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Imprinting Modern Liberalism: Empire, Financial Capitalism and the *Economist*, 1843-
1938

A dissertation submitted in partial satisfaction of the requirements for the degree Doctor
of Philosophy in History

by

Alexander Joshua Zevin

2013

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ABSTRACT OF THE DISSERTATION

Imprinting Modern Liberalism: Empire, Financial Capitalism and the *Economist*, 1843-
1938

by

Alexander Joshua Zevin

Doctor of Philosophy in History

University of California, Los Angeles, 2013

Professor Perry Anderson, Co-Chair

Professor Lynn Hunt, Co-Chair

My dissertation brings a new approach to studies of liberalism and empire by examining their treatment in a publication with a crucial yet overlooked stake in both, the *Economist*. Founded in London in 1843, its mission statement was tailored to the needs of the Anti-Corn Law League, then seeking to convert the City of London to Free Trade. Its own fortunes have been tied to this center of the British and world economies ever since. As such the *Economist* was soon required reading not only for bankers and merchants but also ministers and diplomats – with markets trying to price political sentiment, and everyone eager to understand market sentiment, especially in evaluating those parts of empire where the possible profits seemed great but reliable information was scarce. For this reason it provides unique and compelling answers to a set of questions about

liberalism at home and abroad. What, I ask, are the continuities and tensions between the liberal policies the *Economist* has advocated in Britain and its meticulous reports on the risks and returns of investing in and managing Britain's formal and informal empires?

That question has structured my research project in two ways. On the one hand it has meant tracking down the major thinkers who have guided the *Economist*. Most of its leading journalists have toiled in obscurity, without bylines; others are among the best known liberal writers, statesmen and economists, such as Walter Bagehot, Herbert Spencer, H. H. Asquith, John Maynard Keynes, and so on. It has, on the other hand, entailed situating them and the paper within the main intellectual controversies in the history of liberalism, always keeping in view the imperial dimension foregrounded by the *Economist* itself: *inter alia* the disjunction at mid-century between the ideal of free trade, peace and goodwill preached by the Anti-Corn Law League and the reality of wars in Crimea, China and elsewhere, New Liberalism and the critique of financial imperialism up to 1914, and the Great Depression, the gold standard and the search for collective security in the interwar years.

The dissertation of Alexander Joshua Zevin is approved.

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2013

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[Translated into French in *Agone* 44, October 28, 2010]

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The *Economist* and the Making of Modern Liberalism

As newsstand sales, subscription rates and advertisement revenues decline in unison, print journalism has entered a period of crisis that the move online, and its promised profits, has yet to alleviate. And then there is the *Economist*. While it too has suffered recent newsstand setbacks, its long-term success, particularly in the US, where the majority of its readers now reside, has become a perennial media story in itself. In 2006 when former editor Bill Emmott stepped down NPR asked bemusedly how “a magazine with a sleep-inducing title,” and “sometimes esoteric content,” could have posted a rise in readership of 13 percent in 2005 – comparable only to tabloids such as *US Weekly* and *Star*.¹ The release of its circulation figures for 2010 – 1.42 million globally, of which the 820,000 or so regular readers in the US represent a tenfold increase since 1982 – occasioned a new round of admiring treatments.² So too did the Economist Group’s ledger books which registered a three percent increase in operating profit to £58 million despite a sharp drop in ad revenue at its flagship publication. Further falls in print earnings were partly made up by digital gains in 2012, with profits at £67 million and circulation rising about 9 per cent to 1.55 million.³

These results should be compared to the industry at large, where the effects of the economic crisis since 2008 have accelerated long-term declines, especially in the US. Newspaper revenues there fell 14.6 percent in 2008 and 18 percent in 2009. Advertising sales slid another 23 percent

¹ Frank Langfitt, “Economist’ Magazine Wins American Readers,” National Public Radio, March 8, 2006, <http://www.npr.org/templates/story/story.php?storyId=5250996>.

² “The Economist Group Media Information,” accessed October 21, 2013, http://www.economistcirculation.com/abc_cert/NA%20JJ10.pdf

³ The Economist Group, 2013 Annual Report, June 24, 2013; Audit Bureau of Circulations, June 2012 Consolidated Media Report, accessed August 5, 2013, <http://www.auditedmedia.com/media/14162/economistglobal0612.pdf>.

over the same period, while circulation continued its two-decade long descent, falling 15 percent in the US and 25 percent in Western Europe from 2008 to 2012 – numbers only partly offset by a 10 percent rise in Asia.⁴ Newsstand sales for magazines, meanwhile, fell 12.36 percent in the first half of 2009, 9.1 percent in the second, with steady if less steep drops reported between 2010 and 2013.⁵ Editors and publishers at venerable but flagging weeklies such as *Time*, *Atlantic*, *US News* or the recently revamped *Newsweek* or *Business Week* have all publicly agreed on the need to emulate the *Economist*. In Europe a similar refrain echoes at *Der Spiegel*, *L'Express*, *Panorama*. Yet their British-based rival's winning blend of breezy, philistine covers, smug précis of world events, and expensive ad pages, has proven difficult to reproduce.

Among sometimes-envious journalists debate simmers over what in fact has made the *Economist* so exceptional. The *New York Times* attributed its success, given its high price relative to other news titles, to clever marketing. Its trademark red on white banners tug at the insecurities of striving readers, making the *Economist* a status symbol for the would-be well heeled. "I never read The Economist, Management Trainee. Age 42," runs one ad from 1988. Another, from 2007, quips, "It's lonely at the top; but at least there's something to read."⁶ This appraisal owes something to journalist James Fallows, whose 1991 article on the newspaper remains a rare example of bad press. The *Economist*, Fallows argued, peddled conventional wisdom to American professionals too besotted by its British accent and "Oxbridge style swagger" to know

⁴ Sacha Wunsch-Vincent and Graham Vickery, "The Evolution of News and the Internet," OECD, December 2009, <http://www.oecd.org/dataoecd/30/24/45559596.pdf>; "Fold the front page," Daily Chart (blog), *The Economist*, June 4, 2013, <http://www.economist.com/blogs/graphicdetail/2013/06/daily-chart-1>.

⁵ Stephanie Clifford, "Newsstand sales and circulation fall for magazines," *New York Times*, February 8, 2010; Christine Haughney, "Magazine Newsstand sales plummet, but digital editions thrive," *New York Times*, August 6, 2013.

⁶ Jeremy W. Peters, "The Economist Tends its Sophisticated Garden," *New York Times*, August 8, 2010.

the difference.⁷ A former *Newsweek* editor, Jon Meacham, accused it of privileging analysis over reporting. While at the *New York Observer* a laconic reporter struggled simply to open the copy he had bought. He wondered if others who claimed to read it might be pretending.⁸

The notion that social class has something to do with its success is not totally wide of the mark. According to its own figures *Economist* readers are already among the world's most secure: they are not only the richest consumers of the periodical press in the US (median household income of \$166,626 compared to just \$156,162 for the *Wall Street Journal*) and around the world ("where every third reader is a millionaire") but are prodigious consumers generally (4.7 percent were happy to spend more than \$3,000 on a watch in 2007, while more than 20 percent confessed to owning "a cellar of vintage wines").⁹ At \$127 annual print subscriptions are a luxury. The *Economist* is a status symbol with mass appeal; read by leaders of the free world, business magnates, college freshmen and, apparently, Sarah Palin.

None of these critics are entirely fair to *Economist* readers or writers, however, and none has gone far in explaining either its appeal or longevity. The *Economist* is, in fact, the oldest publication of its kind in the world, and its draw is much the same as when it started. Clear and accurate facts and figures, along with global news – at first from travelling merchants – have furnished businessmen and politicians with valuable intelligence since 1843. Its list of wholesale prices were the first ever to be published, and it continues to devote several pages to leading financial indicators, as well as some data sets that change: greenhouse gas emissions, GDP

⁷ James Fallows, "The Economics of the Colonial Cringe," *Washington Post*, Oct 6, 1991.

⁸ Tom Scocca, "Everyone copies it, but does anyone translate it?," *New York Observer*, March 19, 2007.

⁹ "Audience Advertising Categories," accessed April 2, 2009, <http://ads.economist.com/the-economist/our-audience/advertising-categories/luxury-goods/>

growth forecasts, global remittance flows, Big Mac prices. It rarely does investigative journalism; its strength has always been in delivering sharply didactic summaries and hard-to-find numbers. At the same time, its coverage is uniquely wide ranging, especially noteworthy today, as international coverage is downsized along with foreign bureaus and their reporters.

In what other weekly can one flip through a single issue to encounter articles on e-commerce in China, financial fallout in Las Vegas, peace negotiations in the Middle East, the search for life on Mars, an art museum in Qatar, and the obituary of an obscure South African explorer eaten by a crocodile? *The Economist's* ambitions have always been encyclopedic, as the full name it assumed briefly in 1845, to profit from the railroad boom in England, attests: “The Economist, Weekly Commercial Times, Bankers’ Gazette, & Railway Monitor. A Political, Literary, and General Newspaper.” For much of its history this heading was almost as long as the newspaper itself – reaching fifty pages only by the 1920s, paper shortages reduced it to a dozen in the 1940s. Today a regular issue has grown to more than a hundred. If its scope is indeed encyclopedic its ability to treat any particular issue in depth is abbreviated: with the partial exception of special surveys, articles are short. And its range is belied by relentlessness: sucked under the foaming waves by a crocodile, the unfortunate explorer’s obituary ends with an encomium to risk.¹⁰

This strong institutional character, which sees even death as an example of creative destruction, is preserved in part by a divided ownership structure. Pearson, the parent company of the *Financial Times*, controls no more than half of all shares, while the director is ultimately

¹⁰ “Hendrik Coetzee,” *The Economist*, December 29, 2010.

responsible to trustees without a financial stake in the company. In 170 years just 16 men have filled the position of editor-in-chief. Almost all under 40 they have, since the 1900s, generally threaded through Oxford or Cambridge. Another reason for its cohesion will be obvious to any reader: its articles are unsigned. With the exception of guest pieces and a departing writer's last article, the eighty or so journalists (about fifty based in its London offices) toil anonymously. Blogs have modified, without completely undoing, this journalistic cloak of invisibility. The editing process is unusually democratic and cooperative as a result, engaging the entire staff in its positions, says editor John Micklethwait. For ambitious journalists gaining entry to this English common room is a prize: collegial, well paid and, rarer still, with relative job security, the only thing missing is a byline.

Both criticisms leveled at the *Economist* and the praise of those seeking to join or imitate it have mainly focused on its distinct house style to explain its invasion of US shores. What this obscures is that its vaunted ability to grow even in difficult times is more than a matter of journalistic pride: for a newspaper that shuns state meddling in favor of market nostrums, it amounts to an endorsement of editorial policy. Thus the press has generally confirmed its self-presentation as a commonsensical advocate of the "extreme center." "The *Economist*," as a recent editorial endorsing the British Conservative Party put it, "has no ancestral fealty to any party, but an enduring prejudice in favor of liberalism." If one constant exists it is indeed this defense of liberalism, to which every editor has dutifully given his own gloss. These days they must add a proviso for their US audiences, of course, for whom liberal suggests something very different from the "classical liberal" the *Economist* has in mind. "I often feel very annoyed and

frustrated by the use of the word liberal,” Micklethwait has said. “It’s gotten completely, hopelessly messed up in America.”¹¹

The version of liberalism espoused by the *Economist* over the last three decades – the period in which globalization took off and financial markets were deregulated – has hardly altered since the financial crisis that began in 2008. If anything editors seem brasher. “Capitalism is the best economic system man has invented yet,” blared a leader in October of that year. “But in the longer term a lot depends on how blame for this catastrophe is allocated. This is where an important intellectual battle could and should be won.” Lower taxes and trade tariffs, more privatization, further public sector downsizing – these ideas needed advocates, now more than ever. By 2012 even financial deregulation was back on the agenda, the front cover evoking the London Blitz under the banner, “Save the City.”¹² These policies are part of its essential liberal worldview, it explained again, with humor, in 2013. “Liberalism’s Comeback,” featuring a rock band with William Gladstone on vocals, John Stuart Mill on bass, Adam Smith on guitar and Nick Clegg on drums, argued that the youth of today represent a generation of classical liberals, “prizing social freedom, low taxes, limited welfare and personal responsibility.”¹³

The onset of the crisis has certainly bolstered claims made by the current editor to relevance in an interconnected world. What remains to be measured is the extent to which the *Economist*’s identification with a dispassionate and independent brand of liberalism is historically born out.

The story is richer and more complex than its own editors realize. Phenomenal growth during the

¹¹ Harry Kreisler, “Globalization and the Conservative Movement in the United States: Conversation with John Micklethwait,” February 6, 2007, <http://globetrotter.berkeley.edu/people7/Micklethwait/micklethwait-con2.html>.

¹² “Capitalism at Bay,” *The Economist*, October 16, 2008; “Save the City,” *The Economist*, January 7, 2012.

¹³ “The strange rebirth of liberal England,” *The Economist*, June 1, 2013.

boom years of globalization has far deeper roots than clever style or publicity. As the press organ of the City of London its history is also that of the rise and spread of modern liberalism.

From Lombard Street to Wall Street

The Economist's “enduring prejudice” in favor of liberalism is a mark of rare constancy in a newspaper created when Britain was still the world’s sole industrial power in 1843. Founded by hat manufacturer James Wilson to oppose the Corn Laws, its commitment to free trade has always bordered on breathless. Manchester business interests, especially mill owners, considered the laws, tariffs on imported grain imposed after the slump in prices in 1815, doubly harmful by the 1830s. Not only were food prices kept artificially high, thus raising the cost to them in wages, they said, but exports were hindered, since the only way for the rest of the world to buy British textiles and other goods was for it to sell Britain farm products. Wilson was part of this class, his wealth derived from industry, not land rents, whose political power was on the rise in the wake of the 1832 Reform Act. One sign of its growing class cohesion was the Anti-Corn Law League, formed in 1839 by industrialists cum radical publicists such as Richard Cobden and John Bright, which agreed to back Wilson in launching the *Economist* four years later.

The first issue gives a fair sense of what these men put foremost in their conception of politics and economics. The *Economist* would publish, “original leading articles in which free-trade principles will be most rigidly applied to all the important questions of the day.”¹⁴ In its first two years it was true to its word, examining the deleterious effects of foreign duties on the supply,

¹⁴ “Preliminary Number and Prospectus,” *The Economist*, August 1, 1843.

quality and cost of sugar, wool, wheat, wine, iron, corn, cochineal, silk, fish, lace, coal, coffee, wages, currency, tailors, slaves and French linen. Its vision was by no means so banal, however: it encompassed the whole earth, promising, with millenarian intensity, civilization to the uncivilized as well as the merely uncivil. Abroad the prospectus saw “within the range of our commercial intercourse whole continents and islands, on which the light of civilization has scarce yet dawned;” at home, “ignorance, depravity, immorality and irreligion, abounding to an extent disgraceful to a civilized country.”¹⁵

The civilizing medium was to be free exchange, free intercourse, free trade, which “we seriously believe will do more than any other visible agent to extend civilization and morality – yes, to extinguish slavery itself.” This was nothing short of a mission, as the soaring language suggests. Its aims were universal. And it transcended the interests of those British businessmen, like Wilson, who advocated it: “we have no party or class interests or motives: we are of no class, or rather of every class: we are of the landowning class: we are of the commercial class interested in our colonies, foreign trade, and manufactures.” One day it would be as difficult to imagine protectionism, it predicted, “as it is now to conceive how the mild, inoffensive spirit of Christianity could ever have been converted into the plea of persecution and martyrdom, or how poor old wrinkled women, with a little eccentricity, were burned by our forefathers for witchcraft.”¹⁶

Over the course of the nineteenth century free trade came to form the bedrock of liberalism in Britain. The *Economist* allows us to better understand this process at home and abroad, where it

¹⁵ Ibid.

