which had existed prior to the guilds' decline into sectional selfishness. However, unlike guilds, trade unions would not degenerate into sectarianism but would instead establish the end of history. Trade unions were a panacea in Brentano for the ills of industrial society. Importantly, they were also peculiarly English. Brentano went to great lengths to stress the precocious Englishness of trade unions and began his book by declaring 'most emphatically' that England was the 'birthplace of guilds' and hence of trade unions.²⁸ His Whiggishness is deeply apparent in his emphasis on the continuity in origin, intention and ritual between trade unions and guilds. The peroration to his book seamlessly wove

²⁵ L. Brentano, *On the History and Development of Gilds, and the Origin of Trade-Unions* (London, 1870).

²⁶ G. von Schulze-Gaevernitz, *Social Peace: A Study of the Trade Union Movement in England*, trans. C. M. Wicksteed (London, 1893), and S. & B. Webb, *The History of Trade Unionism* (London, 1894). On Brentano and his school, see J. Thompson, '"A nearly related people": German views of the British labour market, 1870–1900' in D. Winch & P. K. O'Brien, eds., *The Political Economy of British Historical Experience, 1688–1914* (Oxford, 2002), pp. 93–119.

²⁷ W. S. Jevons, *The State in Relation to Labour* (London, 1882), p. 90.

²⁸ Brentano, *On the History and Development of Gilds*, p. ix.

together political and economic firsts in tribute to the precocity of English development.²⁹

Brentano's work was a curious combination of stage theory, economic determinism and Whiggish insistence on continuity. There was a strong dose of Hegelianism in his story of how the thesis (factory owners) calls forth the antithesis (trade unions), which later produces a synthesis through conciliation in the community of producers. Jevons's distinction between Brentano's political proposals and his history obscures how much politics there was in the history. When orthodox economists like Marshall or Jevons borrowed this history, they were importing and indeed building on a very particular and very progressive view of the past and meaning of trade unionism. This is not to claim that Marshall and Jevons propagated a view of trade unions directly akin to that of Brentano. It is, however, to note some of the assumptions implicit in the synoptic histories of combination they relied upon in trying to make sense of how the labour market worked.

Brentano provided the classic radical historicist account of trade unionism. His book was, however, but one part of the challenge mounted in the 1870s to the universalist assumptions of classical political economy. It is deleterious to an understanding of this assault to divorce the attacks launched by card-carrying historical economists from the criticisms made by positivist social thinkers. Many of the arguments were similar and there was a considerable degree of mutual appreciation. The historicist challenge fostered an increased appreciation of the anomalies and imperfections of the labour market and encouraged an increased emphasis upon collective social action of the kind typified by trade unions. It also, however, produced a more concrete attack on classical theory through the historical study of work and wages.

The most generally admired treatise produced by a historical economist prior to Ashley's economic history was probably Thorold Rogers's *Six Centuries of Work and Wages*.³⁰ This massive work combined the long-term perspective favoured by those most influenced by the historical method with a statistical enthusiasm widespread in

²⁹ *ibid.*, p. 134.

³⁰ J. E. Thorold Rogers, *Six Centuries of Work and Wages* (London, 1884).

Victorian England.³¹ It served to refute the more dismal assumptions about wages popularly associated with the prophecies of Malthus. The mounting numerical evidence of improvements in remuneration cast increasing doubt on the stationary-state contentions of classical wage-fund theory. This was, however, less important than the support given by historical and comparative studies of remuneration to Smith's argument linking wages and productivity. If Rogers provided the strongest historical support for high-wage theory, it was Brassey's best-seller *On Work and Wages* which cemented the comparative case.³² His figures were cited and amplified in reviews and newspapers by positivist defenders of trade unionism such as Harrison and Beesly.³³ As professional railway contractor to the world and amateur economist and statistician, Brassey's contribution nicely illustrates the confluence between empirical and theoretical, popular and specialist economic writing in this period.

Petridis has explored the response by orthodox economists to the results produced by Brassey and to his proposed law that real labour costs are geographically invariant. He notes that it was not until the work of Hobson that the limitations of Brassey's putative law were properly exposed.³⁴ Hobson distinguished carefully between the case for the so-called law and that for the wages-productivity link. It is worth noting, however, that the evidence for the latter was also somewhat less than overwhelming. The appeal of high-wages theory requires further explanation. Hobson observed that there must be a physical limit to the gains in productivity produced by better pay. Many previous writers had, however, been prepared to treat the productivity argument for high wages as almost infinitely extendible. This was, at least in part, because much of the case for the efficacy of better wages was about mental rather than physical improvements in human capital. This amelioration was often linked as both symptom and cause to the process of unionisation. It is here that historical accounts of

³¹ On statistical enthusiasm, see J. Thompson, 'Printed statistics and the public sphere: numeracy, electoral politics and the visual culture of numbers, 1880–1914' in T. Crook and G. O'Hara, eds., *Statistics and the Public Sphere: Numbers and the People in Modern Britain, c. 1800–2000* (Abingdon, 2011), pp. 121–43.

³² T. Brassey, *On Work and Wages* (London, 1872).

³³ F. Harrison, 'Mr Brassey on work and wages', *Fortnightly Review*, 12 new ser. (Sep. 1872), 268–86.

³⁴ Petridis, 'Brassey's law and the economy of high wages', 600–1.

societal evolution and empirical studies of remuneration combined to undermine the assumptions behind wage-fund theories.

Marshall once privately described trade unions as 'a greater glory to England than her wealth'.³⁵ On other occasions he was, of course, less complimentary, and he had a taste for hyperbole as a letter writer absent from his cautious public pronouncements. It is important to define the nature of Marshall's approval of unions. He was an ardent fan of the older trade unionism and deeply impressed by its capacity for encouraging thrift, foresight and organisation amongst workmen.³⁶ The beneficial influence of combination was summed up for Marshall in its capacity to raise the *intelligence* of the workman. The education offered by the trade union was peculiarly apt for teaching the workman to appreciate the difficulties and skills of the employer. It was this increased *intelligence* which afforded the probability of productivity gains. Marshall exhibited a marked faith in the power of the education provided by craft unions to improve human capital and indeed human nature.³⁷ In many of these sentiments, the Marshall of the 1870s was entirely typical of his time.

He was also influenced by historical accounts. In the chapter of the *Principles* on earnings of labour, Marshall remarks that Brentano 'was the first to call attention to several of the points discussed in this chapter'.³⁸ The analysis of the emergence of guilds in the historical section of *Economics of Industry* and the hopes continually held out for conciliation owe much to Brentano. It is important, however, in tracing the origins of faith in public opinion as an economic regulator to recall that the legacy of historical economics went beyond acting as a solvent on wage-fund theory.

The heart of the historical critique of orthodox political economy was the claim that custom rather than competition informed the behaviour of economic agents.³⁹ This was sometimes advanced as an argument about the distant past but in its more typical and stronger form it held that classical assumptions about self-interest were only

³⁵ Letter to Caird (5 Dec. 1897), Pigou, ed., *Memorials*, p. 400.

³⁶ Letter to Caird (22 Oct. 1897), Pigou, ed., *Memorials*, p. 398.

³⁷ A. Marshall, 'A fair rate of wages', preface to L. Price, *Industrial Peace* (1887), reprinted in Pigou, ed., *Memorials*, p. 225.