¹⁶ Ibid.

made a compelling case for what a pair of historians has called the imperialism of free trade.¹⁷ The *Economist* is illuminating in this respect because its own fortunes have been closely tied first to the City of London and then to Wall Street, the two financial centers of the two most powerful liberal democratic states of the last two centuries. For Wilson this anchorage was crucial. His own capital may have come from northern industry: he and it soon went south to earn interest, first in betting on the price of colonial commodities such as indigo, then to banking in the growing empire in East Asia. Few contemporaries – whether in search of power and money or simply trying to understand them – have doubted the importance of his newspaper as an ideological guide to the times.

Karl Marx, that eternal bogeyman of the *Economist*, read it with greater care than any of its staff seems to have his own writings. After the liberal revolutions of 1848 were defeated, Marx labored over back issues in the British Museum, trying to understand the reasons. Behind the paper and its helpful facts about the economic climate he saw an entire class, “the financial aristocracy,” and a political point of view, focused above all on order and stability. Hardly surprising, he smiled, “when every deluge threatens to sweep away the old states, and the old state debts with them.”¹⁸ Marx had a point. The social milieu of the most influential readers, and their political priorities, seem little altered since he made his observations in 1851.

The *Economist* was soon required reading not only for bankers and merchants but also ministers and diplomats – with markets trying to price political sentiment, and everyone eager to

¹⁷ John Gallagher and Ronald Robinson, “The Imperialism of Free Trade,” *The Economic History Review* 6, no. 1 (1953): 1, doi:10.2307/2591017.

¹⁸ Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte* (New York: International Publishers, 1963), 103.

understand market sentiment. With the march of time its status as a mirror of cosmopolitan capital only grew; even in the first half of the twentieth century when the liberalism it advocated seemed at a low ebb. In 1932 and 1933 Mussolini and Hitler, both keen to make good impressions on Italy and Germany's nervous creditors, invited editor Walter Layton for private tête-à-têtes in Rome and Berlin. Ten years on, his successor as editor, Geoffrey Crothers, toasted 100 years of the *Economist* at a wartime banquet packed with politicians, central bankers, economists, foreign dignitaries, smoked salmon and cigars. "Never has so much been read for so long by so few," Crowther quipped, riffing on Churchill.¹⁹ Yes, but the few that counted, he might have added, of its then 8,000 or so circulation.

Today the *Economist* is read by well over one and half million people each week. The new few do not seem bothered by this inflationary trend, however. When a world leader appears on the scene, especially one whose reputation is unknown to markets, or worse, suspected, a discreet pilgrimage continues to be made to the head office in Saint James, London. Hugo Chavez paid homage in 2001 – though editors emerged as unimpressed with his economic and political views as with his desire to “chat up the receptionists, two young black women, as if they were Venezuelan voters.”²⁰ Luiz Inácio Lula da Silva got a somewhat warmer welcome before his re-election as president of Brazil in 2006; his rigorous answers on monetary policy, debt repayment,

¹⁹ Raymond Streat, *Lancashire and Whitehall: The Diary of Sir Raymond Streat*, ed. Marguerite Dupree, vol. 2, 2 vols. (Manchester: Manchester University Press, 1987), 144.

²⁰ Michael Reid, *Forgotten Continent: The Battle for Latin America's Soul* (Yale University Press: New Haven, 2007), 159. 12/2/13 8:33 AM

privatization, pension, labor and tax reforms, and his personal vibe – he was on a diet – found to be more congenial.²¹

Revered by the men who ruled the British Empire – whether for reasons of kith and kin or dividends – so it is by their American successors. Henry Kissinger appeared in a TV ad. George H. W. Bush could be seen with a copy folded under his arm. Chuck Hagel, the secretary of defense, once told a crowd of ardent youngsters visiting the US Senate, which included the author, curious, civic-minded, eager to get on in the world, that it was the only magazine worth reading. In this flock were the sort of teenagers who wear suits to class, tiny flags pinned to their lapels, peppering mock debates, model congresses and miniature united nations with wrecking amendments, statistics and vocabulary words, like cavil. Not all readers are important, in other words, but most have designs in that direction.

And even as the world has changed, these aspirants possess certain timeless traits. Anthony Powell fills out a first sketch of a wheedling country houseguest in his epic novel *Dance to the Music of Time* when that character retires early from dinner to scan the *Economist*. Sunny Farebrother, stockbroker, entrepreneur, amateur geo-statesmen, has so annoyed his fellow diners, expiating on everything from “how best to handle the difficulties of French reoccupation of the Ruhr, especially in relation to the general question of the shortage of pig-iron on the world market” to “his opinion of professional boxing,” one of them tells him to shut up: “you are

²¹ “Brazil: Lula’s Leap,” *The Economist*, March 2, 2006; “Brazil’s Foreign Policy: Lula’s World,” *The Economist*, March 2, 2006.

talking through your hat.” Another tries to dump a chamber pot in his hatbox. Farebrother naturally goes on to attain high office – this in a book written in the 1950s about the 1920s.²²

From its founding the *Economist* has sought to explain to investors where to place their capital; and, in reverse, the political conditions by which countries can hope to benefit from such infusions. Only passing familiarity with current events is required to convey the power this connection carries – or the weight of a liberalism tailored to its specifications. A certain confidence in ordering the world, much of which used to be tucked into the folds of the British Empire, is still evident.

Liberal Confusions

Despite its ideological dominance – so complete one political scientist called its apparent triumph over communism the end of history in 1992 – liberalism has been curiously little studied, at least in historical context.²³ Two reasons stand out. The first is that liberalism has mainly received attention from political philosophers and theorists, whose strength is in conceptualizing ideas rather than historicizing them. Perhaps as a result a philological problem exists: the terms liberal and liberalism are generally used loosely and anachronistically to refer to thinkers who did not or could not have considered themselves liberals, or to ideas with only a tenuous link to what came to be known as liberalism. One way to avoid adding to this confusion

²² Anthony Powell, *A Dance to the Music of Time: First Movement*, vol. 1, 4 vols. (University Of Chicago Press, 1995), 76-77, 83, 86 -87, 104

²³ Francis Fukuyama, *The End of History and the Last Man* (London: Penguin Books, 1992).

is by giving an etymological definition of liberalism that situates its emergence in time and space.

In English the word liberal has been current since the fourteenth century – though its meaning was social and vocational as opposed to political. In *Keywords* cultural historian Raymond Williams traces its development in Britain. Liberal at first hewed closely to its Latin root, liber, as a term to distinguish free men from those of inferior rank. This is the early sense of liberal arts or liberal sciences, cultivated pursuits for men of independent means, set against the rough manual labor of the lower classes. At the same time to be liberal was (and is) to be generous, a meaning that also held a negative charge, as in unrestrained. If, by the fifteenth century, it was common to associate the word liberty with freedom, it was not until the late eighteenth century, Williams writes, that liberal was being used to affirm individual freedom.²⁴ Even then, its meaning was vague. To hold “liberal opinions,” he notes, citing Gibbon, implied open-mindedness, shading into unorthodoxy.²⁵

Williams’ linguistic detective work overlooks, in one respect, the decisive role non-Englishmen played in giving liberal its modern political meaning, however. Here the etymology tracks the

²⁴ In the fifteenth century, though, liberty was generally a permission or a privilege, a trace of which survives, “in the conservative phrase liberties of the subject, where liberty has no modern sense but the old sense of certain rights granted within an unquestionable subjection to a particular sovereignty.” Raymond Williams, *Keywords: a Vocabulary of Culture and Society* (New York: Oxford University Press, 1985), 179-181.

²⁵ Adam Smith invoked liberal in *The Wealth of Nations* (1776) to describe certain professions, or generous wages; though he also referred once to a “liberal plan of equality, liberty and justice,” that is, “allowing every man to pursue his own interest in his own way,” and once also, in a digression on the Corn Laws, to a “liberal system,” by which he meant “freedom of the corn trade.” Adam Smith, *The Wealth of Nations*, ed. Edwin Cannan (New York: Bantam Classic, 2003), 509, 681-2. Jeremy Bentham was still employing liberal in the more traditional sense in the early nineteenth century, writing of liberal educations, liberal rewards, liberal minds, but not liberal politics or economics. Jeremy Bentham, *The Works of Jeremy Bentham*, 11 vols. (Edinburgh: London: W. Taint; Simpkin, Marshall, 1843).

French Revolution of 1789 and its aftershocks in Europe. As a political noun its first use seems to date from the Spanish Revolution of 1812, at the Cortes in Cadiz, which met even as French armies occupied most of Spain. Deputies opposed to both the Napoleonic invaders and the restoration of the old absolute monarch called themselves *Liberales*; an amalgam of Jansenist clergy, untitled nobles, administrators, professors, lawyers and merchants. They drafted a constitution inspired by France in 1791, which struck at the same feudal privileges and monopolies, established rights to equality before the law, freedom of the press and property, indirect elections, a moderated monarchy and national sovereignty.²⁶

A theoretical debate around what it meant to be a liberal, however, awaited passage back across the Pyrenees. The term liberalism was first used commonly by thinkers of the French Restoration – Benjamin Constant, François Guizot and Pierre Paul Royer-Collard, mentor to Alexis de Tocqueville, among others. For them it signified a kind of compromise, between the early legal victories of the revolution and its later popular excesses.²⁷ The press was their most potent weapon. Pamphlets like *Avis aux libéraux* (1818) and *Examen du libéralisme par un libéral* (1819) urged gradual reforms within the framework of the constitutional monarchy, rejecting both hardline ultra-royalists and “Napoléonistes” as dangerous extremists.²⁸ Guizot and Constant,

²⁶ Charles J Esdaile, *Spain in the Liberal Age: From Constitution to Civil War, 1808-1939* (Oxford; Malden, Mass.: Blackwell Publishers, 2000), 31-34; Richard Herr, “The Constitution of 1812 and the Spanish Road to Parliamentary Monarchy,” in *Revolution and the Meanings of Freedom in the Nineteenth Century*, ed. Isser Woloch (Stanford, Calif.: Stanford University Press, 1996), 85-88; Stanley G. Payne, *Spain: A Unique History* (Madison, Wis.: University of Wisconsin Press, 2011), 141-145. Freedom of religion was not included by the Spanish deputies.

²⁷ G. de Bertier de Sauvigny, “Liberalism, Nationalism and Socialism: The Birth of Three Words,” *The Review of Politics* 32, no. 2 (April 1, 1970): 147–166, doi:10.2307/1406513. G. de Bertier de Sauvigny observes that in France and England the Spanish “Liberales” was first used by monarchists to impugn a wide set of radicals before being proudly adopted by some of the set so designated.

²⁸ *Avis aux libéraux, par un libéral* (Paris: Impr. de A. Bobée, 1818); *Examen du libéralisme. Par un libéral* (Paris: Delaunay, 1819); Alan S. Kahan connects this divided stance to what he calls aristocratic liberalism, exemplified, according to him, by Mill, Tocqueville and Burckhardt. Even assuming this typology has a historical basis, however, some of its features were, he concludes, shared by almost all European liberals between 1830-1870. “Liberals define

in particular, made skillful use of papers to spread “idées libérales”; the latter, in *La Minerve Française*, signing a protest letter listing these as “practical knowledge, the development of industry, destruction of prejudice...and hastening the constitutional education of France.”²⁹

In each case the adoption of the name by writers and politicians crystalized the ideological meaning of the ‘ism’. In France, this process was well under way by 1827, when liberal numbers in parliament soared from 40 to 180. Continental revolutionaries may have enthusiastically cited Britain; it was slow to catch their meaning. Wilson and his compatriots were still for the most part using liberal in a very general sense in 1843. Sound policies were always “free and liberal,” that is, tolerant, enlightened, open-minded. But the word did not yet entail a widely shared worldview.³⁰ The Liberal Party as such only emerged from the Whigs in 1859, the year before Wilson died. It was his successor and son-in-law, Walter Bagehot – three times a candidate to be a Liberal MP, his editorial take-over coinciding with the rise of the Liberal Gladstone – who began to use the terms systematically. In this Bagehot followed John Stuart Mill.³¹

themselves in opposition to both the aristocracy and the lower classes.” Alan S. Kahan, *Aristocratic Liberalism: The Social and Political Thought of Jacob Burckhardt, John Stuart Mill, and Alexis de Tocqueville* (New York: Oxford University Press, 1992), 142.

²⁹ *La Minerve française / par MM. Aignan,... Benjamin Constant, Évariste Dumoulin, Étienne, A. Jay, E. Jouy,... Lacretelle aîné... Tissot...* (Paris: Bureau de la Minerve française, Février, 1818), 4; Pamela Pilbeam, “The Growth of Liberalism and the Crisis of the Bourbon Restoration, 1827–1830,” *The Historical Journal* 25, no. 02 (1982): 351–366, doi:10.1017/S0018246X00011596.; Eric Voegelin, Mary Algozin, and Keith Algozin, “Liberalism and Its History,” *The Review of Politics* 36, no. 4 (October 1, 1974): 506–507, doi:10.2307/1406338.; Guido De Ruggiero, *The History of European Liberalism* (London: Oxford University Press, 1927), 158-171. For an excellent overview of recent literature on its distinct characteristics, see Raf Geenens and Helena Rosenblatt, eds, Raf Geenens and Helena Rosenblatt, eds., *French Liberalism from Montesquieu to the Present Day* (Cambridge, UK ; New York: Cambridge University Press, 2012).

³⁰ Jörn Leonhard “From European Liberalism to the Language of Liberalisms: The Semantics of Liberalism in European Comparison,” in *Redescriptions. Yearbook of Political Thought and Conceptual History* 8, (2004): 17-31. Leonard notes that “Liberales” was imported into England earlier from Spain, but was at first confined to descriptions of continental politics. He argues that by 1830 liberal was thoroughly domesticated; if so, its association with both reformist Whigs and moderate Tories is one indication that its political meaning was still evolving.

³¹ Mill deserves as much credit for elaborating liberalism as a doctrine in politics and economics as for fixing its modern meaning in English. Indeed, he was more precise in his use of it and related terms than many of his later

Liberal Scholars and Liberal Scholarship

Given these significant linguistic inflections it is hardly surprising that scholarship on liberalism is characterized by a certain amount of confusion. The fact that most attempts to define it as a school of thought have appeared during moments of acute uncertainty as to its future prospects has not helped matters. The first histories were from Europeans writing in the interwar period – current or lapsed liberals troubled as they witnessed economic crisis give way to political reaction on the continent. In almost every case an urgent desire to defend, defeat or refound liberalism took precedence over its careful historical framing.

In 1924 Guido de Ruggiero composed *The History of European Liberalism* under the idealist influence of Giovanni Gentile and Benedetto Croce, and in response to the rise of Italian Fascism.³² Translated into English in 1927 it is still a standard work. This is partly a testament to its novelty: the only history, before or since, to connect political, economic and intellectual

interpreters. In a letter from 1831 Mill opposed the “speculative Toryism” of Wordsworth, Southey or Coleridge, “a reverence for government in the abstract...duly sensible that it is good for man to be ruled; to submit his body and mind to the guidance of a higher intelligence and virtue,” to liberalism, lower case, “which is for making every man his own guide and sovereign master, and letting him think for himself and do exactly as he judges best for himself, giving other men leave to persuade him if they can by evidence, but forbidding him to give way to authority; and still less allowing them to constrain him more than the existence & tolerable security of every man’s person and property renders indispensably necessary.” (Mill to John Sterling, October 20, 1831, *Collected Works* 12:84). It was not until the late 1850s, however, that it began, in his letters, articles and books, to be used in the upper case to designate a historical movement of which the “advanced Liberals” in parliament were the vanguard. Mill retrospectively dated his adherence to liberalism, in his autobiography, from his first trip to France in 1821 when he was 15. “The chief fruit which I carried away from the society I saw, was a strong and permanent interest in Continental Liberalism, of which I ever afterwards kept myself au courant...a thing not at all usual in those days with Englishmen, and which had a very salutary influence on my development, keeping me free from the error always prevalent in England, and from which even my father with all his superiority to prejudice was not exempt, of judging universal questions by a merely English standard.” (Autobiography, *Collected Works* 1:63).

³² Richard Bellamy, “Idealism and Liberalism in an Italian ‘New Liberal Theorist’: Guido de Ruggiero’s History of European Liberalism,” *The Historical Journal* 30, no. 1 (March 1, 1987): 191–200, doi:10.2307/2639311.

developments in England, France, Germany and Italy since the late nineteenth century. It is today remarkable also for its devout Hegelianism. Ruggiero's reconstruction had as its explicit end point and goal a higher unity – the Liberal State – which, he predicted, would soon subsume the illiberal threats of Fascism on the right and Socialism on the left. This outcome nevertheless required revitalized Liberal parties, which depended, in turn, on “the cultural task of recalling the middle classes to a sense of the reflective and critical value of their own activity and a recognition of the universal character of their historical mission.”³³ *The History of European Liberalism* was sounding an alarm.

As the global depression deepened, liberal regimes in Italy and Germany crumbled. Ruggiero had been overly sanguine in his predictions. In 1935 and 1936, partly in response, disillusioned English radicals penned more critical accounts. *The Strange Death of Liberal England* is also considered a classic – even if its title has received more attention than its argument. George Dangerfield had a narrower period and place in mind than Ruggiero. The profound disagreement between them was, however, over the same crisis in liberalism. Dangerfield attacked the New Liberalism from which Ruggiero drew inspiration, arguing that it was saved from its contradictions only by the outbreak of the First World War: a workers rebellion, a militant suffragette movement, civil war over Ireland – all temporarily dissolved in calls for a war of national honor. “Liberalism implies rather more than a political creed or economic philosophy,” he wrote with teasing venom, “it is a profoundly conscience-stricken state of mind...the expression of everything which is respectable, God-fearing, and frightened. The poor, it says, are

³³ Guido De Ruggiero, *The History of European Liberalism* (London: Oxford University Press, 1927), 440-443.

always with us, and something must certainly be done for them: not too much of course, that would never do; but something.”³⁴

A year later in *The Rise of European Liberalism* Harold Laski also painted a darker picture than Ruggiero. Here the exposition was erudite but airy, the rise located at some point between the Reformation and the French Revolution, the challenge to religious and political authority. A new class of bankers, traders and manufacturers, meanwhile, emerged to replace landowners, ecclesiastics and warriors as “the types of predominant social influence.” Laski’s reflections were also pressed into topical service. He agreed with Ruggiero that the triumph of liberalism entailed “real and profound progress...in the productive relations it made possible...the advance of science.” But he sought to show, in contrast, that its “internal decay went back to the foundations of the doctrine.” The liberal state was a “class state,” in which particular interests hid behind universal values. “The individual for whose rights it has been zealous has always been an abstraction...its purposes were shaped by owners of property.”³⁵ A revolution of the kind extolled by Marx and Engle’s might Laski concluded, be necessary to fulfill the promises liberalism had been unable to keep.

The second wave of debate about the meaning of liberalism unfolded alongside the Cold War. These works were more temporally dispersed than in the interwar years, with an uptick to mark

³⁴ George Dangerfield, *The Strange Death of Liberal England* (Serif: London, 2012), 215-216. Dangerfield clearly wished to satirize the more positive, but always limited, vision of the state elaborated by the idealist philosopher T. H. Green and the generation of New Liberal thinkers and politicians he influenced, from Leonard Hobhouse and Bernard Bosanquet to Asquith.

³⁵ Harold Joseph Laski, *The Rise of European Liberalism: An Essay in Interpretation* (London: George Allen & Unwin Ltd., 1936), 18, 259-260. Laski’s student, C.B. Macpherson, developed a more detailed version of this thesis in *The Political Theory of Possessive Individualism: Hobbes to Locke* in 1962 – an increasingly uncommon position in the polarized climate of the Cold War.

the collapse of the Soviet Union around 1992. At the same time they were even more methodologically and geographically narrow. Consistent contributions have come from Anglo-American political theorists.³⁶ Though nominally interested in the context as well as the content of ideas, their work has been remarkably casual about their specific historical interrelationships.³⁷ Alan Ryan and John Gray are two of the most influential in this mold; their approaches shaped in large part by their shared mentor, a Russian Anglophile and émigré to Oxford, Isaiah Berlin.³⁸

In his most famous comments on the subject, ‘Two Concepts of Liberty,’ originally a lecture given in 1958, Berlin anchored liberalism in negative freedom, which he set over and against positive freedom. The first meant “non-interference,” from other individuals, a ruler, the state, a “certain minimum area of personal freedom which must on no account be violated.” Here Locke and Mill, Constant and Tocqueville showed the way. The second was part of a less helpful tradition, found in Plato and Comte, Rousseau, Hegel, Marx, and momentarily clouding the judgments even of Kant and Mill. In this conception of freedom men could, according to Berlin, be made free, in conformity with their true and rational selves, even if they did not yet desire such a transformation, by others who did. Berlin was explicit about applying this dichotomy, “two profoundly divergent and irreconcilable attitudes to the ends of life,” to the two sides in the

³⁶ An exception is to be found in the work of Italian political theorist Norberto Bobbio. His account of liberal thought is at once theoretical and historical, tracking fluctuations between its democratic principles, dating from 1789, and its focus on economic freedom thereafter, ever narrower as the emergence and spread of socialism culminated in the revolutions of 1848. See, Norberto Bobbio, *Liberalism and Democracy* (London ; New York: Verso, 1990).

³⁷ While American philosophers such as John Rawls, Richard Rorty, Ronald Dworkin, Robert Nozick and others have surely played a role in shaping modern theories of liberalism, they and the literature around them are not only too voluminous to treat here, their explicitly normative methods mean they are not part of the historical debates with which I am most concerned. Those scholars styling themselves political theorists generally profess somewhat greater interest in the relationship between the concepts they are writing about and culture, society, politics and so on.

³⁸ For Ryan’s homage and personal reflections, see Alan Ryan, “Wise Man,” *New York Review of Books*, December 17, 1998; for Gray’s, see John Gray, *Isaiah Berlin* (London: Harper Collins, 1995).

Cold War.³⁹ He was just as upfront about which side he took. Pluralism, “a recognition that human goals are many...and the negative liberty it entails, seems to me a truer and more humane ideal than the goals of those who seek in the great disciplined, authoritarian structures the ‘ideal’ of positive self-mastery by classes, or peoples, or the whole of mankind.” This last conception was an error, a contradiction, a “metaphysical chimaera,” he protested. There was no empirical reason to believe in the possibility of total human fulfillment or a final political harmony – which, according to Berlin, was the basis of Marxism. And yet, such was the power of this utopian idea, it “ruled over half our world,” inspiring “the nationalist, communist, authoritarian and totalitarian creeds of our day.”⁴⁰

Berlin arrived at these powerful historical conclusions while explicitly rejecting historical methods, among them chronology and context.⁴¹ This aspect of his style has had a profound impact on a generation of scholars, raised and educated during the climate of the Cold War, but who have outlived it. The cherry picking of ideas – generally with a view to extracting some essence of liberalism, even if that is determined to be pluralism itself – is its salient feature.

Ryan has shown some of these traits in two recent works. *The Making of Modern Liberalism* (2012) opens with an essay, first published in 1993, on the challenges of his chosen theme.

³⁹ Isaiah Berlin, *Four Essays on Liberty* (Oxford; New York: Oxford University Press, 1982), 124, 131.

⁴⁰ *Ibid.*, 171, 144, 141.

⁴¹ “Without attempting to trace the historical evolution of this idea,” Berlin began his explication of positive liberty, “I should like to comment on some of its vicissitudes.” Berlin, *Four Essays*, 144. Even Gray acknowledges that liberalism grounded in negative liberty – of which he personally approves, since it “offers the liberal intellectual tradition a new lease on life” – has little to do with historical liberalism as such. “Two of its most uncompromising exponents – Hobbes and Bentham – were not liberals,” he notes in his study of Berlin, “and many liberals, such as Kant and J.S. Mill, have held to positive conceptions of liberty such as autonomy...As the example of these two seminal liberal thinkers demonstrate, there is certainly no necessary connection between the negative view of liberty and liberalism.” Gray, *Isaiah Berlin*, 21.

Liberalism is defined by its “porosity” and “slipperiness,” he writes, conceding it to be an “awkward and intellectually insecure system.” He nevertheless proceeds, like Berlin, to set on a classical minimum to help him define it, albeit one laid down by Locke, who argued that men are “born in a state of perfect freedom, to order their actions and dispose of their possessions, and persons, as they see fit.” These preliminaries are, also in the manner of Berlin, less a way of explaining what liberalism has meant than what it ought to mean at present: “committed to democracy tempered by the rule of law, a private-enterprise economy supervised and controlled by government, and equal opportunity so far as it can be maintained without too much interference with the liberty of employers, schools, and families.” Defending these arrangements is an explicit goal. Ryan contrasts them with the only modern system to have claimed to offer an alternative, a note of triumph marking him off from Berlin. “The wholesale failure of Marxist regimes in all possible respects in effect amounts to a practical demonstration that liberalism of some kind has won.” The notion that this victory is worth celebrating also caps his sweeping history of ideas, *On Politics: A History of Political Thought from Herodotus to the Present* (2013).⁴²

Gray is the other exemplary case – his debts to Berlin deeper and his recourse to ideas more erratic than Ryan. Here a sense of his trajectory, not just his latest work, indicates how unstable is the model of intellectual history provided by Berlin. Gray has moved from *Liberalism* in 1985 to *Liberalisms* in 1989 to *Post-Liberalism* in 1993 to *Two Faces of Liberalism* in 2000. In each case, excepting the first, the term has served as the receptacle for his political imbrications of the moment. A member of New Right think tanks close to Margaret Thatcher, Gray wrote a

⁴² Alan Ryan, *The Making of Modern Liberalism* (Princeton, N.J.: Princeton University Press, 2012), 22, 41; Alan Ryan, *On Politics: a History of Political Thought from Herodotus to the Present* (London: Allen Lane, 2012).

laudatory study of Hayek in 1984, which claimed the free-market economist “gives us a defense of individual liberalism without equal in modern thought.”⁴³ As his enthusiasm for Thatcher waned by the end of the decade, however, he moved on to other models in studies of Berlin, Mill and Voltaire. Brief flirtations with Tony Blair’s New Labour ended in acrimony. Disenchantment with markets, consummated in a 1998 book on the “delusions of global capitalism,” spread to humans. Gray now took an interest in animal rights and the natural environment. A recent essay collection points to at least one continuity in this quixotic journey: an approach to ideas bordering on free association.⁴⁴ In *Heresies: Against Progress and Other Illusions* (2004) Gray posits a chain of equivalence linking Saddam Hussein, Stalin, French Jacobins, Russian Bolsheviks, American Neo-Cons, Lenin, Neo-Liberals, Al-Qaeda and Baader-Meinhof with a throwaway remark that each was inspired by the same “secular faiths of the Enlightenment.”⁴⁵

Inattention to the historical context in which ideas are formed and debated grows more pronounced the closer we come to the present. Paradoxically these are works in which the need for historicization is most obvious. Much of the scholarship considered above is an attempt to craft liberal theory by, and for, liberals. I propose instead to contribute to a historical theory of

⁴³ John N Gray, *F.A. Hayek and the Rebirth of Classical Liberalism* (Menlo Park, CA: Institute for Humane Studies, 1982), 2. For his principal contributions to the New Right in Britain and the US, originally published by the Centre for Policy Studies and Institute for Economic Affairs, see John Gray, *Beyond the New Right: Markets, Government and the Common Environment* (London; New York: Routledge, 1993).

⁴⁴ A recent volume of collected essays claims to find other enduring themes and continuities in his political theory. John Horton and Glen Newey, eds., *The Political Theory of John Gray* (London: Routledge, 2007).

⁴⁵ John Gray, *Heresies: Against Progress and Other Illusions* (London: Granta, 2004), 10-11, 14. The Enlightenment is a constant polemical target for Gray. The extent to which he invokes the term with any historical care can be gauged from – to take but one example – his denunciation of globalized capitalism in *False Dawn*, in which the US is castigated as the “world’s last great Enlightenment regime,” while “the thinkers of the Enlightenment” are said to include “Thomas Jefferson, Tom Paine, John Stuart Mill and Karl Marx.” Gray concludes in despair: “Thomas Hobbes and Thomas Malthus are better guides to the world that laissez-faire has created than Adam Smith or Friedrich von Hayek.” John Gray, *False Dawn: The Delusions of Global Capitalism* (London: Granta, 1998); 2, 207. For a sense of his subsequent anti-humanism, see John Gray, *Straw Dogs: Thoughts on Humans and Other Animals* (London: Granta, 2002); John Gray, *The Silence of Animals: On Progress and Other Modern Myths* (London: Allen Lane, 2013).

liberalism; a term I situate not with respect to any and all thinkers and statesmen who might conceivably be put in that category, but based – in the case of the *Economist* – on those who considered themselves liberals and used that term to distinguish certain political and economic ideas from others from around the mid-nineteenth century to the present.

Unchartered Territories? Liberalism, Empire, Financial Capitalism

I will argue that the *Economist* allows us to better understand certain fundamental issues and ideas in the history of liberalism – almost totally missing from the above literature – in particular the ways in which liberalism has shaped and been shaped by empire.

It remains a relatively new approach that seeks to explain the evolution of liberal political thought in Europe since the mid-nineteenth century with reference to the expansion and upkeep of empire. For a liberal tradition that still claims many proud adherents the stakes involved in this line of inquiry are high; several recent scholarly monographs make them plain. Taken in order, these works – *Liberalism and Empire* (1999) by Uday Mehta, *Enlightenment Against Empire* (2003) by Sankar Muthu, and *A Turn to Empire: The Rise of Imperial Liberalism in Britain and France* (2005) by Jennifer Pitts – helpfully remind us that major thinkers in late eighteenth and nineteenth century Britain, France and Germany either wrote extensively about empire, were involved in its administration, or both.⁴⁶ Mehta suggests the strange inattention to –

⁴⁶ Two recent and rather more trenchant works merit consideration. The first, by Jeanne Morefield is an excellent account of the way two liberal reformers, proponents of the League of Nations, Alfred Zimmern and Gilbert Murray, confronted the so-called twenty years crisis between the First and Second World Wars. She goes into greater depth than I do on the intellectual milieus out of which these figures emerged – similar to those from which editors Francis Hirst and Walter Layton did. The second, by Domenico Losurdo, is more critical of liberalism, taken as a whole, than any of the other works. Jeanne Morefield, *Covenants Without Swords: Idealist Liberalism and the Spirit of*

even denial of – this fact by historians and political theorists is itself significant for forming a theory of liberalism and its internal tensions. Setting the tone for the studies that followed, he acknowledges the burning question about liberal thought in its British context, especially vis-à-vis India. “Britain, in its self-image, was a democracy,” he observes, juxtaposing a series of liberal, progressive positions on domestic versus imperial politics, “yet it held a vast empire that was, at least ostensibly, undemocratic in its acquisition and governance.”⁴⁷ Even these largely sympathetic accounts, therefore, ask difficult questions about the apparent gap between the ideals commonly associated with liberalism – a respect for individual rights, social tolerance, limited and representative forms of government, and so on – and the realities by which liberals justified dominion over non-Europeans. As Mehta and Pitts make clear, this gap seems most glaring in the very writers who championed these liberal values at home, such as James and John Stuart Mill in Britain, and Tocqueville in France.

If the raising of this apparent contradiction is a step forward for the historiography, the explanations these scholars moot are more dubious, however. Each proposes what is in essence a rupture in liberal thought: between what is billed as its radical formative years in the late eighteenth century and its hardening imperial edge thereafter. Muthu implicitly locates the early years even further back, during the high Enlightenment – though he leaves the question of

Empire (Princeton, N.J.: Princeton University Press, 2005); Domenico Losurdo, *Liberalism: a Counter-history* (London; New York: Verso Books, 2011).