³⁸ Marshall included this comment even in the last edition of the *Principles*. See A. Marshall, *Principles of Economics: An Introductory Volume* (8th edn, London, 1920), p. 569.

³⁹ On this see Collini, Winch & Burrow, *That Noble Science*, p. 260.

true of the time that had produced them and were only true then because they were the customary. It was further observed that the classical edifice rested on a methodological individualism which had grave difficulties in accounting for institutions and collective action. In an age of monopolies and state intervention, it was clear to historical economists that the conditions postulated by Ricardian political economy had vanished and that the present was better understood through the study of much earlier periods.⁴⁰

The argument that the economic actions of agents could not be explained if regarded as motivated purely by utility-maximising rationality was, of course, also at the core of the influential positivist assault on conventional economics.⁴¹ To a significant extent, positivists and historical economists could be seen as waging the same war against *homo economicus*. It is importantly true, however, that there were subtle differences between the use made by historical economists of the idea of custom and the deployment by positivists of their preferred term of *public opinion*. The notion of custom adopted by historical economists and anthropologists tended to emphasise its timeless lack of self-consciousness.⁴² In the hands of the positivist, public opinion was characterised more by acute self-consciousness and interventionism. It was essentially an aspect of modernity and, as such, distinguished from the sleepy antiquity studied by historical economists and ruled by custom. This distinction is crucial to grasping the response of conventional economics to the denial of the primacy of self-interest and the existence of perfect competition.

Orthodox economic thought did not, of course, adopt most of these positions intact. Marginalism indeed can be seen as *more* individualist in its approach and universalist in its ambition than its classical

⁴⁰ A general account of the emphasis on the rise of monopolies in historical economics is provided in Green, *The Crisis of Conservatism*, pp. 159–84.

⁴¹ Most famously, F. Harrison's articles in the *Fortnightly*. See 'The limits of political economy' and 'The good and evil of trade unionism', *Fortnightly Review*, 3 (Nov. 1865), 33–54.

⁴² For anthropologists on custom, consult J. W. Burrow, *Evolution and Society: A Study in Victorian Social Theory* (Cambridge, 1966) and "The village community" and the uses of history in late nineteenth-century England' in N. McKendrick, ed., *Historical Perspectives: Studies in English Thought and Society in Honour of J. H. Plumb* (London, 1974), pp. 255–84. See also G. W. Stocking, *Victorian Anthropology* (New York, 1987).

predecessor.⁴³ Marshallian orthodoxy granted historical economics its own fiefdom of economic history, thus rendering it both independent and irrelevant. It was difficult, however, to argue convincingly that the labour market operated according to the tenets of perfect competition. The 'growth of monopoly' and the emergence of collective bargaining clearly posed immense difficulties for such an account. Theoretical innovations in the analysis of bilateral monopoly revealed the essential indeterminacy of the wage bargain.⁴⁴ It was thus increasingly difficult to exorcise the ghost of custom from the machine of economic analysis.

Conventional economists responded in a variety of ways to this impasse. Jevons declared as early as 1882 that economics could offer no help in explaining short-term movements in wage rates.⁴⁵ This was, however, a greater concession than he perhaps realised and not one often made by others. Economists in fact continued to discuss strikes and wages with ever greater frequency. Generally keen to demonstrate the relevance of their subject, they perhaps had little choice.

The most common reply to the twin challenge of indeterminacy and custom was to invoke the deity worshipped by positivism, namely public opinion. In doing this, orthodox economists were not simply capitulating. Schulze-Gaevernitz noted that public opinion never became as central to orthodox economics as it was to positivist social philosophy.⁴⁶ Furthermore, the public to whom academic economists appealed differed markedly in composition and character from that of the positivists. It is true, however, that the new emphasis on the regulatory capacity of public opinion registers the growing prevalence of holistic modes of thought and thus qualifies the *increasing* individualism Harris takes to characterise neo-classicism.

We have examined the influence of positivism and historicism on the position of trade unions in consensual orthodox economics. It is now time to consider more explicitly the impact of marginalism. It has been conventional to relate the emergence of the marginal paradigm within economics to the process of professionalisation.⁴⁷

⁴³ As suggested by J. Harris, *Private Lives, Public Spirit: Britain 1870–1914* (Oxford, 1993), p. 224.

⁴⁴ F. Y. Edgeworth, *Mathematical Psychics: An Essay on the Application of Mathematics to the Moral Sciences* (1881), pp. 29–30, 44–5.

⁴⁵ Jevons, *The State in Relation to Labour*, p. 155.

⁴⁶ Schulze-Gaevernitz, *Social Peace*, p. 257.

⁴⁷ J. Maloney, *Marshall, Orthodoxy and the Professionalisation of Economics* (Cambridge, 1985).

This approach attributes coherence, clarity and inevitability to processes better seen as complex, gradual and ambiguous. The early contents of the *Economic Review* or the *Economic Journal* do not support a high estimation of their role in either the genesis of neo-classicism or the incipient professionalisation of the discipline. Lively economic debate continued in the pages of the great nineteenth-century reviews. It is true, nonetheless, that work deemed of first-rate importance *within* the field was more likely than before to appear in periodicals read mostly by other economists. This tendency had important ramifications for the capacity of economists to act as political commentators whilst retaining their economic credentials. In assessing the significance of marginalism, it is important to relate an increase in professional authority to the consequent loss of cultural centrality.

The most far-reaching of the innovations of neo-classical economics was its redefinition of the notion of value. It was the notion of the marginal increment which permitted the mathematical treatment so important to economics' claim to scientific status and authority. However, marginalism promised more than mathematisation. It promised a widening of the scope of theory which ran directly counter to the relativist caveats of historicist critics. The principle of substitution made possible an integrated account of the derived demand for factors. It seemed plausible that marginalism could provide a unified analysis of the price mechanism for allocating scarce resources, whether goods, capital or labour. This ambition issued in the elaboration of the marginal productivity theory of distribution in the 1890s.⁴⁸ It was argued that the derived demand for factors could be considered in terms of their marginal productivity, just as demand for goods could be understood with regard to their marginal value. A vibrant debate in the pages of the *Quarterly Journal of Economics* united a fledgling Anglo-American academic community in the construction of a newly comprehensive account of distribution.

The arrival of the *Quarterly Journal of Economics* and the emergence of a scholarly community make plain the contribution of marginalism to the birth of the profession. It is important, though, to establish the limitations of the new economics. Marginalism provided a powerful theory of demand but had much less to say about supply. A

⁴⁸ On this process see S. Gordon, 'The wages fund controversy: the second round', *History of Political Economy*, 5, 1 (1973), 14–35.

microeconomic focus on the revealed preferences of consumers placed many of the traditional macroeconomic concerns of the discipline out of conceptual reach. In particular, the kind of macroeconomic questions about the aggregate level of remuneration to which wage-fund theory was a response were left conspicuously hanging. Marshall was aware of these shortcomings and sought to combine the best of the neo-classical account of supply with the new theory of demand.⁴⁹ He was reliant, however, on the twin assumptions of perfect competition and stasis. He recognised the need for a dynamic consideration of the impact of trade unions but perpetually postponed its adumbration for the promised second volume of the *Principles*.⁵⁰

Petridis has presented the treatment of trade unions by British economists in this period as one of malign neglect.⁵¹ L. L. Price appears as the one figure to face up to the challenge of understanding collective bargaining. Petridis underestimates, however, the prevalence of belief in the indeterminacy of wage bargains under the increasingly common conditions of bilateral monopoly. Jevons and Edgeworth provided mathematical demonstrations of such indeterminacy which were widely thought to be authoritative.⁵² Petridis exaggerates the extent to which economists ignored trade unions. Textbook accounts of the principles of the discipline did tend to marginalise institutions of imperfect competition, but elsewhere economists displayed an awareness of the problems of bilateral monopoly and made rudimentary attempts to gauge the factors determining the result of the wage bargain. Such efforts reveal the impact of Marshall. They also display a considerable willingness to appeal to public opinion to explain remuneration.

In his presidential address to the Economic Science and Statistics section of the British Association in 1890, Marshall chose to dilate upon 'some aspects of competition'.⁵³ The concluding section of his

⁴⁹ Note Marshall's letter to Clark of 2 July 1900 in which he remarks that 'the von Thunen doctrine' (or marginal productivity theory) 'covers only a very small part of the real difficulties of the wages problem', reprinted in Pigou, ed., *Memorials*, p. 413.

⁵⁰ A. Petridis, 'The trade unions in the *Principles*: the ethical versus the practical in Marshall's economics', *Economie Appliquée*, 43, 1 (1990), 161–86.

⁵¹ A. Petridis, 'The economic analysis of trade unions by British economists, 1870–1930', unpublished Ph.D. thesis, Duke University (1974).

⁵² Edgeworth, *Mathematical Psychics*, pp. 44–5, and Jevons, *The State in Relation to Labour*, pp. 153–5.

⁵³ Marshall, 'Some aspects of competition'.

talk was devoted to 'the growing importance of public opinion as an economic force'. Marshall was quick to chide socialists for their exaggeration of the power of public opinion to regulate competition. He went on, however, to note that 'yet, unquestionably, the economists of to-day do go beyond those of earlier generations in believing that the desire of men for the approval of their own conscience and for the esteem of others is an economic force of the first order of importance, and that the strength of public opinion is steadily increasing with the increase and diffusion of knowledge, and with the constant tendency of what had been regarded as private and personal issues to become public and national'.⁵⁴ The influence of opinion was not primarily through legislation since 'there are many matters in which public opinion can exercise its influence more quickly and effectively by a direct route than by the indirect route of first altering the law'. He proceeded to argue that 'for all the great changes which our age has seen in the relative proportions of different economic forces, there is none so important as the increase in the *area* from which public opinion collects itself, and in the force which it bears directly upon economic issues'.⁵⁵

Marshall attributed an important role to public opinion. It is significant that he stressed its direct influence rather than the socialist insistence on its statutory embodiment. Trade unions were central to his account of the operation of opinion. Increased federation of employers and employees meant that 'affairs which would only be of local interest are discussed over the whole kingdom'. Furthermore, 'many turbulent little quarrels . . . are now displaced by a few great strikes; as to which public opinion is on the alert' so that 'each side strives to put itself right with the public'. Marshall argued that the employed had benefited from improvements in communications and that the growth of newspapers for the working classes had brought a more inclusive public into existence. He was personally persuaded that 'in all this the good predominates over the evil' but was concerned to establish that 'in the scientific problem of estimating the forces by which wages are adjusted, a larger place has to be allowed now than formerly to the power of combination, and to the power of *public opinion* in judging, and criticizing, and aiding that combination; and that all these changes tend to strengthen the side of the employees, and to help them to get a substantial . . . increase of real wages; which they may . . . so use as

⁵⁴ *ibid.*, p. 285. ⁵⁵ *ibid.*, p. 286.

to increase their efficiency, and therefore to increase still further the wages which they are capable of earning.⁵⁶

The democratic impulse in Marshall's advocacy of public opinion should not be exaggerated. He spoke of it as the opinion of the 'average man; that is, of an average member of one of *those classes of society that is* [sic] *not directly and immediately concerned in the question at issue*'. This should not be taken to refer to all those not actually personally involved in a dispute. Marshall went on to provide a classic liberal warning about the consequences of the fracturing of the unitary public. 'In an industrial conflict each side cares for the opinion of the public at large . . . But . . . there is some fear that, when party discipline becomes better organised, those on either side will *again* get to care less for any public opinion save that of their own side . . . there may be no great tendency towards agreement between the two sides as to what are reasonable demands.'⁵⁷ The use of the word 'again' was crucial here, for Marshall was anticipating the return to a quasi-feudal society bereft of progressive intelligence. This was a very concrete image, for it was essentially Marshall's view of Britain before free trade.

The most significant aspect of the Marshallian public was that it was a public of consumers. He was particularly horrified by the prospect of a mercantilist guild of producers holding this consumerist public to ransom. He was careful in the *Elements of Economics of Industry* to remark that 'it is true now, as it was at the time of the old Gilds, that . . . the interests of the public are apt to be sacrificed most, when peace reigns in a trade, and employers and employed are agreeing'.⁵⁸ Marshall did, of course, acknowledge that most consumers were also producers but, should these roles contradict, the former always took precedence. The primacy of consumption was implicit in the marginalist focus on utility but it was also and more importantly integral to the rhetoric of free trade. Free trade was a liberal creed of sufficient sanctity for Marshall to enter public controversy in its defence.⁵⁹ The power of the language of free trade had always derived in part from its appeal to the community of consumers against the selfish interests

⁵⁶ *ibid.*, pp. 286–7. ⁵⁷ *ibid.*, pp. 287–8 (my emphasis).

⁵⁸ A. Marshall, *Elements of the Economics of Industry: Being the First Volume of the Elements of Industry* (London, 1892), p. 403.

⁵⁹ In the economists' letter to *The Times*, 15 Aug. 1903.

of sectional producers, especially landlords.⁶⁰ It provided a powerful tradition of equating consumption with membership of the public.

Marshall discerned the growth of combination and regarded its continuation as inevitable. He was not despairing, however, for its effects 'contain much good as well as much evil'.⁶¹ Nor did the new industrial democracy undermine the importance of competition. Indeed, Marshall succeeded in regarding the spread of unions as heightening the need for a clearer understanding of normal competition. In noting the declining force in many trades of 'direct outside competition', Marshall appealed to public opinion to preserve the reign of competition. Public opinion emerges as a secularised providence whose moral suasion guaranteed the social justice of a reformed market. This faith is most apparent in the conclusion to 'Some aspects of competition', where Marshall divides up the younger economists according to their attitude to competition:

some would not be sorry to see small firms displaced by large, large funds by Trusts, and Trusts by Government departments[;] others, in whom the Anglo-Saxon spirit is stronger, regard these tendencies with very mixed feelings, and are prepared to exert themselves to the utmost to keep Government management within narrow limits . . . In order to preserve what is essential in the benefits of free competition, they are willing to have a great extension of public control over private and semi-public undertakings; but, *above all*, they look to the extension of the *new force of public opinion* as a means of eliminating much of the evil effects of competition, while retaining its good effects.⁶²

The extent of Marshall's influence has received thorough examination in recent years.⁶³ Less attention has been devoted to his moralism. It should be clear, however, from consideration of his use of 'public opinion' that the distinction between his economics and his moralism cannot be credibly sustained.⁶⁴ In this, Marshall was both

⁶⁰ On the evolution of free trade thinking see Howe, *Free Trade and Liberal England*, and Trentmann, *Free Trade Nation*.