⁴⁷ “Following Locke, there was broad consensus that linked the exercise of political power with the rights of citizens,” he continues in the same vein, “and yet the existence of the empire meant that British power was overwhelmingly exercised over subjects rather than citizens.” Mehta listed these contrasts, including those between Mill’s conception of good government at home versus in India, only as apparent contradictions, however. “My point is not that the existence of the empire...and the liberal thought that emerged concurrently with it were obviously in contradiction. That claim is neither obvious, nor, I believe, ultimately true.” Mehta was, he explained, more interested in “how a body of ideas that professed a universal reach responded to the encounter with the unfamiliar.” Uday Singh Mehta, *Liberalism and Empire: a Study in Nineteenth-century British Liberal Thought* (Chicago: University of Chicago Press, 1999), 7-8.

continuity or discontinuity open, calling the anti-imperialism of eighteenth century thinkers like Rousseau and Diderot, Kant and Herder, a “historical anomaly.”⁴⁸ Jennifer Pitts offers a more clear-cut and modern version of this account. In *A Turn to Empire* she argues that two strands of liberal thought should be distinguished: an earlier iteration, posited by the likes of Adam Smith, Edmund Burke and Jeremy Bentham, critical of empire and the fitness of Europeans to rule over other societies; and a later one, eclipsing the former by the mid-nineteenth century, and which took the superiority of European minds and manners and the wisdom of their governing “barbaric races” for granted. In this latter camp leading roles went to the Mills, whose philosophical writings were funded and informed by their work for the East India Company, and to Tocqueville, ardent advocate of the conquest of Algeria in and outside the French parliament. “No explanation that rests on some set of basic theoretical assumptions in the liberal tradition can possibly explain such flexibility on the question of empire,” Pitt deduces from her periodization. “Liberalism does not lead ineluctably either to imperialism or anti-imperialism.”⁴⁹

While Pitt and the others are no doubt correct in registering a shift in attitudes to empire among leading thinkers in France and Britain as the nineteenth century progresses, the type of temporal break they propose leads them to misidentify or ignore its causes. It is telling, for example, that the earlier liberals identified by Pitts, such as Smith and Burke, would not have recognized the term, because, as I have argued, it did not yet exist – at least in its modern political or party sense. It is thus unclear whether they can be cited as evidence that liberals were capable of the

⁴⁸ Sankar Muthu, *Enlightenment Against Empire* (Princeton, N.J: Princeton University Press, 2003), 3-6.

⁴⁹ Jennifer Pitts, *A Turn to Empire: The Rise of Imperial Liberalism in Britain and France* (Princeton: Princeton University Press, 2005), 4.

profound disagreements about empire she describes.⁵⁰ It seems more cogent that from the moment liberalism began to coalesce at mid-century – into a body of thought to which it was possible to consciously claim allegiance, and a political party, with members in parliament – it has mainly taken a narrowly positive view of imperial commitments; albeit one in which, it must be noted, individual conduct of administrators, military men, politicians and businessmen could be criticized, and reforms proposed.

Liberals may have ceased to criticize the imperial project at mid-century, or to accept or even endorse it, as Pitts claims: in her account their reasons for doing so remain obscure. Their change of heart makes more sense when one considers that even the earlier liberals she identifies, among them Adam Smith, opposed aspects of imperial conquest mainly on anti-mercantilist grounds. In the eighteenth century imperialism was associated with exclusive, protected markets, and the granting of commercial monopolies, like that enjoyed by the East India Company. To the author of the *Wealth of Nations*, an eloquent exponent of free trade and the international division of labor, this was corrupt, oppressive and wasteful.⁵¹ The second half of the nineteenth century, in particular, however, appeared to demonstrate that free trade and empire were hardly mutually incompatible pursuits, and could even work in harmony together. It is clear that this was a factor in the younger Mill, for example, continuing to endorse it in India.

⁵⁰ Paradoxically, her periodization, which contends that “just fifty years later we find no prominent political thinkers in Europe questioning the justice of European empires,” misses nineteenth century figures such as Richard Cobden and John Bright, who might have backed up her point about diverse approaches to empire from within the “broad but identifiable tradition” that is liberalism. Pitts, *A Turn to Empire*, 1.

⁵¹ Book Four of the *Wealth of Nations*, in which Smith devotes chapters to the colonies and to the mercantile system, are particularly clear on this point. But references to the pernicious effects of monopoly and imperialism appear throughout. Adam Smith, *The Wealth of Nations*, ed. Edwin Cannan (New York: Bantam Classic, 2003), 537-842.

The *Economist* is most illuminating where political theory is haziest. For it focuses our gaze on the economic dimension of imperial politics – a topic ignored by Mehta, Muthu, Pitts and most other theorists, whose accounts center mainly on the ethical and cultural encounters of Europeans with non-Europeans. Yet economic arguments about empire were inseparable from its political and ethical rationales. The *Economist*, always shocked by sentiment, was unabashed about the essential morality of its vision of economic progress and the imperative to export it globally, from the start. Folding it open gives a clear view from the City of London, where transformations to capitalism were being conjured. Liberal thought did not just accompany the expansion of empire, as the recent studies observe, but the global capitalist system as we know it. Liberalism sought to explain this emerging world; if it also justified it, this was in large part on the basis of economic advance.

Perhaps the most striking feature of these epic economic changes was the rise of finance; its growing weight within the City and the British economy both a sign of fragility and an effective offset to stiffening industrial competition from Germany, America and other later developers. The last thirty years of the nineteenth century saw traditional midlands manufacturing strengths – in hardware, chemicals, glass, pottery and most especially steel and iron – decline relative to foreign rivals. The City, in contrast, increased its lead absolutely. By the turn of the century, invisible exports – dividends, interest, premiums, commissions, salaries, pensions – turned a large trade deficit in finished goods into an ample surplus.⁵² Many contemporaries noticed that during the same period imperial competition between the great powers also intensified, most clearly in the scramble for colonies in Africa. The notion that a fundamental link between

⁵² Bernard Semmel, *Imperialism and Social Reform; English Social-imperial Thought, 1895-1914* (London: G. Allen & Unwin, 1960), 89-90, 147.

finance and empire might exist was put forward at this time by liberals, most famously the economist J. A. Hobson, but also by *Economist* editors, especially those writing between the fin de siècle and the 1930s.⁵³ While historians of empire have returned, after a hiatus, to the issue of its economic determinants, no study has attempted to show their close correlation with liberal political ideas at home and imperial conquest, upkeep and reform abroad.⁵⁴ Histories of finance centered on the City, meanwhile, have almost never explored its vantage point on imperial politics.⁵⁵ Some have disputed whether political ideas or interests can be ascribed to the City at all given the sheer diversity of trades carried on there at different times. Even scholars arguing for prudence, though, acknowledge that a common set of interests did exist – “in open markets, free international trade, a stable and convertible currency, government credit-worthiness and low taxes.”⁵⁶ The *Economist* surely allows us to hazard some views about a politics minimally suited

⁵³ This position is usually associated with Marxist theorists writing in the early twentieth century who were, in fact, indebted to liberals such as Hobson for their analyses of imperialism. Francis Hirst (editor, 1907-1916) and Hartley Withers (editor, 1916-1921), both proffered their own versions of Hobson’s critique of financial capitalism as the ‘taproot of imperialism’ – without, however, renouncing the prerogatives empire as such. J. A. Hobson, *Imperialism a Study* (London: James Nisbet & Co, 1902).

⁵⁴ A shift in the economic explanations of imperialism, especially for the late nineteenth century, was signaled by the publication in 1961 of Ronald Robinson and John Gallagher’s influential opus, *Africa and the Victorians: The Official Mind of the Victorians*. For more recent studies, which engage in a nuanced and constructive fashion with their earlier contribution, in part by focusing on both the direct and indirect imperialism entailed by investment and its direction and distribution via the City, see P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London; New York: Longman, 1993); John Darwin, *The Empire Project: The Rise and Fall of the British World-system, 1830-1970* (Cambridge, UK: Cambridge University Press, 2009). Scholars paying close attention to the way political ideology, economics and empire interact are rare. This study is indebted to the few who have; for a particular conceptual debt, see Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994).

⁵⁵ Valuable new studies of finance have made great strides in relating the economic actors and activities centered in the City with cultural and political developments within Britain. For examples, see *The British Government and the City of London in the Twentieth Century* (Cambridge: Cambridge University Press, 2004); R. C. Michie, *Guilty Money: The City of London in Victorian and Edwardian Culture, 1815-1914* (London: Pickering & Chatto, 2009); David Kynaston, *City of London*. 4 vols. (London: Chatto & Windus, 1994-2001) and David Kynaston, *City of London: The History*, Abridged ed (London: Chatto & Windus, 2011). The imperial dimension continues to be marginal to this body of literature, however. Questions of political ideology are scrupulously avoided.

⁵⁶ “So diverse, fluid, competitive and prone to external pressures were its activities, and so tied to the immediate conditions and fluctuations of their specialist markets were its brokers, bankers and merchants, that the ability of the City as a whole to form a coherent policy ‘interest’ requires demonstration, rather than being taken for granted.” As Williamson observes, this cautious and empirical approach guides much recent work on the City. Philip Williamson,

to these demands. This is true not only because of who has read and written it, and the constant threading of both between the City, Whitehall and Westminster. For it has also acted as a conduit between this national nebula and the market centers and ministries of other states. *The Economist* puts us at the center of a truly global carrying trade in the history of ideas.

How to read the *Economist*

It is my contention that the *Economist* offers us a more precise and grounded way of defining liberalism than that which can be gleaned from a close reading of a few major thinkers; especially when these are considered in splendid isolation from their historical context, or the totality of their work. The *Economist* is intriguing in part because of its newspaper form, which both constrains successive generations of editors to fit their work into a liberal tradition, yet confronts them with constant, unforeseen events for which no treatise by Locke, Smith, Mill, Tocqueville or any other long departed thinker can act as a sure guide. By retracing these editors' steps we can discern which ideas, if any, have been essential to this liberalism and which have proven flexible or ephemeral. In 1943 Crowther noted just one limitation to editorial freedom – “the personality of the paper...an accumulated momentum of thought and belief which takes possession of the writer of the moment and bears him along.”⁵⁷ What to date have we been told about its personality and what is still to uncover?

“The City of London and government in modern Britain: debates and politics,” in *The British Government and the City of London in the Twentieth Century* (Cambridge: Cambridge University Press, 2004), 11-12.

⁵⁷ *The Economist, 1843-1943: a Centenary Volume* (London: Oxford University Press, 1943), 10.

Much of the rather small body of literature on the *Economist* has been written by those in its employ, or by members of their family. Mrs. Russell Barrington, née Emilie Wilson, penned biographies dedicated to the two most prominent nineteenth century editors. After volumes on Victorian painters G. F. Watts and Frederic Leighton, her travels in Greece and Dalmatia, and a romance novel, she turned in 1914 to her brother-in-law – a kindred artistic spirit, in her view – in the *Life of Walter Bagehot*. His ten volume collected works, which she edited, appeared the following year. In 1927 the *Servant of All* paid tribute to her father, James Wilson. By now the last surviving of his six daughters, she was also an active trustee of the *Economist* – and remained so even after the decision to sell the paper in 1928, when she was 87. Her final literary act was to release a cachet of love letters between Bagehot and her older sister, Eliza, in 1933.

None of her works is entirely free from what Lytton Strachey memorably satirized as the conventions of biography in the Victorian Age, “those two fat volumes with which it is our custom to commemorate the dead.”⁵⁸ The titles on Bagehot and Wilson, in particular, do contain invaluable material – from personal and political correspondence to dinner chat. But they are only briefly and indirectly about the *Economist*, with hardly any information about the historical context in which their dramatis personae operated.

The passage of time has not materially altered this neglect. James Wilson has faded from view, with the exception of a few small walk-on parts in larger works. A fine study by Anthony Howe, for example, *Free Trade and Liberal England* (1997), hints at his role in contemporary debates

⁵⁸ “Who does not know them,” Strachey continued in mock horror, “with their ill-digested masses of material, their slipshod style, their tone of tedious panegyric, their lamentable lack of selection, of detachment, of design?” Lytton Strachey, *Eminent Victorians* (London: The Folio Press, 1967), 22.

on the Corn Laws, as well as in currency, banking, trade. It suggests the need for a more focused study. Sabyasachi Bhattacharya's *Financial Foundations of the British Raj* (1971) contains a fascinating account of the time Wilson spent in India, and the forces with which he contended in "reconstructing its finances" after the 1858 Mutiny. But it necessarily misses most of his intellectual and professional arc up to then – much of which stands in stark contrast to his brief administrative transit in Calcutta. The previous scholarly work of note dates from 1959, and it suffers from a similar problem, albeit in reverse. In *English Theories of Economic Fluctuations, 1815-1848*, Robert Link allotted one chapter each to the political economy of lesser known thinkers, Thomas Attwood, Thomas Joplin, Wilson, but also Malthus, Tooke and Mill. This helpfully places Wilson in relation to a wider economic literature on business cycles – and, in his case, what these would look like without the distortion of tariffs on foreign grain. The cutoff point, 1848, however, leaves out his subsequent development: an imbrication in practical politics as a member of parliament, his efforts as a journalist and businessman, and the way his ideas changed in response to events, from the need to finance the Crimean War to reform the basis of taxation and currency in India.

Bagehot has fared better than his father-in-law. Five standalone biographies have appeared in the twentieth century. Many literary appreciations have accompanied them, usually as part of larger volumes. Yet it is in the field of politics that most has been written. On its own *The English Constitution*, first published as a book in 1867, ensures Bagehot is required reading for all scholars, or pupils, intrepid enough to inquire into the arrangements by which Britain persists in being governed. But if interest has been most enduring in Bagehot as a political theorist, the resulting scholarship has not only been uniform but extremely shallow.

The biographies suggest a possible explanation for this strange state of affairs. The first set the tone. Mrs. Barrington may have wished to fix the reverential image she had of Bagehot when she destroyed those of his letters and documents in her possession. Her successors have generally been happy to use her as a guide regardless – partly, one suspects, as admirers drawn to Bagehot by his insistence that the bulwark of effective government was the educated elites. Two such studies arrived in 1959 from journalists linked to the *Economist*.⁵⁹ Norman St John-Stevas and Alastair Buchan both aimed to be among those who ruled: Bagehot, his style “like thinking aloud,” spoke to them. St John-Stevas, parliamentary correspondent for the *Economist*, was elected MP for Chelmsford in 1964, later made leader of the House, and a peer in 1987. Buchan was born to the first Baron of Tweedsmuir, Governor General of Canada, before Eton, Christ Church – and war service – led him to journalism, and from 1948 to 1951 the assistant editorship of the *Economist*. He became director of the Institute for Strategic Studies, meant to facilitate the management of the Cold War by US and British defense experts, in 1958.

St John-Stevas penned a brief account, *Walter Bagehot: His Life and Thought*; in reality narrowly focused on Bagehot’s contrasting views of the British and US constitutions. (In 1965 he began to make a more lasting mark as editor of the fifteen volume *Collected Works of Walter Bagehot*, completed in 1986). Buchan came closer to an overview of Bagehot’s intellectual output in *The Spare Chancellor: The Life of Walter Bagehot*. But if this provided summaries of the main texts, it did little to situate them historically, link them causally, or define what Bagehot had in mind by liberalism – either as economist or “political sociologist.” The temptation to

⁵⁹ For two works falling on either side of these, see William Irvine, *Walter Bagehot* (London, New York: Longmans, Green and co, 1939); Harry R. Sullivan, *Walter Bagehot* (Boston: Twayne Publishers, 1975).

mimic the jocular, chummy tones of Bagehot has proven irresistible for those writing about him. Historian Frank Prochaska is the latest to succumb. His 2013 *Memoirs of Walter Bagehot* polishes him up for modern readers in semi-fictional form as “the Victorian with whom you would most want to have dinner.”⁶⁰

The sole exception to this sympathetic handling was from the poet and civil servant C.H. Sisson, who wrote *The Case of Walter Bagehot* in 1972 in a pique of rage against the British establishment. By far the most critical work, it is also the most analytical, and argues that Bagehot, who brought to banking, politics and poetry, the same philistine attitude common to men of affairs, embodied nineteenth-century liberalism. Sisson even discerned the modern profile of Bagehot in the Department of Employment bureaucrats who denied him the promotion that ended his career a year later, in 1973. The response from the *Economist* to this unusual attack – from the high Tory right – tends to confirm the idea that Bagehot has been the subject of favoritism: in contrast to the other authors listed above, Sisson was refused a review.⁶¹

Bagehot has yet to be carefully situated within the intellectual history of liberalism, or of the *Economist*.⁶² Indeed, with the exception of Walter Layton, editor from 1922 to 1938, no study

⁶⁰ Frank Prochaska, *The Memoirs of Walter Bagehot* (New Haven: Yale University Press, 2013), x.