⁶¹ Marshall, 'Some aspects of competition', p. 287.

⁶² *ibid.*, p. 290 (my emphasis).

⁶³ See especially Maloney, *Marshall, Orthodoxy and the Professionalisation of Economics*.

⁶⁴ The classic lament for the stifling of Marshall's economics by his moralism is that of J. Maynard Keynes: 'Marshall was too anxious to do good' in his *Essays in Biography* (London, 1951), p. 175. Keynes's judgement became conjoined with that of T. Parsons, 'Economics and sociology: Marshall in

typical and influential. This is not to neglect the impact of his revision of wage-fund doctrine. In his article on wages for the co-operative society yearbook, in his participation in the Industrial Remuneration Conference of 1885 and in his evidence before the Royal Commission on Gold and Silver of 1887, Marshall expressed, sometimes indirectly, his opposition to the wage-fund theory.⁶⁵ He made it clear that within certain parameters the division of income between employers and employed was a function of comparative bargaining strength. Furthermore, as was suggested earlier, Marshall took very seriously the contentions of high-wage theory. This technical framework commanded great respect. It did, however, also imply the need for an evolved theory of collective bargaining. Marshall never provided this but instead offered an analysis of the realities of imperfect competition which made repeated and insistent reference to the sovereignty of public opinion. It was an account which coincided with that of many of his colleagues.

This becomes immediately apparent through an investigation of the views of the Jevonian and enthusiastic bimetallicist H. S. Foxwell. Foxwell produced a pioneering analysis of the roots of unemployment in a lecture on 'Irregularity of employment and fluctuations in prices' published both on its own and in a book in 1886.⁶⁶ He emphasised the role of price changes in causing irregularity of employment and advocated bimetallicism as a solution to the deflationary instability consequent upon the rise in the value of gold since the 1870s.⁶⁷ The place of Foxwell's work in the emerging analysis of unemployment has been well treated.⁶⁸ Less attention, however, has been given to his account of the role of 'public opinion'.

relation to the thought of his time', *Quarterly Journal of Economics*, 46 (1931-2), 316-47.

⁶⁵ A. Marshall, 'How far do remediable causes influence prejudicially (a) the continuity of employment, (b) the rates of wages?' in the *Industrial Remuneration Conference: The Report of the Proceedings and Papers* (1885), pp. 173-83, 'Theories and facts about wages' in the *Annual of the Wholesale Co-operative Society* (1885), and 'Memoranda and evidence before the Gold and Silver Commission' in the *Official Papers* (1926), pp. 17-197.

⁶⁶ H. S. Foxwell, *Irregularity of Employment and Fluctuation of Prices* (Edinburgh, 1886), also published in J. Oliphant ed., *The Claims of Labour* (Edinburgh, 1886).

⁶⁷ *ibid.*, p. 24.

⁶⁸ J. Harris, *Unemployment and Politics: A Study in English Social Policy, 1886-1914* (Oxford, 1972).

An important strand of Foxwell's work was the argument that the governing power of the public would encourage the stability without which regular employment was impossible. His concern with employment lent predictable urgency to his efforts to refute the socialists. The beneficial influence of public opinion was crucial because it showed that capitalist society could moderate its own excesses. Foxwell followed Rae in criticising socialists for identifying capitalism with the fraudulent world of finance in which 'personal relations, old commercial traditions and public opinion count for less... than the smaller and more local markets'. 'Even on the Stock Exchange', however, 'the power of speculators to injure the public... is generally overrated'. There was little, for Foxwell, which could gainsay the power of public opinion.⁶⁹

Like Marshall, Foxwell regarded the state as 'the ultimate and supreme expression of public opinion', but, also like Marshall, he preferred the direct exercise of public opinion to its promulgation by the state. Regarding the state as the embodiment of opinion tended to denude it of importance and even at times to signal its conquest by civil society. Foxwell suggested that

it would be a mistake to burden the State too much with the duty of direct control. All that is necessary is that the control should be exerted in the public interest, with due intelligence and with practical efficiency. These conditions secured, the more we can decentralise control the better. It may be applied by voluntary associations, by trade organisations, or by municipal authority; perhaps best and most effectively of all, by *educated* public opinion.⁷⁰

He went beyond Marshall in his enthusiasm for vertical organisation by trade along the lines of 'what the guilds did for the mediaeval industries'.⁷¹ Foxwell was less anxious than Marshall about the prospect of a confiscatory alliance of producers because, unlike Marshall, he took unemployment seriously and because he had, if anything, even more confidence in the governing force of opinion.⁷²

'Socialists and progressive reformers alike have insisted on the necessity of control. But as public opinion gathers strength, it becomes

⁶⁹ Foxwell, *Irregularity of Employment*, p. 60.

⁷⁰ *ibid.*, p. 73 (my emphasis). ⁷¹ *ibid.*, p. 77.

⁷² On Marshall's complacency about unemployment consult R. C. Matthew, 'Marshall and the labour market' in J. Whitaker, ed., *Centenary Essays on Alfred Marshall* (Cambridge, 1990), pp. 14-43.

evident that one of the best forms of control is that secured by publicity.⁷³ Foxwell counselled that 'if the state instead of trying in a clumsy way to remove abuses, would content itself with publishing the facts, public opinion would deal with them much more effectively'.⁷⁴ The primary purpose of state intervention was to furnish public opinion with the requisite information. While the reign of public opinion rendered collectivism unnecessary, it also made democracy compatible with good government and refuted its conservative opponents. Foxwell noted:

It has been well remarked by a critic of Sir Henry Maine's *Popular Government*, that the essence of democracy is not so much government by the many, which is impossible, as publicity, which makes public opinion effective, and public interests supreme. Nothing is more certain than that, with the advance of democracy, publicity must become the order of the day. Publicity and organisation, no doubt; but publicity, I think, even more than organisation. It is the necessary protection against fraud, against falsification, against oppression; the first condition of self-help as well as of intelligent charity. It is even more indispensable as the exterminator of corruption.⁷⁵

The last was especially important because the American example had been so often taken to prove the inextricable link between democratic institutions and the corruption of public life. It is revealing that Foxwell contrasts the rule of opinion with government by the many. The distinction lay not only in the difference between government and influence but also in that between the educated and the many. For Foxwell, 'public opinion' was coextensive with '*civilised* opinion'. The 'light of civilised opinion' would eliminate 'the worst abuses of modern society', which were dependent on the cloak of secrecy. Foxwell could become positively messianic in his hostility to secrecy:

Imagine the result in such cases as those of sweating, falsification, and unhealthy conditions of employment, if the law of libel permitted the publication of the facts and names, and the products were traced and identified. There is enough common humanity in the English *consumer* to ensure the commercial ruin of men to whom such malpractices were brought home. The fault is not with public morality. Moral opinion cannot operate till there is cognisance of the facts. Secrecy has crept into and corrupted trade, just as it has complicated and confused transactions in land. In both cases

⁷³ Foxwell, *Irregularity of Employment*, p. 87.

⁷⁴ *ibid.*, p. 85. ⁷⁵ *ibid.*, p. 89.

it is as foreign to old English practice as it is to natural healthy instincts. In this as in other matters, we are likely to revert to the more popular habits of an earlier period. The age of secrecy is gone.⁷⁶

Here again moral and consumer opinion are treated as identical. Foxwell was lauding the influence of a community of educated consumers. He was, of course, advancing a relatively inclusive notion of this public which incorporated the views of the employed. 'The crowd was becoming articulate' and its 'moral fashion now rules affairs'. Foxwell hoped that 'it is not yet idle to appeal to the old romantic *noblesse oblige*' but was reassured that 'if ever it should be, we can at any rate rely on the very effective *publicité oblige*'.⁷⁷

For Foxwell as for Marshall, the increasing influence of public opinion and the rise of combination were closely linked. In a paper on the 'growth of monopoly' read to the British Association, Foxwell posulated that 'no class gains more by the rise of these huge firms than the *employees*'. He argued that 'the larger the firm the more effective is the public opinion of the employed', for the more dependent the employer was on their loyalty. Furthermore, 'the master lives in the face of the public' and 'pays the penalty of greatness in his exposure to criticism'. Sweating was thus confined to small workshops, since 'the public opinion of the employed, and the honour of the employer' were sufficient to regulate larger establishments.⁷⁸ In general, 'with due publicity, self-help would be far easier, and public opinion would come in to aid the right, and would largely dispense with the need for direct legal control'.⁷⁹

Foxwell and Marshall differed in their beliefs and allegiances. Neither was, however, heavily inclined to historicist analysis. Langford Price was trained by Marshall but moved increasingly towards historical studies and disagreed sharply with the establishment over free trade. Furthermore, he retained throughout his career a serious interest in labour economics. He provided an unusually clear account of the factors determining bargaining strength in industrial disputes considered in terms of bilateral monopoly. 'Public opinion' occupied a central place in Price's portrayal of the bargaining process.

⁷⁶ *ibid.*, pp. 88–9 (my emphasis). ⁷⁷ *ibid.*, p. 90.

⁷⁸ H. S. Foxwell, 'The growth of monopoly, and its bearings on the functions of the state', published in *Papers on Current Finance* (London, 1919), p. 271.

⁷⁹ *ibid.*, p. 275.

In an address on 'the relations between industrial conciliation and social reform' given to Section F of the British Association in 1889, Price outlined the implications of the new recognition of the legitimacy of trade unions amongst economists and society at large. He argued that

it implies that employers are more disposed to meet on terms of equality representatives of working-men. It implies that public opinion – a force for good or for evil, the potency of which, if once thoroughly awakened, it is impossible to deny – will sanction, will encourage, and will exercise some moral compulsion to bring about, that meeting. And it also implies that trade unions, occupying a position of acknowledged importance and responsibility, will become more sensible of the duties of that position, will be more ready to abandon an attitude of determined hostility, more disposed to court publicity and to enlist public support and sympathy, more inclined to oppose argument to argument rather than force to force, and to convince public opinion that the strength of the argument, not merely of the force, lies on their side. And here, once again, public opinion cannot fail to exercise some moral compulsion. It may be weak, it may be strong, but it will, beyond a doubt, increase with succeeding years.⁸⁰

The influence of public opinion may have been increasing but was hardly new. In a paper on 'the positions and prospects of industrial conciliation' Price remarked of the dock strike that 'it was no new thing in industrial quarrels for public sympathy to be aroused; and there are few, if any contests where public opinion is not a factor to be considered in favour of one side or the other'.⁸¹

The consensus within economics about the importance of public opinion is further confirmed by an examination of the views of J. Shield Nicholson. A devoted Smithian, Nicholson was a popular speaker who was frequently invited to address Chambers of Commerce throughout Scotland. His topical lecture on 'strikes and a living wage' in 1893 provides a telling illustration of the importance he attributed to public opinion.

Nicholson's concern was, as always, that strikes should be conducted and resolved 'on business principles'. This required 'not more

⁸⁰ L. L. Price, 'The relations between industrial conciliation and social reform' reprinted in the *Journal of the Royal Statistical Society*, 53 (June 1890), 295–6.

⁸¹ L. L. Price, 'The position and prospects of industrial conciliation', *Journal of the Royal Statistical Society*, 53 (Sep. 1890), 430.

legislation, but more light'. He went on to develop this theme along what will now be familiar lines:

It is quite true that a board of conciliation or of arbitration cannot enforce its recommendations; but it can throw light upon the subject in dispute, and point out what is for the interest of both parties. And there can be no doubt that the pressure of public opinion would be brought to bear upon the side of justice. The great difficulty now, in bringing public opinion to bear, is that the facts are not known. But if the question had been thoroughly argued by a board of conciliation, and if the contentious matter had been submitted to qualified arbitrators, public opinion would declare strongly against the side that rejected the decision. It is not necessary for the public to know the details, or even the main facts of the case; it is enough if they accept the statement of the arbitrators. Some people profess to think little of the force of public opinion; they want written laws, courts, and penalties to remedy every abuse. But if they would reflect, at every turn of their lives they are more or less under public opinion, and as a matter of fact their conduct is moulded much more by public opinion than by law.⁸²

Nicholson sheds an interesting light on the question of the assumed membership of the public. In attacking trade unions for aspiring to operate like trusts, he tried to unsettle the conventional contrast between the people and the public, but in terms which merely underlined its ubiquity.

Trade Unionists... wish to act in the style of trusts and syndicates, and to create monopolies. Fortunately, experience shows they are not likely to succeed; if they did succeed, they could only injure the public, and by their own showing at least two-thirds of the public are the working classes themselves. And that is one of the very simple things that is [sic] constantly overlooked. We hear the leaders say to the men: You must make the public feel your power; you must put Glasgow in darkness, and bring London to the verge of starvation. But the public that will suffer are the working classes themselves.⁸³

Public opinion was not banished from theoretical discussion before the First World War. Pigou's ground-breaking analysis of collective bargaining in the *Principles and Methods of Industrial Peace* made an important contribution to both imperfect competition theory and

⁸² J. S. Nicholson, ' Strikes and a living wage' in his *Strikes and Social Problems* (London, 1896), pp. 7–8.

⁸³ *ibid.*, pp. 12–13.

welfare economics. Its references to public opinion suggest the influence of Pigou's teacher and mentor Alfred Marshall. Pigou was concerned that 'at present... one set of newspapers almost invariably takes the side of the employers and another that of the employed, with the result that the general public is too confused and divided to bring effective pressure to bear upon either'. This was, however, immediately followed by the observation that 'the history of the dock strike... shows that... when it is in any measure united... the moral force of its opinion is very great'. Both remarks come from a section in which Pigou prefers the publication of official reports to elicit the '*sanction of opinion*' over more direct or compulsory intervention.⁸⁴

Given the widespread appeal to 'public opinion' in economic theory the *Times* leader writer's opposition between 'political economy' and 'public sympathy' was misleading. Much of the impetus for the increased reliance on 'public opinion' in accounting for the course of industrial life emerged from within political economy rather than constituting a departure from its teachings. It is true, however, that more technical developments in marginal productivity theory, which denied both public opinion and trade unions an influence on distribution, were casualties of the increasing distance between academic innovation and popular consciousness. It is also true, though, as Marshall recognised, that such work in fact had little to say about the role of collective actors or the realities of imperfect competition.