⁶¹ “The *Economist*, which Bagehot edited from 1861, and which might have been expected to give some attention to a critical study of its grand ancêtre, declined even to mention the existence of the volume. Alastair Burnet, who was the editor when the book appeared, maintained that the paper ‘had fulfilled its responsibility in sending the book to a knowledgeable reviewer, and in accepting the reviewer’s opinion of it’. The reviewer was not named. Norman St John-Steve’s, the editor of the *Economist*’s own edition of Bagehot (then incomplete) had announced before he saw my book that he did not see why anyone should write a book about Bagehot if he did not admire him.” C. H. Sisson, *On the Look-out: a Partial Autobiography* (Manchester: Carcanet, 1989), 226. For Sisson’s denouncement of the “great managerial hoax,” and its effect on the ethos of public service in Britain, see C.H. Sisson, “The Civil Service,” pts. 1-3, *The Spectator*, February 20, 1971; February 27, 1971; March 6, 1971.

⁶² Some headway has been made in two recent works. Edward Beasley, *The Victorian Reinvention of Race: New Racisms and the Problem of Grouping in the Human Sciences* (New York ; London: Routledge, 2010); W. David Clinton, *Tocqueville, Lieber, and Bagehot: Liberalism Confronts the World* (New York: Palgrave Macmillan, 2003).

has been consecrated to any of the other editors at all – despite their major influence over liberalism as authors in their own right, editors and political actors and advisors.

The scholarship on its constituent personalities may be uneven: what of the *Economist* itself? In 170 years just two studies have appeared – and, still more striking, these were self-assessments, both marking publishing milestones *The Economist, 1843-1943: A Centenary Volume* collected essays from past and present editors, and a few prominent liberal jurists, historians and economists. Their work was not easy in wartime London: two years earlier the offices, printers, library and records on Bouverie Street went up in flames during the Blitz. Paper shortages meant their tribute had to be modest. On one side were contributions meant to preserve what remained of the lost records. Donald Tyerman, deputy editor, aided by veteran staff like A.H. Chapman, a statistician hired in 1898, reconstructed the careers of the editors and editorial staff. Sir John Chapman, economist and permanent secretary of the Board of Trade, provided an overview of its political and economic positions, arguing “there was no more indispensable source...for a study of the evolution of British social-economic thought since early Victorian days.” Others stressed its enduring relevance. Essays on the money market, stock exchange and trade cycle attested to the *Economist*'s pioneering financial coverage, and predicted that it would continue to be an invaluable post-war guide – whether to monetary policy, international investment, or the psychology of bankers.⁶³

The centenary volume is invaluable not just as an historical introduction, however, but also as an historical document – a testament to the way liberalism was being reconsidered in the midst of

⁶³ *The Economist, 1843-1943: a Centenary Volume* (London: Oxford University Press, 1943). These three economic essays were by W.T.C. King, Hargreaves Parkinson, and Walt W. Rostow, respectively.

the Second World War. Crowther, the editor, was particularly keen to stress the connection between the *Economist* and “the great ideals of liberal thought,” whose two unchanging principles he defined as liberty and the common interest. It was true, he acknowledged, that the meaning of liberty was itself changing. Some methods Wilson had advocated for “mental, moral and physical” progress no longer made sense. “If the ultimate aim remains the fullest expression of the human spirit, it is no longer held in any quarter today that the most direct method of attaining it is to reduce to a minimum the amount of social organization and leave the consummation to the Hidden Hand.” Crowther cited T. H. Green, the idealist philosopher who reconciled liberalism to social reform before 1914: “That man is free who is conscious of himself as the author of the law which he obeys.”⁶⁴ The “organizing powers of the state,” even when compulsory, Crowther added, were legitimate – a reminder of his role in directing government war efforts. Other authors echoed Crowther. Chapman hailed the “crossing of individualism with socialism as John Stuart Mill had looked forward to during Bagehot’s lifetime,” and the birth of a “compromise philosophy which has thrown up a liberalism with every variety of ‘plan’ and latterly a communism with a Commissar for Cosmetics.”⁶⁵

In an otherwise warm review of the centenary volume, Friedrich Hayek expressed some doubts about how much the *Economist* of 1943 had in common with that of 1843. These pleasant, lucid surveys were, he noted, “only a little marred by some over-emphasis on the continuity of the

⁶⁴ *Ibid.*, 13.

⁶⁵ *Ibid.*, 45. Crowther was posted to the Ministries of Supply, Information and Production for a year each. Sir John Chapman had helped to administer two wars: in the First World War he investigated industrial organization for the Board of Trade; in the Second, he returned from retirement – he was chief economic advisor to the government from 1927 to 1932 – to become chairman of the arc lamp carbon pool and controller of matches as well as Vice Chairman of the Central Price Regulation Committee. Many of the centenary contributors saw dual wartime service as journalists and civil servants.

political outlook, which almost suggests that the authors are a little doubtful about it.”⁶⁶ Editors today seem just as certain of their fidelity to the founding spirit of the *Economist*: what is called for is an historical investigation that does not take this as a given.

The Pursuit of Reason, the second self-portrait, was commissioned by the *Economist* in 1981 to put the seal on its sesquicentennial in 1993. This time an individual was asked to look into the matter, an Anglo-Irish journalist and crime writer who was short of money named Ruth Dudley Edwards.⁶⁷ The reasons for her selection are not entirely obvious. As a graduate student at Cambridge in the late 1960s she studied “fifteenth century ecclesiastical relations,” before decamping to the Post Office, where she worked as a marketing executive. A spell at the Department of Industry followed. Alongside these day jobs she wrote non-fiction, her goal to dispel certain nationalist illusions still circulating back home in Ireland. Biographies of Patrick Pearse and James Connolly, revolutionaries executed by British firing squads, appeared in 1977 and 1981 respectively. Edwards lamented the role both men had played in the 1916 Easter Uprising – an event she considered as morally illegitimate as the attacks carried out by the Provisional IRA. She was also at work on her first novel. *Corridors of Death* involved a permanent secretary found beaten to a pulp with an abstract sculpture in a toilet stall.⁶⁸

⁶⁶ F. A. v. Hayek, “The Economist, 1843-1943. A Centenary Volume: The Economist, 1843-1943,” *Economica* 11, no. 41 (February 1, 1944): 51, doi:10.2307/2549955.

⁶⁷ “I was so hard up at the time that if they had asked me to write the book in iambic pentameters and set it to music I would probably have consented.” Ruth Dudley Edwards, “History saved from bombs and bin-liners,” *The Independent*, September 2, 1993.

⁶⁸ Ruth Dudley Edwards, *Patrick Pearse: The Triumph of Failure* (London: Gollancz, 1977); Ruth Dudley Edwards, *James Connolly* (Dublin: Gill and Macmillan, 1981); Ruth Dudley Edwards, *Corridors of Death* (New York: St Martin’s Press, 1982).

Edwards came to the attention of the board of the *Economist* via another channel – that of books editor Gordon Lee, a friend and mentor, with whom she shared a passion for Ulster and other venerable British institutions, like the Army and Foreign Office. “In 1981 David Gordon and Andrew Knight asked me – entirely on Gordon’s say-so – to take the job,” she graciously acknowledged.⁶⁹ In some ways the study that resulted from this commendation stands as a major achievement. Granted access to “company records and personnel” by the terms of her contract, Edwards claimed to conduct almost 200 interviews, many with journalists who have since passed away. As a trove of names and dates, and in some cases for the authorship of anonymous articles, it is an essential starting point. Basic flaws in its conception and construction are, however, reflected in its ungainly final shape.

Edwards found the task more difficult than expected. Nine years after being hired barely one fifth of the book was in hand. In 1990 carpal tunnel syndrome prevented her from typing. A year passed. Friends joked that her ailment was psychosomatic. Gordon, the chief executive, and editor Rupert Pennant-Rae were less amused. As the 150th anniversary neared they supplied extra funds, physiotherapists, chiropractors, acupuncturists, accountants. Lee and three other retired editors were dispatched to help her finish. Another secretary was brought on; others were diverted from their regular jobs to work on transcripts, transfers, indexes, proofs. That Edwards was “expected to exercise her own independence and judgment,” as her contract stated, is not in doubt; whether conditions were favorable to the fulfillment of these terms is another matter.

⁶⁹ Ruth Dudley Edwards, *The Pursuit of Reason: The Economist, 1843-1993* (London: Hamish Hamilton, 1993), xiii. For examples of her light-hearted affection for the British establishment, see Ruth Dudley Edwards, *Clubbed to Death* (Gollancz, 1992); Ruth Dudley Edwards, *True Brits: Inside the Foreign Office* (London: BBC Books, 1994). For Lee’s contributions to the *Economist*, see Gordon Lee, *Ulster* (London: Economist Newspaper Ltd., 1971); Gordon Lee, *Defence-Britain’s Policy in the 70’s* (London: Economist Newspaper Ltd, 1971).

Thanks to this levee en masse *The Pursuit of Reason* did appear in 1993. But at 948 pages it was virtually inaccessible to general readers. Scholars were not better served. Careless of chronology, inattentive to political context, unfamiliar with historiographical issues, Edwards left out the information that might have made sense of the *Economist*. Key pieces are missing from almost every period: in the Victorian, an examination of empire; in the Edwardian, editor Francis Hirst on the Liberal government, whose social reforms marked the clearest possible break with Wilson and laissez-faire; in the inter-war, economic battles over the gold standard and the depression, pitting editor Walter Layton against his former classmate John Maynard Keynes; in the post-war, shifting political attitudes to the Labour Party, in which some of its former star writers, such as Douglas Jay and Nicholas Kaldor, now shone brightly. The Cold War contains particularly serious omissions. Not a word is written about Brian Crozier or Robert Moss, for example, two powerful figures pushing the paper towards confrontation with the Soviet Union. As for the present, Edwards took care to avoid it. “I did not intend to write much about the last decade or so,” she told Gordon one day. Why not? He failed to comprehend. “Because while you are actually in your jobs it would hardly be helpful to start analysing your deficiencies as a manager or Rupert’s as an editor.”⁷⁰

A study that addresses some of these lacunae is needed – one whose author is in a position to exercise their independent judgment, with no personal or professional incentive to pass over any period or person falling within the field of examination.

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⁷⁰ For her surprisingly frank discussion of these matters, see Edwards, *The Pursuit of Reason*, xi-xix.

I have ordered the chapters that follow with the aim of situating individual editors and the paper in their general historical context. In this way they illuminate the particular policies, debates and challenges to liberalism in which the *Economist* has played a major part.

Chapter 1 details the rise of *laissez-faire* liberalism at home and the laying of its imperial foundations abroad. James Wilson, the first editor of the *Economist*, played a major role in formulating both as a businessman, parliamentarian and colonial administrator. In Chapter 2 his successor and son-in-law, Walter Bagehot, a Somerset banker, affirmed the implantation of the *Economist* in the City, deepening the connection to one of its sectors in particular, finance. At the same time he expanded coverage of politics, literature and natural science to suit his wider caste of mind. Above all both chapters demonstrate how quickly and sharply the brand of liberalism embodied by the *Economist* came into conflict with some of its original backers, Richard Cobden and John Bright, over empire and imperialism. Chapter 3 shows the *Economist* at the center of intellectual debates over New Liberalism, a reaction to the domestic social consequences of the earlier version. Under Francis Hirst the *Economist* at first rejects the Liberal Imperialist strain within this reimagining of nineteenth century liberalism until the First World War drowns it in the bathos of “financial patriotism.” Chapter 4 recounts the attempts made by Walter Layton to restore an idealized pre-1914 world of Cobdenite free trade, peace and goodwill via the collective security of the League of Nations and the lowering of tariff barriers before these collide with economic depression at home and imperial threats abroad: Japanese advances in China, Italians in Ethiopia, the rise of Nazi Germany. Taking over on the eve of the Munich Agreements, Geoffrey Crowther traces the outlines of the liberal policy priorities that will prevail in the postwar, in which the relationship between the state and markets, at home and throughout

the empire is reset in favor of the latter. For each editor the City plays a crucial yet evolving role in the process of liberal political change via its presumed ability to intelligently distribute capital for global investment.

Chapter 1 - Free Trade Empire: From Hawick to Calcutta

James Wilson founded the *Economist* in 1843 with Richard Cobden and John Bright, the leading Anti-Corn Law League agitators, on one side, and a clique of Whig aristocrats, Charles Villiers, his brother George, Earl of Clarendon, and William Pleydell-Bouverie, Earl of Radnor, on the other. To the former Wilson promised a wider audience for free trade ideas than could be reached by any journal bearing the direct imprint of the League. The intended audience of the *Economist*, Wilson assured Cobden in June, was “the higher circles of the landed and monied interests.”¹ His other partners came from precisely these circles, of course, and desired a moderate, progressive journal free of the faintest traces of populism. From the Earl of Radnor Wilson obtained £500, while the League, at Cobden’s urging, and with the aim of converting both the City and the patrician countryside to Free Trade, ordered 20,000 copies.²

Wilson’s subsequent political career, and the pivotal role of the *Economist* in advancing it, traces the outlines of a liberalism situated between these supporters. Ripples disrupting the surface calm were there from the start. For just a decade or so on Cobden and Bright had a spectacular falling out with Wilson, dismissing him in letters as a “Whig valet,” his paper “dull, stupid...dishonest.”³ Their dispute erupted over empire, its compatibility with democracy at

¹ Cobden to Wilson, 22 June 1843, Wilson Papers, Manchester Central Library.

² A crucial parliamentary contest in a City of London by-election was about to pit free trader against protectionist. Anthony Howe, *Free Trade and Liberal England, 1846-1946* (Oxford: Clarendon Press, 1997), 14. Copies should be distributed, Cobden urged the League Council, to “all the leading Tories in Manchester and neighborhood...and to Ashton, Stockport, Bolton, Preston, Salford and Oldham.” Norman McCord, *The Anti-Corn Law League: 1838-1846* (London: George Allen and Unwin Ltd., 1958), 182-184.

³ Cobden to Parkes, 18 December 1855, in *Letters of Richard Cobden: Volume III: 1854-1859*, ed. Anthony Howe and Simon Morgan, vol. 3, 3 vols. (Oxford: Oxford University Press, 2012), 174.

home and free trade, peace and goodwill abroad. The Crimean War sealed their bitter split. From 1853 to 1856 all three men sat in the Commons, but Wilson, as Secretary of the Treasury, now faced the other two from the government benches. Bright lambasted British intervention as unjust and unnecessary and pointed a finger at those championing it, including Wilson and the *Economist*. The latter fired back immediately, attacking both as disloyal, irresponsible and fundamentally mistaken that City firms stood to gain from the debt-fuelled annexations that – Bright predicted – would inevitably follow the war. In the midst of the Second Opium War in 1857 Cobden complained to the editor of the *Morning Star* of the unfair fight between peace advocates and “the *money power*, created by vast sums voted for support of the standing armaments of Europe...15 or 16 millions sterling!”⁴ Bright and Cobden had launched a first salvo in the debate that was bound to divide liberal ranks repeatedly up to 1914.

The Economist is also an index of the social forces subtending these ideological tensions, and their peculiar form in Britain. Cobden, Bright and Wilson were all engaged in some facet of cloth trade: Bright and Wilson born to thriving Quaker families, cotton spinners in Lancashire and woolen manufacturers in Scotland respectively, while Cobden, son of a Sussex farmer, apprenticed to a maternal relation in Manchester, where he soon made his fortune in calico printing. Wilson may be the least known of this group, but his trajectory is most typical of the industrial middle classes in nineteenth century Britain. In the course of his rise the dissenting Wilson joined the Church of England; moved from the Scottish Borders south to London; from a home near his hat factory in Southwark to the tonier haunts of Mayfair, Belgravia and on to manors in Wiltshire and Somerset; and, for his income, from industry to financial speculation

⁴ Cobden to Richards, 15 April 1857, in J. A. Hobson *Richard Cobden: The International Man* (London: Benn, 1968), 211.

and imperial and parliamentary offices. In 1847 he entered the House, in 1853 he helped to found the Chartered Bank of India, Australia and China, and in 1859 he accepted the post of financial member of the Council of India, for which Palmerston promised him a lordship.⁵ This impressive attempt to reach the summit of the established hierarchy, not to topple it, suited the particular historical circumstances of the middle classes in Britain. As Perry Anderson has argued, since the agrarian order was already capitalist and the feudal state had been torn down in the seventeenth century, the new manufacturing class did not find it necessary to overturn either. The Reform Bill of 1832 and repeal of the Corn Laws in 1846 was the prelude to a political and economic fusion of landed, commercial and industrial classes.⁶

Cobden, on the other hand, was a victim of these circumstances, who resented and was gradually marginalized by them. “The colonies, army, navy and church are, with the Corn Laws, merely accessories to an aristocratic government,” he wrote in 1836.⁷ He wished to carry reform further than his middle class audience was willing to go – a secret ballot, an extended franchise, the end of primogeniture and land reform, disestablishment of the Churches of England and Ireland, and reduced arms budgets which, coupled with free trade, would, he maintained, mean international peace. Both Cobden and Bright saw empire as a feudal residue, with Bright mocking it and its liberal justifications, “as neither more nor less than a gigantic system of outdoor relief for the aristocracy of Great Britain.”⁸ In Cobden’s early pamphlets free trade was less prominent a

⁵ Russell Barrington, *Life of Walter Bagehot* (London: Longmans, Green & Co, 1914), 286.

⁶ Perry Anderson, *English Questions* (London ; New York: Verso, 1992), 21-22.

⁷“Corn laws are a part only of a system in which Whig and Tory aristocracy have about an equal interest.” Cobden to Dick, 7 October 1836, in Richard Cobden, *The Political Writings of Richard Cobden* (London: Cassell & company, 1886), 2.

⁸ John Bright, *Speeches on Questions of Public Policy*, ed. James E. Thorold Rogers, vol. 2 (London: Macmillan & co, 1868), 382. Cobden had mocked the supposed rationale for Palmerston’s foreign policy in similar terms in a

theme than the evils of foreign intervention. By the 1850s he was fed up with his former brothers-in-arms, who seemed bent on practicing the latter in the name of the former – while moving glacially on reform at home. “The great capitalist class formed an excellent basis for the Anti-Corn-Law movement, for they had inexhaustible purses, which they opened freely in a contest where not only their pecuniary interests but their pride as ‘an order’ was at stake,” he reflected somewhat ruefully in 1857. “But I very much doubt whether such a state of society is favorable to a democratic political movement.”⁹

Wilson came out the winner in these tussles. By reinserting him and the *Economist* into the political debates that soon divided them from Cobden, in particular, we learn more about the reasons for this victory, and where it places the dominant locus of liberalism in Britain – with the government a long corridor between City and the Empire.

From Hawick to London and the League

James Wilson sat for more than one portrait. He was shy, apparently, and may have felt uneasy about the conceit, for in each case, whether the medium was a painting, etching, photo, or marble bust, he wears the stern look of a schoolteacher who is not amused. His brow is furrowed; his

speech to the House in 1850. “It is said, however, that the noble Lord [Palmerston] goes abroad as the champion of liberalism and constitutionalism. But I cannot fall into this delusion.” Richard Cobden, *Speeches on Questions of Public Policy*, vol. 2 (London: Macmillan, 1870), 227. Of the two men Cobden was the steadier anti-interventionist. Bright accepted the British Raj as a matter of fact: “We do not know how to leave it and therefore let us see if we know how to govern it.” In 1886 he broke with Gladstone over Irish Home Rule, telling a Birmingham audience, “I will never surrender to a Parliamentary party from Ireland, one half of whom have the dollars in their pockets subscribed by the enemies of England in the United States.” He also feared a “restoration of protection in Ireland” should it be granted a measure of self-rule. Gladstone was sure that had Cobden been alive he would have sided with him. Donald Read, *Cobden and Bright: a Victorian Political Partnership* (London: Edward Arnold, 1967), 191-209.

⁹ Cobden to Palmer, 9 August 1857, in Hobson, *Richard Cobden*, 194.

tiny black pupils stare out of deep sockets, as if from the bottom of dried up ink wells; he pinches his thin lips shut. Perhaps this expression was a teenage acquisition. At 14 Wilson had thought of emulating his austere instructors at a Quaker school in Ackworth, where, an aunt recalled, he was “exceedingly clever...but never excelled in play.” He soon thought better of it. After a year at an Essex seminary he wrote home, “I would rather be the most menial servant in my father’s mill than be a teacher.”

Home was in Hawick, a busy town in the Scottish Borders, whose River Teviot powered the textile mills that sprang up along its banks in the 1700s. One of these was owned by William Wilson – with no intention, however, of letting any of his numerous children work there as servants. His wife Elizabeth died giving birth for the fifteenth time in 1815, leaving five surviving daughters and five sons, of whom James, born in 1805, was the fourth. He and his older brother were apprenticed to a hat maker, a business their father eventually bought for them. It was during this period, from ages 16 to 19, that Wilson seems to have read most of the authors from whom he would later draw as editor. Adam Smith, James Mill, Thomas Tooke, David Ricardo and the Frenchman J.B. Say supplied a mix of moral philosophy and political economy.¹⁰ The title he later chose for his paper indicates how far these fields of inquiry overlapped. “Economist” had yet to acquire its modern meaning; its sense was “the economizer,” he who does not waste money and manages resources efficiently. Wilson was a fine example. At

¹⁰ In reply to a “reader of the Economist, Hawick,” Wilson produced a list of the “best books on Political Economy:” “Smith’s *Wealth of Nations*, McCulloch’s edition; the *Works of Mons J.B. Say*; Ricardo’s *Principles of Political Economy and Taxation*; Mill’s *Political Economy*; Tooke’s *History of Prices*, and Porter’s *Progress of the Nation*. Smith’s *Wealth of Nations as fixing fundamental principles*; Tooke’s *History of Prices*, and Porter’s *Progress of the Nation*, as the most interesting, entertaining, and instructive practical applications of those principles, are most strongly recommended as the best books for the common student.” “Correspondence and Answers to Inquiries,” *The Economist*, 11 November 1843.

19 already a busy, practical man of affairs, he was even frugal with his philosophy: after his intellectual and industrial training as a teenager was over he avoided further reading.¹¹

In 1824 he and his brother left Hawick to set up in London, each with a further £2,000 of paternal capital in pocket. The teaching profession now seemed very remote from his ambitions. Wilson married Elizabeth Preston, and into a line of Yorkshire gentry then living in Newcastle, members of the Church of England, in 1832. He was not the first or last dissenter to convert to Anglicanism, opening the way for his nuptials and a career in politics. By 1837 Wilson had amassed a small fortune of £25,000. But, in a sign of where his own business interests were moving, that year he lost most of it betting on the price of indigo, which fell when it was meant to rise. The hat firm was on the line: in a general economic panic, with unlimited liability, he rushed to satisfy its creditors. He managed, just, though the manner in which he mortgaged certain assets to raise capital later raised awkward questions as well – at least at one campaign stop, in Devonport.¹²

Wilson was too practical to despair over these setbacks. Instead he began to investigate what he saw as their general cause, the Corn Laws, which quickly drew him into the orbit of Northern industrialists and radicals intent on waging a great political battle to repeal them. He met Richard

¹¹ Bagehot described Wilson's intellectual pursuits, after leaving school, in a memorial in the *Economist*. "He did not, however, lose at once his studious predilections. For some years at least he was in the habit of reading a good deal, very often till late at night. It was indeed then that he acquired most of the knowledge of books which he ever possessed. In later life he was much too busy to be a regular reader, and he never acquired the habit of catching easily the contents of books or even of articles in the interstices of other occupations. Whatever he did, he did thoroughly. He would not read even an article in a newspaper if he could well help doing so." Walter Bagehot, "Memoir of the Right Honorable James Wilson," in *The Collected Works of Walter Bagehot*, ed. Norman St John-Stevas, vol.3, 15 vols. (London: The Economist, 1965), 3: 324.

¹² Walter Bagehot, "Memoir of the Right Honorable James Wilson," in *The Collected Works of Walter Bagehot*, ed. Norman St John-Stevas, vol.3, 15 vols. (London: The Economist, 1965), 3: 326-328

Cobden, calico printer and liberal publicist, as the Anti-Corn Law League came together in Manchester in 1838.¹³ That year Wilson wrote his own polemic, his first, which Cobden praised and quickly reprinted. Already apparent was a divergence between them, both temperamental and tactical, however, which the *Economist* would exacerbate. The very idea for the paper, as well as the friends needed to start it, arose out of *Influences of the Corn Laws*.¹⁴

In it, Wilson denounced the “violent spirit in which all parties have conducted their arguments,” setting out to explain how duties on foreign produce were harmful – first and foremost – to landed and agricultural interests. High prices ensured by protective tariffs encouraged farmers to over-cultivate during good times, only to see their surplus grain molding during subsequent crashes. Worse, falling prices meant a reverse cycle of abandoned fields and diminishing investment. As prices began to rise again the home grower had little to sell; foreign wheat was then called in and it reaped the profits. Landowners suffered nearly as much, faced with the unpalatable options of accepting steeply reduced rents, ruining their tenants without being able to find new ones, or taking over the fields themselves.¹⁵ Manufacturing interests would also be served by reform, though not in the way many Leaguers assumed. Repeal was unlikely to lower the price of provisions and reduce the cost of labor. Quite the contrary, argued Wilson, since prices were bound to rise in step with the general prosperity attendant upon a more productive

¹³ Henry Donaldson Jordan, “The Political Methods of the Anti-Corn Law League,” *Political Science Quarterly* 42, no. 1 (March 1, 1927): 60-61, 66, doi:10.2307/2142860. By 1843 the League aimed to reach 300,000 of the 800,000 people who could vote in Britain, or just slightly more than the number enfranchised in 1832, by mailing literature directly to them. Its impressive organizing zeal was fueled by deep pockets: in 1844 and 1845, for example, it spent over £110,000.

¹⁴ Wilson waded into other controversies. For a summary of his economic tracts on currency and trade, see Robert G. Link, *English Theories of Economic Fluctuation 1815-1848* (Columbia: New York, 1959), 102-126.

¹⁵ James Wilson, *Influences of the Corn Laws as Affecting All Classes of the Community, and Particularly the Landed Interests* (London: Longman, Orme, Brown, Green, and Longmans, 1839), 17-18, 37.

application of labor and capital and the rise in exports to the now unfettered producers of primary goods abroad.

The pamphlet was a tactical triumph. Wilson directly addressed landowners, whose grip on parliament was the main obstacle for repeal, but without railing against them. Free Trade was a simple matter of self-interest, for the aristocracy as for any other class, he explained. A group of notable Whig politicians were quick to get the message. After the Prime Minister, Sir Robert Peel, quoted the pamphlet, lordly letters never ceased. Charles Villiers asked for help drafting his annual motion for repeal in the House, a solitary ritual, usually voted down by a margin of several hundred. Would Wilson, he added, be kind enough to call on his brother, the Earl of Clarendon, at the Athenaeum Club? William Pleydell-Bouverie, Earl of Radnor, wrote from Longford Castle asking for arguments he could use against the surrounding squires.¹⁶ One drawing room after another, in town and country, flung open its doors.

Cobden alone had a small criticism. “I think you have lost sight of one gain to the aristocratic land-lords,” he wrote, “the *political* power arising out of the present state of their tenantry – and political power in this country has been pecuniary gain.”¹⁷ Cobden saw real interests at stake, not just the finer points of political economy. A fair objection, but one that misunderstood Wilson; his pamphlet was not just an exercise in persuasive rhetoric but political positioning. Cobden lapped his audiences into whoops and cheers. He actively sought out workers to join the League, eventually promising them the vote, if little by way of actual legislation for improving their lot.

¹⁶ Barrington, *The Servant of All: Pages from the Family, Social and Political Life of My Father, James Wilson: Twenty Years of mid-Victorian Life*, 2 vols. (London: Longmans, Green and Co. Ltd, 1927), 16-23.

¹⁷ Letter to James Wilson from Richard Cobden dated May 3, 1839, quoted in Barrington, *The Servant of All*, 27.

Wilson disliked noise, thus most public meetings, and “felt a very distinct repugnance for the Chartists.” He had different weaknesses. Among these was a fondness for nobles, with whom he shared certain ideas about the lower orders.¹⁸ Here was another reason for the success of his pamphlet on the Corn Laws, its prose style growing most colorful when describing the threat from below.

Price fluctuations on primary foodstuffs were most regrettable for their effect on “the moral and political condition of the laboring population of all kinds.” No one can forget the terror and dismay which swept the countryside during the last crisis: “the awful and mysterious midnight fires...anonymous letters and all their threatenings; secret societies to fan and inflame the worst passions; highway robberies and personal attacks.” And all this carried out by the indigent peasants whose miseries “were really much more apt to excite our pity than our blame.” Factory workers were, he insisted, even more cruelly used – lulled by the “temporary possession of comforts and luxuries far beyond what their average condition will enable them to support.”¹⁹

Wilson sympathized. He understood, implicitly, “sweets once tasted, advantages once enjoyed, are not easy to relinquish.” In certain districts, things had progressed to the point where oatmeal or barley had been substituted by wheat-flour, “as being at the moment from unnatural causes as cheap.” Is it any surprise then that riots break out – “murderous scenes which have disgraced our

¹⁸ Wilson said the League meeting he attended at the Drury Lane Theatre in 1839, with Cobden, Bright, O’Connell, Milner, Gibson and others, was “not to his taste, and...he would be sorry to see other political questions settled that way.” He complained of “Manchester School extremists,” who made speeches pitting “class against class.” Cobden was an exception, noted Wilson’s daughter, though “he naturally viewed the doings of the League, which was his own child so to speak, with more tolerance than did my father and his friends. Cobden even did not entirely scout the Chartists’ creeds and doings, but to my father they seemed little less than criminal and most baneful to any real progress.” *Ibid.*, 30, 41.

¹⁹ James Wilson, *Influences of the Corn Laws*, 47.

manufacturing districts?” Or that workers should be pushed to extremes, “otherwise distinguished for their patient, persevering industry and ingenuity, and which have won England triumphs more glorious, territories more extended, and influence more respected, than she ever obtained by her most dazzling military achievements”?²⁰ Mere contemplation of its deluded taste for finery was enough to prompt Wilson to lay aside statistical analysis in favor of panegyrics to the English working class.

Praise for the unwashed masses, kept far away, of course, both from author and levers of power, endeared Wilson to a liberal group of Whigs put off by the League as well as the barely suppressed hostility of Cobden. The Earl of Radnor was especially fraternal. He nominated Wilson to the Reform Club in 1842, and found him Westbury, a parliamentary seat, in 1846, where Wilson managed to defeat the Tory Matthew Higgins, a West Indian planter and protectionist pamphleteer, by 21 votes. In the interim Radnor and Villiers pressed Wilson to start a paper, an “*independent organ*,” they stressed: independent, that is, of the League, but sharing its goal of ending protection on the importation of grain. Wilson saw a main chance and a problem. If Villiers promised him funds to get it off the ground, he still needed the League to furnish the subscribers. The leaders of the latter would require persuading.