It is not possible to recapture the role of 'public opinion' in popular political economy solely by attention to academic economics. A broader intellectual context is required that embraces wider currents in social and political thought. This is also true, however, of the attempt to understand developments *within* economics. The emphasis here on positivism and historiography reflects this belief. Political economy still possessed considerable prestige in the second half of the nineteenth century and popular debate cannot be understood except in relation to theoretical developments. Even in the 1890s technical and popular economics were scarcely insulated from each other and can be found happily cohabiting in the pages of periodicals like the *Economic Journal* and *Economic Review*. Amateur economists, usually businessmen or financiers, were frequent contributors to such publications and

⁸⁴ A. C. Pigou, *Principles and Methods of Industrial Peace* (London, 1905), p. 187.

reinforced the strongly practical cast of much economic discussion. More technical developments exercised a significant influence upon popular political economy. There were, however, others, some of which operated in reaction to political economy, and these will be examined next. It is important to recall, though, that some of these, for instance idealism, were also part of the context in which technical economists thought.

It has already been remarked that the observable increase in wages over the century tended to undermine the credibility of wage-fund theory. This corrosion affected both the longer- and shorter-term versions of the doctrine. Debate raged over whether the history of wages contradicted the view that unions could produce a sustainable increase in remuneration. The evidence before various royal commissions indicated a widespread acknowledgement that some highly unionised trades had witnessed impressive improvements in pay. It was less clear, however, which way, if any, the causal connection between combination and wage rises ran. Sceptics often noted the enormous increase during the previous half-century in the remuneration of domestic servants. The Webbs were keen to parry this objection and noted that the absolute necessity of staff in middle-class homes conjoined with the asset-specificity of domestic employment to place the servant in an unusually powerful bargaining position.⁸⁵ In general, however, there is little doubt that it became increasingly plausible and common to link strong unions to improvements in pay.

Economic developments undercut more than just wage-fund theory. The close of the nineteenth century was a period of acute concern about the state of the British economy. Agricultural depression from the 1870s coincided with the loss of export markets to rapidly industrialising rivals. Faith in free trade, invariably regarded as the central tenet of conventional political economy, was shaken. The 'discovery' of poverty in the 1880s led to a re-evaluation of a previously widespread confidence in the distributive justice of the market. Increased levels of industrial federation rendered assumptions about the reign of competition distinctly less convincing. Most importantly, the growing acceptance of the possibility and presence of unemployment was difficult to reconcile with the self-regulating economy presumed by economists. Orthodox political economy was revealed as

⁸⁵ S. & B. Webb, *Industrial Democracy*, II, 674–5.

unable to account for or ameliorate the most visible social problem of the time. This could not help but diminish the belief that industrial phenomena such as disputes accorded with the presumptions of political economy.⁸⁶

This economic background provides the context for a relative loss of confidence in the claims of political economy. It cannot, however, explain the *content* of the emerging account of collective bargaining. In particular, it cannot account for the prevalent belief that public opinion would justly and pacifically regulate the course of industrial life. This can only be understood through a rather fuller recovery of the intellectual context of popular discussion of trade unions.

A growing belief that the level of wages was not rigidly prescribed by the laws of supply and demand was increasingly accompanied by a rejection of the claim that the market produced a just rate of wages. This is apparent in the campaign for a 'living wage' which gathered strength in the 1890s. The difficulty was in finding a mechanism which would explain how wage disputes were settled and ideally also ensure that they were resolved fairly. It was this need that 'public opinion' answered. There was, however, something mildly implausible about conferring such an adjudicatory capacity on public opinion and especially in so confidently assuming that its influence would be beneficial. The prevalence of such a view further illustrates the argument of this book that historians have underestimated the survival of positive conceptions of the public into the early twentieth century. It remains in this chapter, however, to explain and document the influence attributed to the socio-political concept of 'public opinion' in ordering commercial and industrial affairs.

The crucial intellectual context for these changes in popular political economy was the rise of more organic and holistic modes of thinking about the newly significant category of society. There were many sources for this increased emphasis on the social.⁸⁷ The point that

⁸⁶ A good summary of these trends and perceptions can be found in Green, *The Crisis of Conservatism*, pp. 27–59.

⁸⁷ Important accounts of these developments can be found in J. Harris, *Private Lives, Public Spirit* and 'Political thought and the welfare state 1880–1940: an intellectual framework for British social policy', *Past and Present*, 135 (May 1992), 116–41. See also S. Collini, *Liberalism and Sociology: L. T. Hobhouse and Political Argument in England, 1880–1914* (Cambridge, 1979), M. Freedman, *The New Liberalism: An Ideology of Social Reform* (Oxford, 1978),

requires emphasis is that this heightened awareness of society also led to a denial of the autonomy of the economy and an insistence on the primacy of moral forces in determining the behaviour of economic agents. It became increasingly plausible to attribute to 'public opinion' a role in regulating the economy and thus to claim that, while the economy narrowly conceived was not self-regulating, society might be. This appeal to 'public opinion' was not confined to commentators on the left, but it was perhaps most congenial to liberals and free traders. Conservative historical economists like Cunningham were sometimes less keen to adopt the idiom than their more orthodox colleagues.⁸⁸ This was, in part, because, like the socialists, they were more comfortable with a significant enhancement of the role of the state than free trade economists who preferred to trust in the spontaneous play of public opinion. The example of Price indicates, however, that this should be seen as a difference of emphasis rather than a sharp distinction.

The shift in the intellectual climate towards 'popular Platonism' should not be seen as unambiguous or too tightly related to a particular set of doctrines.⁸⁹ Serious idealists often did incorporate trade unions into their holistic model of society, but this did not necessarily imply much sympathy for their sectional activities.⁹⁰ That said, an emphasis on the moral suasion of the public rather than direct intervention was in keeping with the idealist creed. Belief in the influence of opinion on the economy could coincide with a variety of degrees of sympathy for the actions of trade unions. Idealism was merely part

G. Jones, *Social Darwinism and English Thought* (Brighton, 1980), Searle, *The Quest for National Efficiency*, and P. J. Nicholson, *The Political Philosophy of the British Idealists* (Cambridge, 1990).

⁸⁸ Cunningham did have positive things to say about public opinion but was more prepared to see it act through the state. This preference emerges in his support for compulsory arbitration. See Cunningham, *Politics and Economics*, pp. 236–7. Historical economists like Cunningham and Fabians like the Webbs were united in both their attachment to the state and their distaste for the consumerism of much of the rhetoric of public opinion.

⁸⁹ On 'the spell of Plato' consult J. Harris, 'Platonism, positivism and progressivism: aspects of British sociological thought in the early twentieth century' in Biagini, ed., *Citizenship and Community*, pp. 343–60.