By now Cobden and Bright were secure in parliament, sent from Stockport and Durham respectively. Cobden was wary. Newspapers were “*graves de fortunes*.” Wilson worked another angle, bringing Radnor to back him up at a meeting in London with John Bright and George Nelson. Bright wanted any new circular to be put out by the League. “My paper would not do for

²⁰ Ibid., 108, 48.

that purpose,” Wilson replied, “mine must be perfectly philosophical, steady and moderate; nothing but pure *principles*.” That was the only way to reach the free trade holdouts, he added – landowners, and the “monied interests” of the City.²¹ Cobden and Bright eventually agreed.

To ensure the success of his venture Wilson imposed some drastic personal economies, recalled his youngest daughter, renting out one of his homes, where he ordered a halt to pineapples in the hot houses. He shipped his wife and six daughters to Boulogne to take the waters, dismissing all servants in their wake, except the nurse, the maid, the housekeeper and the errand boy. With upper and middle class bases covered Wilson set to work launching his career as an editor and soon thereafter Member of Parliament.

The Economist in Parliament

Wilson’s profile rose instantly. His political prospects widened. He made new friends. He now found himself in the nexus of information and influence swirling between Whitehall, the City, and the furthest commercial outposts of empire. His letters give an extraordinary sense of his sources. Essentially, the *Economist* was drafted from high level leaks, read by some of the same leakers – merchants, bankers, landowners and above all politicians, who were often all these things at once.

The Irish Famine provides the earliest and clearest evidence of this circulation of ideas. It was a major topic for the *Economist*, partly because free trade was meant to alleviate the grinding

²¹ James Wilson to Eliza Wilson, 23 June 1843, in Barrington, *The Servant of All*, 68; Howe, *Free Trade and Liberal England 1846-1946*, 14.

poverty and hunger of the Irish, which, liberals assumed, would follow from the availability of cheap imported grain. Peel had acted in this belief when he finally reversed himself and supported the gradual phasing out of the Corn Laws in 1847. Ireland was, therefore, a test case for the benefits that both Cobden, Wilson and almost any member of the League had expected to flow from freer trade.

Lord Clarendon, Viceroy of Ireland, was in constant touch on the subject, feeding Wilson data on the famine, from potato yields to confidential reports on Poor Law returns printed exclusively for the cabinet. This worked both ways. On taking up his post, full of optimism, Clarendon asked for *Economist* articles on landlord-tenant relations. Did Wilson have “any hints” on the ideal form of lease? A few months later he asked Wilson to “prepare the public mind” for his plans to effect large scale emigration out of Ireland.²² As one ostensibly liberal policy after another failed to do much good, or was rejected by the cabinet, however, both men agreed on the resort to market forces and repression.

After thanking him for articles, “exhibiting your accurate knowledge of Ireland and friendly feeling towards myself,” Clarendon vented, “I feel like the governor of an ill-guarded jail.” The Outrage Bill, giving him special powers to suppress rebellion, was a “complete success.” Still, he regretted its necessity. “They have been made a nation of political gossips instead of agricultural labourers, and as they sow idleness so they reap misery.” *The Economist* desired even more firmness. “I am curious to hear how your articles have been received by the middle classes in

²² Clarendon to Wilson on July 29 1847, August 30 1847 and December 22 1847, in Barrington, *The Servant of All*, 122-123, 129-130.

England,” Clarendon inquired, “and whether they are prepared to go your lengths. Pray let me know this as it may to a certain extent guide my proceedings.”²³

The virtuous circle of insider knowledge and political influence was closed when Wilson won a seat of his own in the House in 1847. He attended constantly, spoke regularly and sat on the very committees – commercial distress, banking, currency, life insurance –crafting policies advocated by the *Economist*. He gained office in just a few months. As Financial Secretary to the Treasury he assisted Gladstone in drafting his first budgets. To these monuments of fiscal minimalism he contributed the consolidation of the customs: making fewer, simpler and more transparent import rules, a demand from City merchants. Wilson and the *Economist* began to play a key role in crafting government policy as the latter addressed itself to the task of transforming British shipping and banking in line with the requirements of free trade and imperial mastery.

Aristocratic politicians a little unsure about the rudiments of political economy leaned on Wilson. The Duke of Wellington, keeper of order on the high seas and at home, required a private tutorial before agreeing to let repeal of the Navigation Laws pass the Lords. To label the Duke a friend of liberal ideas would be wide of the mark, however. Railroads, for example, to say nothing of the franchise, caused him great unease; he felt sure that workers would exploit them to move about the island. Still, he was very helpful. Lord Palmerston took his lessons on early morning strolls back from the House; his amusing banter more than making up for the “belligerent propensities.”²⁴ Wilson wished these intimacies to carry into the countryside. So he bought land and a home in Somerset and brought his brood back to live there. Horse rides,

²³ Clarendon to Wilson, 7 June, 1848 and 26 September, 1848, in Barrington, *The Servant of All*, 139-140.

²⁴ Barrington, *The Servant of All*, 156, 199; Bagehot, *Collected Works*, 3: 332.

ponies for the girls, acts of gentlemanly benevolence – judging sheep contests – rounded out the days.

For Wilson the personal and professional gain from these arrangements was obvious. One commercial treaty could be the subject of an article in the *Economist*, a speech in the House, furnish material for committees, which then supplied fresh data for next issue. Sir George Grey passed him colonial news: Guiana, the Cape, a lecture from Lord Elgin on “the progress of Upper Canada,” and countless more items. Lord Howden paid him a visit before setting sail for Argentina and Brazil to negotiate lower duties on foreign sugar (the latter country the largest grower and, regrettably, user of slave labor), promising to send him news of his progress. Wilson then drafted arguments for Grey to “show the success of our sugar measures,” at home and even in the West Indies.²⁵

After a rough first year the *Economist* was profitable and pursuing the government line. It had, moreover, delivered on its stated promise – to publish “original leading articles in which free-trade principles will be most rigidly applied to all the important questions of the day.”²⁶ In the first two years the paper explained the deleterious effects of foreign duties on the supply and cost of sugar, wool, wheat, wine, iron, corn, cochineal, silk, fish, lace, coal, coffee, wages, currency, tailors, slaves and French linen. Articles were tenacious applications of laissez-faire to all facets of social, economic and political life.

²⁵ Barrington, *The Servant of All*, 204-205, 209, 88. The West Indies’ economy was devastated by the loss of special tariffs for its sugar, grown by ex-slaves. Brazil still used slave labor and could produce for less.

²⁶ “Preliminary Number and Prospectus,” *The Economist*, 1 August 1843.

Legislation seen to interfere with that application was not looked upon kindly. The 1844 Railway Act was intolerable. In obliging rail companies to provide a third tier of service for working class passengers once a day (who had formerly to travel in exposed freight cars), the government had meddled in a problem best left to competition. The Factory Act of the same year limiting child labor to nine hours a day was outrageous; proof that “no consistent medium between *perfect freedom* of capital and labour, and that principle which would regulate wages, profits, and the whole relations of life by acts of legislation – between perfect independent self-reliance and regulated socialism – between Adam Smith and Robert Owen,” was possible. Marx, a devoted reader, could not help mocking Wilson for what seemed an extreme stance, whether from the point of view of political economy or morality.²⁷

Even reliable free traders sometimes let their hearts get the best of them, according to the *Economist* under Wilson. Was it moral to trade with slave-holding states, for example, asked the abolitionists? Was it fair, put in certain merchants? *The Economist* was not in doubt. A boycott would hurt British consumers, and slaves, and do little for abolition. It would decimate foreign trade: half was in textiles, most of it spun from slave cotton. To really help slaves, and encourage masters to offer them wages, the answer was – free trade. Britain could do its part by ending special treatment for its own colonies, which practically forced others to use slaves as a way to

²⁷ “The Inconsistencies of the Late Debates,” *The Economist*, 30 March 1844. In *Capital*, Volume I, Marx noted, “James Wilson, an economic mandarin of high standing,” had reused the old arguments against limiting child labour; this time to defeat the Ten Hours’ Bill (in the *Economist* of 15 April 1848). A reduction in the working day was unlikely to cost the capitalists their surplus profits, Marx argued. Nor was he convinced of the sincerity of those capitalists who buttressed their economic case with moral appeals. In 1844 these had consisted in showing “that if children under 18 years of age, instead of being kept the full 12 hours in the warm and pure moral atmosphere of the factory, are turned out an hour sooner into the heartless and frivolous outer world, they will be deprived, owing to idleness and vice, of all hope of salvation for their souls.” Karl Marx, *Capital. A Critique of Political Economy Volume One* (London: Penguin in association with New Left Review, 1990), 11n, 336-338n.

stay competitive.²⁸ We have already discussed the Irish Famine, another issue apt to incite irrational and humane feelings.

If political liberalism was highly circumscribed during the Wilson years – no Home Rule for Ireland, no expansion of the franchise – it was also rather neglected. Suspicion of democratic forms was mainly directed against the Chartist rabble, but reinforced by two foreign factors. Aggressively protectionist, the United States suggested that young New World republics were no more likely than Old World monarchies to practice free trade: this made it difficult to arouse enthusiasm about it.²⁹ Closer to home, the revolutions of 1848, which briefly convulsed Europe, inspired alarm rather than indifference.

“The Fermentation of Europe,” surveyed this landscape. France was lost: too many state employees, no respect for property (or credit: deposits had been frozen), and obsessed by the wrong kind of freedom, “equality...without the slightest care for personal liberty...the right of unfettered action and speech.” Italy and Germany had hope: in the former “the revolution has been effected by all classes, led by the nobles, and consecrated by the priests,” in the latter “an honorable people...seek concessions from their rulers,” not their overthrow. England was safe, its administration localized, not central, “order is beloved; property is sacred; we respect the rights of others.” Wilson was even more scathing in private on the contrast with the French, “a weak,

²⁸ “Our Brazilian Trade and the Anti-Slavery Party,” *The Economist*, September 16 1843; “Superior Value of Free Over Slave Labour,” *The Economist*, 30 December 1844, 4-5. In light of these pieces, and the fact that slavery had already been abolished in the British colonies by 1833, it is unclear to what John Micklethwait was referring when he said, in an interview at UC Berkeley in 2007, that *The Economist* had “fought against slavery.”

²⁹ “Republicanism and Free Trade,” *The Economist*, 17 August 1844.

puerile and despicable race...the only thing that will do them good is the iron grasp of a sturdy but wise despot.”³⁰

New Duties and New Recruits

As politics took up more of his time Wilson delegated some *Economist* writing chores to others. His protégés tended to be just as ambitious as him, albeit younger, poorer and somewhat more eccentric. For the first time they brought to the paper theories of social evolution, justifying the *laissez-faire* liberalism Wilson extolled but from a new vantage point, as an extension of the scientific laws of nature. Herbert Spencer, who became its most famous theorist, joined the newspaper in 1848. He would later avail himself of Lamarckian theories of evolution, turning also to Darwinian “natural selection” after 1859, to develop a set of positivist arguments about social and moral development. These he claimed to derive from a more general theory of the cosmos, however.³¹ He coined the term “survival of the fittest,” often mistakenly attributed to Darwin himself – in reality a supplement to the Malthusian arguments of the classical economists, meant to show, in the words of one historian, “the individualistic competitive society of Victorian England had been ordained by nature and was the sole guarantor of progress.”³²

³⁰ “The Fermentation of Europe,” *The Economist*, 1 April 1848. Grey and Lansdowne wrote to congratulate him on this leader, which seems to have been written by Greg. Wilson confided his disdain for France to George Lewis after visiting Paris in December 1848. See, Barrington, *The Servant of All*, 142-144.

³¹ Geoffrey Hawthorn, *Enlightenment and Despair: A History of Social Theory* (Cambridge University Press, 1987), 91.

³² Bernard Semmel, *Imperialism and Social Reform; English Social-imperial Thought, 1895-1914* (London: G. Allen & Unwin, 1960), 29-31.

Before these discoveries, though, Spencer was 28, working and sleeping in the *Economist* office on the Strand. As sub-editor, the post obtained via his uncle, a radical rector and a friend of Wilson, he was in charge of putting the paper together from 1848 to 1853. He does not appear to have contributed many of his own pieces. But he did soak up the atmosphere, even if he preferred going to the opera, or crossing the street to see *Westminster Review* editor John Chapman. Through him Spencer met the leading radical writers of the day, and a publisher for his first book.³³ *Social Statics* (1850) was a defense of the minimal state and negative rights grounded in natural law. Its style was direct and flip and read exactly like an *Economist* leader. The interventionist hand of the state was slippery: what began with “tax paid teachers” was bound to end in doctors and scientists, “government funerals,” and things so absurd only the French could have dreamt them, “public ball rooms, gratis concerts, cheap theatres, with state-paid actors, musicians, masters of ceremonies.” Meddling with the prevailing order upset the natural processes of adaptation and development: “principles that show themselves alike in the self-adjustment of planetary perturbations and in the healing of a scratched finger – in the balance of social systems and the increased hearing in a blind man’s ear – in the adaptation of prices to produce and the acclimatization of a plant.”³⁴ It had a utopian element, imagining sexual equality, progressive education, and an end to private land ownership as the goals of a perfect society. This last point was a bit too rich for his colleagues on the *Economist*, which noted, in an otherwise glowing review, “the right of each individual is not to use the land...but each to use his own faculties.”³⁵

³³ For his time at the *Economist*, see, Herbert Spencer *An Autobiography*, vi (Williams and Norgate: London, 1904), 329-330, 333, 341-343; David Duncan, *The Life and Letters of Herbert Spencer* (London: Methuen, 1908), 56-62.

³⁴ Herbert Spencer, *Social Statics: Or, The Conditions Essential to Human Happiness Specified, and the First of Them Developed* (London: J. Chapman, 1851), 286, 294.

³⁵ “Literature,” *The Economist*, February 8 1851.

William Rathbone Greg was another of this promotion, mixing many of the same ideas as Spencer into his leaders from 1847 to 1856. Greg had met Darwin before Spencer, in fact, when, as classmates at Edinburgh, both had joined the freethinking Plinian Society. But whereas Spencer stressed the internal dynamics of Social Darwinism – the struggle for survival in nature applied to the economic life of individuals within the nation – Greg pushed it in other directions: to the competition between races and nations and even the sexes. It was this version, very often opposed to that of Spencer, which had a major impact on the next editor, Bagehot.

Greg was behind some of the most ardent *laissez-faire* leaders, applied – seemingly indiscriminately – to the Irish, the Gospels, the working class and women. Like Wilson he was the son of a mill owner turned publicist for the League. But he was still more conservative (against electoral reform, after losing an election), while indulging in more Victorian symptoms and mystic fads than Wilson would have thought decent. He was a mesmerist, claimed to be able to magnetize livestock, and experienced melancholia, dyspepsia, neuralgia and vapors. He fused sexual longing with repression, and abhorred fornication, especially in women. Under similar pressures his wife and brother both went mad.³⁶ Not Greg. He soldiered on, consoled that these and other traits could be discerned from inspection of the human skull – something he was glad

³⁶ William R. Greg, *Enigmas of Life*, 18th ed (London: Kegan Paul, Trench, Trübner, 1891), vii-xliv; John Morley, John Morley, *Critical Miscellanies*, vol. 3, 4 vols. (London: Macmillan, 1886), 213-256. In the arena of Victorian eccentricities and ailments Spencer was not to be outdone. He had his hypochondriacal bases covered, complaining of chronic headaches, heart strain, insomnia and checking his and other peoples' pulse constantly. He did not neglect sexual repression. Mark Francis, *Herbert Spencer and the Invention of Modern Life* (Chesham: Acumen, 2007), 55; "Spencer, Herbert (1820–1903)," Jose Harris in *Oxford Dictionary of National Biography*, ed. H. C. G. Matthew and Brian Harrison (Oxford: OUP, 2004); online ed., ed. Lawrence Goldman, September 2010, <http://www.oxforddnb.com/view/article/36208>.

to do at parties as a practicing phrenologist. He also found time to publish books and write for the *Economist*, the *North British Review*, *Westminster Review* and *Edinburgh Review*.