⁹⁰ For instance, B. Bosanquet, *The Philosophical Theory of the State* (London, 1899).

of a wider reorientation in which biological evolutionary metaphors played a significant part.⁹¹

Recurring to the articles in the *Times* with which we began, it is now possible to see them as a rearguard attempt to defend the sovereignty of an old-fashioned conception of political economy in the face of the observable and applauded influence of public opinion. The decision to refer to public *sympathy* rather than the more common *opinion* reveals a hostility to what the writer clearly regards as the impulsive and sentimental interference of those not directly involved. It was obvious to the *Times* that dockers were 'as little entitled to public sympathy as any class... can be' for they constituted a 'disclassed residuum... as nearly as possible valueless to the community'. This assault on the residuum placed them squarely outside the community and, likewise, the public. The public was to be found 'at dinner tables or on the top of the omnibus' and was clearly predominantly middle-class. While 'public sentiment was dead against the Trafalgar Square meetings,... it ran strongly in favour of the dockers', though it obviously excluded the classes involved in either instance. The public favoured the dockers because their strike 'operated at the East End, where the public did not see it very closely'.⁹²

More interesting perhaps than the articles themselves was the correspondence they occasioned. Some respondents lauded the author's vigorous condemnation of the foolishness of the public. Their proposed solution was, however, not reliance upon the laws of political economy but rather the further intervention of opinion. One letter writer counselled readers that

[t]he real lesson of value which the London strike has for us will only become generally apparent when the thoughtful part of the public shall have perceived that the lowest and most ignorant section of our people do not know what their self-interest really is, and, thus perceiving, will gradually bring to bear the all-powerful pressure of public opinion upon capitalists and employers of labour, upon the true 'captains of industry' as Carlyle called them, in order to obtain from them that they shall take the leadership of their own men into their own hands, and out of those of demagogues,

⁹¹ On the balance and relationship between Darwinian and idealist influences see Freeden, *The New Liberalism*.

⁹² *The Times*, 26 Sep. 1889.

socialistic agitators, and irresponsible chatterers – that they shall be true masters to their men, when, perhaps, the men shall become true servants to their masters.⁹³

Those moved to write more positively about the strike espoused a similar confidence in public opinion, observing that 'those who have sympathised with the strikers are now turning their attention to improving the position of those who cannot benefit by the late struggle, and thoughtful, organised effort will surely do much good'. It is striking that such correspondents were distinctly unimpressed by the *Times*'s eulogy to the laws of political economy. M. M. S. remarked that 'admitting all we owe to the older and still revered writers on political economy, very many modifications of their theories have been found necessary, and, however unassailable they might be, without taking into account human feeling, more modern thinkers find that no question even of work and wages can be decided without the influence of sentiment of some kind being taken more or less into consideration'.⁹⁴

The dock strike emerges as a pivotal demonstration of the power of public opinion. It was easier to commend the influence of the public on disputes involving unskilled than skilled labour. The latter had often developed complex systems of wage adjustment that limited the value of non-expert comment. It is notable, however, that even Robert Spence Watson, the doyen of the joint board, while deprecating the importance of outside opinion, insisted that 'enlightened public opinion in favour of industrial peace... will have great and proper influence'.⁹⁵ The great dock strike appeared to provide a vivid illustration of the potency of public opinion, allied to the determination of the men, in securing a wage rise in an industry traditionally regarded as irredeemably casual. Sydney Buxton's introduction to Llewellyn Smith and Vaughan Nash's history of the strike remarked with relish that the 'extraordinary public sympathy evoked on the side of the strikers, was a novel and most satisfactory feature of the time'.⁹⁶ Schulze-Gaevernitz's account of the origins of *Social Peace* made increasing mention of public opinion as it entered the 1890s and considered the legacy of the dockers' dispute. He argued that 'the success of the dockers was the signal for a movement which ran through the whole

⁹³ *The Times*, 14 Oct. 1889. ⁹⁴ *ibid.* ⁹⁵ *The Times*, 5 Oct. 1889.

⁹⁶ Introduction to H. Llewellyn Smith and Vaughan Nash, *The Story of the Dockers' Strike, Told by Two East Londoners* (London, 1890), p. 7.

army of unskilled labour... like the dockers, they owe their success to the fact that the solidarity of the working classes has become effective, and to the sympathetic attitude of public opinion'.⁹⁷ John Saville has depicted public opinion as merely initially sympathetic to the strikers and stressed instead the hardening of attitudes in its aftermath.⁹⁸ This reading is overly dependent on equating 'public opinion' with *Times* editorials but also neglects the more interesting legacy of the strike in reinforcing the belief that public sympathy mattered in industrial disputes.

Disenchantment with wage-fund theory was important in the popular as well as the professional case. Eugenio Biagini has examined the reception of Mill's recantation amongst trade union leaders and labour journalists and dates its advent as a rhetorical slogan to the late 1870s.⁹⁹ *The Bee-Hive* first dismissed the doctrine in 1874, but employers' periodicals were noticeably more reluctant to acknowledge that anything had changed. *Capital and Labour* remained staunchly committed to wage-fund theory throughout its existence.¹⁰⁰ There is evidence, however, that less partisan opinion was distancing itself from the doctrine by the close of the 1870s. In a distressed presidential address on the state of political economy in 1878, Bonamy Price warned the National Association for the Promotion of Social Science of the unfortunate inclination of economics 'to give a scientific form to its teachings'. He illustrated by recalling that 'a wage fund of the most definite amount, incapable of all expansion, was announced as the law of their labour and the condemner of their conduct to men on strike, who nevertheless, on previous occasions, by striking had extorted the payment of higher wages'. Bonamy Price's admission was rare amongst the enthusiasts of the Social Science Association. It is noteworthy, however, that doubts about wage-fund theory had afflicted such a bastion of classical political economy before the end of the 1870s.¹⁰¹

⁹⁷ Schulze-Gaevernitz, *Social Peace*, p. 273.

⁹⁸ J. Saville, 'Trade unions and free labour: the background to the Taff Vale decision' in A. Briggs and J. Saville, eds., *Essays in Labour History* (London, 1960), pp. 317–51.

⁹⁹ Biagini, 'British trade unions and popular political economy'.

¹⁰⁰ *The Bee-Hive*, 3 Jan. 1874.

¹⁰¹ *Transactions of the National Association for the Promotion of Social Science* (1879), 121.

The proceedings of the Industrial Remuneration Conference indicate that defenders of the wages fund could still be found in 1885.¹⁰² In tracing ideas about public opinion as an economic force, the evidence and reports produced by the various royal commissions on labour are particularly useful. There was much empirical debate in the proceedings of the 1867 Commission over the impact of trade unions on wage rates but there was little explicit dissension from the tenets of wage-fund theory and scarce reference to 'public opinion'. The union boycott of the 1874 Commission ensured that it would be dominated by employers wishfully asserting the primacy of political economy. It was observed previously that Marshall's evidence to the Gold and Silver Commission of 1887 rested on a rejection of the inherited notion of the wages fund. In his remarks to the Commission on the Aged Poor in 1893, Marshall was characteristically concerned to refute the appeals to wage-fund theory made by trade unionists in advocating the eight-hour day. Marshall claimed that 'many of the working men believe that they can raise the aggregate of wages by merely diminishing the supply of work; they believe that there is... a sort of work fund, and that if one man is allowed to work overtime he takes away from one of his neighbours a certain amount of work that that person might have done'.¹⁰³ Such arguments remind us of the element of opportunism in political appeals to economics, but the sparsity and lack of resonance of the trade union case underline the eclipse of wage-fund theory by the early 1890s. This is apparent in the reports and recommendations of the 1891-4 Commission on labour.

The majority report, in which Marshall had a hand, was a forthright expression of the position of post-wage-fund labour economics. Much was made of the prevalence of wage boards and sliding scales but the report insisted that even in their absence 'the wage rate is settled, partly by *custom*, partly by the comparative amount of the demand for and supply of labour, partly by occasional temporary combinations on the part of the workmen to make a particular demand'.¹⁰⁴ Custom was the term used in this instance but more often the Commissioners invoked the assistance of public opinion. In preferring mediation over arbitration, they suggested that 'some outside agency... might

¹⁰² For example, *Industrial Remuneration Conference*, p. 393.

¹⁰³ A. Marshall, *Official Papers*, ed. J. M. Keynes (London, 1926), p. 227.

¹⁰⁴ *Report of the Royal Commission on Labour*, Parliamentary Papers, XXXV (1894), p. 47.

sometimes make and even publish recommendations as to the course which should be followed' and so facilitate 'what may be termed arbitration by public opinion'.¹⁰⁵ In summarising the present industrial situation the report noted with relief that 'formal collective agreements between the representatives of great associations' were 'enforceable by public opinion'.¹⁰⁶ The 'concluding observations' to the majority report's recommendations nicely capture the centrality of public opinion to its case:

A more cordial understanding, and one based on a better knowledge of the relations between employers and employed, is growing up. This better knowledge is passing outside the ranks of the combatants themselves, and is tending to spread throughout the nation; and the public opinion thus developed re-acts upon special industrial disputes and operates to bring about a pacific solution of them.¹⁰⁷

The importance of opinion outside the ranks of the productive classes is evident in this quote. Those commissioners who advocated making collective agreements legally binding did so in part because 'the judgement would be promoted by a competent authority, would be made publicly, have tangible results, and thus greatly help to form public opinion'.¹⁰⁸ An emphasis on the impact of public opinion is also apparent in some of the evidence before the Royal Commission on Trade Disputes and Trade Combinations of 1903–6. The employer Sir Benjamin Browne, whose answers were not unsympathetic to trade unions, bewailed the baleful influence of public opinion in fostering militancy:

Strikes are very much fostered by the action of outsiders and by an unhappy public opinion, which is very often and very wrongly in their favour, and of course the highest opinion in the country is that of Parliament, and to legislate to facilitate strikes is to make workmen more and more look upon strikes as the proper and right way of settling their disputes, and that applies to employers also, whereas in my mind we more and more find that the disputes can be settled without stoppages at all.¹⁰⁹

¹⁰⁵ *ibid.*, p. 49. ¹⁰⁶ *ibid.*, p. 54. ¹⁰⁷ *ibid.*, p. 113.

¹⁰⁸ 'Observations appended to the Report by the Chairman, Mr David Dale, Sir Michael E. Hicks-Beach, Mr Leonard H. Courtney, Sir Frederick Pollock, Mr Thos. H. Ismay, Mr George Livesey, and Mr William Tunstall', p. 118.

¹⁰⁹ *Evidence to the Royal Commission on Trade Disputes and Trade Combinations*, Parliamentary Papers, LVI (1906), p. 183.

Such sentiments were, however, less pervasive than the more positive conception of the influence of public opinion which has been explored in this chapter. It could be argued that commentators lauded the moral suasion of public opinion when they were confident that it would support their interests. Thus, the Labour Correspondent of the Board of Trade observed in 1889 that

if it were always easily possible to determine on what side right lies in such struggles, a powerful public opinion might do much to limit the number and duration of trade disputes. Unfortunately, however, public opinion has generally been too one-sided to act as a mediatorial agency on all occasions, for it has generally assumed, without due inquiry, that the workmen were in the wrong.¹¹⁰

The contrast with Sir Benjamin Browne's subsequent remark is obvious. It is striking, however, that they were in accord over the importance of the public's judgement. Nor is it in fact the case that attitudes to public opinion were simply determined by the calculation of whether it was likely to work in one's favour or not. This is made clear by the debates on conciliation bills and other trade union legislation in parliament between 1896 and 1906. The belief that public opinion would act justly was widespread in the Commons even amongst employers who might have reason to resent its intrusion. It was undoubtedly a view which appealed most but not exclusively to liberals. This was, of course, unsurprising given the liberal provenance of positive conceptions of the public. The debates make clear the resilience and resonance of a traditionally liberal appreciation of public opinion. The focus in what follows will be on the debates surrounding the conciliation bills of 1895 and 1896.

Speakers on both sides of the House were quick to cite the beneficial effect of public opinion in arguing for the extension of conciliation. The Tory democrat Alfred Rollitt proposed the second reading of his Board of Conciliation Bill with a paean to the 'extremely useful and able work' done by conciliation boards, in which he stressed that 'it was essential that there should be a body which, by eliciting the facts, would inform public opinion accurately, and so bring to bear upon the settlement of the dispute a force which none could ultimately resist'.¹¹¹

¹¹⁰ *Report on the Strikes and Lock-outs of 1888*, Parliamentary Papers, LXX (1889), p. 17.

¹¹¹ *Parliamentary Debates*, 4th ser., XXXVII (1896), col. 647.

Rollitt emerges, however, as a relatively tepid advocate of efforts to develop the guiding force of opinion. The conservative Francis Sharp Powell stated during the second reading of the government's conciliation bill that 'public opinion was prompt to pronounce upon one side or the other in these trade disputes, and that the side upon which public opinion pronounced must succeed'.¹¹² In a debate on the liberal bill of the previous year, Pease had assured the House that 'there was nothing which terminated a strike so quickly as public opinion'.¹¹³ Donald Crawford, MP for Lanarkshire North East, remarked in the following year that 'the force of public opinion in these cases was one of the most important elements in the question', while the coal owner James Joicey reiterated that 'public opinion was a most important matter in connection with these disputes'.¹¹⁴ It was generally agreed that public opinion would swiftly settle disputes and that, duly educated, it would do so fairly. Bryce provided the most emphatic version of the 'public opinion' argument in his contention that the board should produce reports *ex parte*, for 'as soon as the Report was published, public opinion would be so strong against the recalcitrant side that they would be compelled to consider their position'.¹¹⁵

It was perhaps the Trades Disputes Act of 1906 which most clearly enacted the principles inherent in the new emphasis on 'public opinion' as the regulator of economic life.¹¹⁶ The Act was essentially an extension of the precepts guiding the Conciliation Act of ten years earlier. As the chapter has sought to demonstrate, a full understanding of this legislation requires the recovery of the intellectual context in which such a faith in the economic impact of public opinion could seem plausible. It remains, however, to examine in detail the engagement of trade unionists and labour activists with the idea of 'public opinion' in an era in which its power was widely seen as growing in both scope and intensity.

¹¹² *Parliamentary Debates*, 4th ser., XLII (1896), col. 436.

¹¹³ *Parliamentary Debates*, 4th ser., XXXI (1895), col. 398.

¹¹⁴ For Crawford & Joicey, see *Parliamentary Debates*, 4th ser., XXXIV (1895), col. 841.

¹¹⁵ *Parliamentary Debates*, 4th ser., XLII (1896), col. 429.

¹¹⁶ J. Thompson, 'The genesis of the 1906 Trades Disputes Act: liberalism, trade unions and the law', *Twentieth Century British History*, 9, 2 (1998), 175–200.