Greg seems to have fallen out with most of the women he met in these liberal circles – a fact linked not only to his hobbies but his influence on the paper. One possible reason for tension was an 1862 article entitled “Why Are Women Redundant?” Its response was that unmarried British women – all 1.5 million of them – be asked to emigrate. “He is very pleasing,” wrote his *Westminster* editor George Eliot, “but somehow he frightens me dreadfully.” She praised his temperament and brain. “But when you see him across a room, you are unpleasantly impressed, and can’t believe he wrote his own books.”³⁷ Harriet Martineau was more explicit. Greg’s mind was insolent, his criticism unbalanced. She condemned his view of blacks as inherently inferior, and suspected him of writing *Economist* pieces with “mistakes of the grossest kind on the American constitution...and always on the slaveholding side.” Despite all contrary evidence, she added later on, “he will go on supposing the Negro to be always sucking cane sugar in the sun...one might easily show him and Carlyle negroes considerably less ‘savage’ than themselves.” At least Carlyle was a gentleman where women were concerned. Greg “philanders vulgarly & on the other hand unconsciously regards them insultingly.”³⁸

³⁷ George Eliot, *The George Eliot Letters*, vol. 2, 9 vols. (New Haven: Yale University Press, 1954), 21, 66. His popularity with Eliot was not likely increased by the opinion he expressed in 1859. “There are vast numbers of lady novelists for the same reason that there are vast numbers of lady sempstresses. Thousands of women have nothing to do...” “False Morality of Lady Novelists,” *National Review* 7 (1859), 144-167. Greg’s extension of social Darwinism to race, nation and sex is made clear in articles such as, “The Doom of the Negro Race,” *Frasers Magazine* 73 (March 1866), 277-305; “On the Failure of ‘Natural Selection’ in the Case of Man,” *Frasers Magazine* 78 (September 1868), 353-362; “Realities of Irish Life,” *Quarterly Review* 126 (1869), 78.

³⁸ Harriet Martineau, *The Collected Letters of Harriet Martineau*, ed. Deborah Anna Logan, vol. 4, 5 vols. (London: Pickering & Chatto, 2007), 260; Martineau, *Collected Letters*, vol. 5, 5 vols. (London: Pickering & Chatto, 2007), 233-235.

Wilson and Empire: Crimea, China and India

Wilson's political career and editorial positions soon became indistinguishable. This was reflected in his ability to dispense patronage to subordinates like Spencer; or Greg, for whom he secured a government post as commissioner of the customs with light duties, a good salary and a pension. Wilson may not have scaled the heights quite as fast as he had hoped. In 1855 Sir George Cornwall Lewis succeeded Gladstone as Chancellor of the Exchequer instead of him. It must have rankled to lose out to an effete classicist, despite the sincere regard Wilson had for him and his baronetcy. Lewis tossed off a lapidary apology, which only made it worse: "You see, Wilson, you are an animal, I am only a vegetable."³⁹ The next year the Queen blocked his posting to Australia as governor of Victoria – considering it bad form for a commoner to run a place bearing her name. Still, Wilson had come a long way thanks to the political imbrications of the *Economist*. This was nowhere more evident than during some of the most fateful imperial episodes of the mid-nineteenth century: the Crimean War, Second Opium War and Indian Mutiny.

In the first case, the *Economist* favored a war to punish Russia from the start of 1853 – if not on behalf of the Ottoman Empire, "indolent, fanatical, polygamous," in defense of its "territorial integrity." Wilson printed the views of his cabinet allies, Palmerston and Clarendon. One gets a sense of the kind of coverage this produced in the reports from the front which came not from journalists but from French and British officers. "Our Gallant Army" recorded how at the Battle of the Alma Maréchal Saint-Arnaud was deeply stirred by the behavior of his British opposite.

³⁹ Barrington, *The Servant of All*, 268.

“The bravery of Lord Raglan,” he said, before breathing his last, “rivals that of antiquity.” The rest of this news item was a dispatch from – Lord Raglan. Wilson and his editorial surrogate Greg had this in common with the commander of the expeditionary force: they also worked for the government.⁴⁰

The Economist was a scrapbook of their wartime service. Wilson defended the budget he had crafted under Gladstone: a small rise in income tax to pay for war, funded out of current expenditure; no borrowing; no return to levies on capital or trade.⁴¹ A £5 million loan to Turkey was needed, which he had negotiated. He sprinkled leaders with details of his meetings in Paris with Lord Cowley, Ambassador to France, and Achille Fould, the French Finance Minister. Greg, also in Paris, transcribed his chats with Guizot. Wartime London was a similar whirlwind of allied loans and socializing, with Wilson near the center: balls in honor of Louis Napoleon, medal ceremonies for crippled heroes, and dinner parties; at one Ferdinand de Lesseps pitched his plans for the Suez Canal to Wilson over pudding as Matthew Arnold, another guest, looked over the plans.⁴²

After two years the *Economist* was forced to acknowledge that cholera and inadequate medicine and supplies had killed more soldiers than had the Russians. Curiously, a leader found Britain

⁴⁰ “Our Gallant Army in the Crimea,” *The Economist*, 14 October 1854.

⁴¹ The promise to avoid debt financing was quickly broken. The Crimean expedition cost astronomically more than the £2,840,000 allocated in 1854. Its true cost was closer to £76 million, two thirds of it funded from loans See, Olive Anderson, *A Liberal State at War: English Politics and Economics During the Crimean War* (New York: Macmillan ; St. Martin’s Press, 1967), 201.

⁴² For *The Economist* on wartime budgets, loans and banking, respectively, see “The War Budget and its Principles,” *The Economist*, March 11, 1854; “The Money Market, The Rate of Interest, And the War,” *The Economist*, September 8, 1855; “The Banks of England and France,” *The Economist*, September 22, 1855. For political gossip, see “Foreign Correspondence,” from 1855 to 1856. For social and political activities of Wilson and Greg, see Barrington, *The Servant of All*, 272-282; 252, 293.

“was never served by abler or more zealous or more honest men.”⁴³ The stated rationale for the conflict was the same at the end as at the start. It argued, without renouncing its pacifism, that “a precarious and ill-conceived peace is almost as fatal and discouraging to commerce as actual hostilities.” A war would settle the matter, not “protracted negotiations,” or “temporary reconciliation,” and quickly boost business confidence. Three years later, the *Economist* applauded the results. Thanks to “the unimpaired resources of empire...never was there a year of greater or more uniform prosperity.”⁴⁴

In the Far East Sir John Bowring, plenipotentiary and chief superintendent of trade, governor, commander-in-chief and vice-admiral of Hong Kong, was hailed for having negotiated a treaty with Siam in the midst of the Crimean War in 1855, “which throws open the whole of that rich country to European enterprise.” “The old system of monopoly has been abolished, and a duty of only 3 per cent is to be collected on all articles. The heavy tonnage duty has been abrogated...British subjects are to be allowed to settle in the country, erect dwellings, cultivate the soil, and buy and sell without restriction.”⁴⁵ A year on news reached London that Bowring had ordered the Royal Navy to bombard and invade Canton with a similar goal in mind. Rioters responded by burning down foreign-owned factories lining the coast and trying to poison the Europeans living in Hong Kong by baking arsenic into their bread. As in Crimea the Second China War, or Second Opium War, as it came to be known, saw France and Britain acting jointly, with even Russia and the US now joining them in supporting roles.

⁴³ “The Practical Good to be Educated from Our Disasters,” *The Economist*, January 27, 1855.

⁴⁴ “The Cloud in the East,” *The Economist*, September 24, 1853. “The Balance Sheet,” *The Economist*, February 9, 1856. 16,000 of the 21,000 casualties were due to disease. F. Darrell Munsell, “Crimean War,” in *Victorian Britain: An Encyclopedia*, ed. Sally Mitchell (London: Routledge, 2011) 202-203.

⁴⁵ *The Economist*, August 25, 1855.

The Economist felt that this time Bowring had on the whole acted rather “precipitously” but that it would sow mischief to reprimand or recall him: besides, even if he had acted in error, and even if his actions were illegal, and even if the reasons he gave were a pretext (that China had failed to apologize for boarding a ship registered in Hong Kong, the *Arrow*) and even if, “as regards that illicit trade our hands are not clean,” a reference to opium – “all declare that satisfactory, safe, and dignified intercourse with those arrogant and cruel people is impossible till they have me with severe chastisement.” The quarrel was therefore “just in its essentials, though erroneous in its circumstances,” and the same leader hinted that Britain, France and the Americans already had “a plan for placing our common relations with the Cantonese upon a more satisfactory footing.” It did not fear, it concluded, for the Europeans in those parts, “for the same mail that carries out this news will carry out such reinforcements as will put opposition and danger at defiance.”⁴⁶ Next week gave a retrospective unity to British interventions in Crimea and Canton. “Trade is as much a necessity of society as air or food or clothing or heat.” These wars were therefore akin to humanitarian operations:

We may regret war...but we cannot deny that great advantages have followed in its wake. As the improvement both of Turkey and Russia will be consequent on the war now happily at an end; so any war with China which should result in bringing her people more completely into trade communication with all other nations...relieving them from the temptation to put infants to death, to allow the aged to die for want of food, and to exterminate great numbers from their standing in each other’s way.⁴⁷

The third imperial fracas also arose on the heels of the adventure in Crimea. In 1857 the Indian Mutiny began. A rebellion against East India Company rule, mainly in the north, it took two

⁴⁶ “The Chinese Debate and its Issue,” *The Economist*, March 7, 1857.

⁴⁷ “Our prospects and our difficulties,” *The Economist*, March 14, 1857.

years to suppress, with great difficulty, exemplary brutality, and cost. Wilson already possessed considerable knowledge about India. His first office in 1848 had been the Board of Control, a parliamentary body that supervised the private company, private army and aristocratic service network, whose origins dated to the reign of Elizabeth I. In his role as secretary Wilson pushed for the kind of economic development the company had been slow or unwilling to pursue. Railway construction was his main brief, and he shared the view of Bright and the Manchester school that this would open the interior to British industrial goods and ease extraction of raw materials like cotton, flax, wool, indigo and sugar. But to these goals Wilson added another, a direct extension of his concerns as editor and proprietor of the *Economist*: security of investment.

“Wilson believed that he originally suggested,” Bagehot recorded, “the peculiar form of state guarantee upon the faith of which so many millions of English capital have been sent to develop the industry of India.”⁴⁸ Peculiar, because, as Wilson realized even before his arrival there, and with no less an authority than Mill for support, for liberal *outcomes* a compromise with liberal *principles* might be needed – at least when it came to what were commonly considered backward races.⁴⁹ Bagehot was even more alive to this problem, praising Wilson for his pragmatism: “the necessity on the one hand, in an Asiatic country where the state is the sole motive power, of the Government’s doing something, – and the danger on the other of interfering with private

⁴⁸ Bagehot, *Collected Works*, 3: 344. While Wilson supported a state guarantee for the railway companies, he opposed a general guarantee on Indian debt. Investor security remained a primary concern. His opposition was based, rather, on the fiscal laxity such a guarantee might encourage in India. In practice, the reforms he had imposed, along with the direct political control now exercised by Britain, was sufficient – evidenced by the investment that flowed into India over the next two decades. See, V. G. Kale, *Dawn of Modern Finance in India* (Poona: Aryabushan Press, 1922), 51.

⁴⁹ This exception to the rule of *laissez faire* in the case of peoples considered primitive occurs throughout the work of Mill. Indeed, it stretches, both thematically and chronologically, from political economy to his theories of politics. See, John Stuart Mill, *Principles of Political Economy* (1848, repr., Oxford: Oxford University Press, 1994), 366; John Stuart Mill, “Considerations on Representative Government,” in *On Liberty* (1861, repr., Oxford: Oxford University Press, 1998), 217.

enterprise, by its doing, or attempting to do, too much.”⁵⁰ When Wilson was the state, so to speak, the danger was small. His daughter Emilie remembered her father “planning these Indian lines of railway on the dining-room table – lines over which eleven years later he himself was destined to travel.”⁵¹

Wilson also had very real interests in the region. In 1853 he founded the Chartered Bank of India, Australia and China, initial capital £1,000,000, prospects “unrivaled,” success “beyond doubt,” at least according to the *Economist*.⁵² Six years later, as if to underscore the byways between empire and finance, Queen Victoria sent him to India to reestablish financial order after the Mutiny. He arrived even as his bank was opening branches in Calcutta, Bombay, Shanghai and Hong Kong, buoyed by the opium pouring into China, as well as those more benign-sounding commodities, which in contrast it actually named in its prospectus, circulating between China, Java, Ceylon, India, Manila, Australia and the rest of the region.⁵³ *The Economist* had prepared him well for this new endeavor. His own pieces for it on the financial crisis of 1847, some included in his *Capital, Currency and Banking* of that year, disclosed a field for profitable investment – in the wake of so many bank failures, both in London and the Far East – and ways to avoid a similar fate. This, according to Sir Compton Mackenzie, author of the official bank history, accounts for a charter initially restricting its exchange activities, and its founders’ “grave

⁵⁰ Bagehot, *Collected Works*, 3: 345.

⁵¹ Barrington, *The Servant of All*, 145.

⁵² “The Bankers’ Gazette: Bank Returns and Money Market,” *The Economist*, 9 October 1852.

⁵³ Zhaojin Ji, *A History of Modern Shanghai Banking: The Rise and Decline of China’s Finance Capitalism* (M.E. Sharpe, 2003), 43. Standard and Chartered Bank continues to prosper, its reputation for profits as well as ethical conduct largely steady. Neil Gough, “Standard Chartered to pay \$330 million to settle Iran Transfer Claims,” *New York Times*, 6 December 2012, <http://dealbook.nytimes.com/2012/12/06/standard-chartered-to-pay-u-s-330-million-to-settle-iran-laundering-claims/>.

caution”, emphasizing that the note issue would be covered by “public securities and bullion on the same principle as was observed by the Bank of England.”⁵⁴

Passed over as Chancellor of the Exchequer at home, Wilson now agreed to take the same job, but in India, in 1859. It really was the same job, too, albeit much warmer. He made the best of it. He was even excited by the challenge, and his own power, which at first fought the effects of the climate to a standstill. He described the “increased capacity of the mind when removed to a new scene of action...I cannot tell you with what ease one determines the largest and gravest question here compared with in England.” And: “the Indian Exchequer is a huge machine. The English Treasury is nothing to it for complexity, diversity and remoteness of the points of action.”⁵⁵ He seems to have taken to his new imperial role, almost unexpectedly. Subtleties of frontier diplomacy intrigued him just as much as the dusty chaos confronting his financially unbending will:

It is a most unwieldy Empire to be governed on the principle of forcing civilisation at every point of it. One day it is the frontier of Scinde and a quarrel with our native chiefs which our Resident must check: another, it is an intrigue between Herat and Cabul, with a report of Russian forces in the background: the next, there is a raid upon our Punjab frontiers to be chastised: then come some accounts of coolness, or misunderstanding, or unreasonable demands from our ally in Nepaul: then follow some inroads from the savage tribes which inhabit the mountains to the rear of Assam and up the Burrampootra: then we have reported brawls in Burmah and Pegu, and disputes among the hill tribes whose relations to the British and the Burmah Governments are ill defined: then we have Central India, with our loyal chiefs Cindiah and Holkar, independent princes with most turbulent populations, which could not be kept in order a day without the presence of British troops and of the Governor-General's Agent.⁵⁶

⁵⁴ Compton Mackenzie, *Realms of Silver* (Taylor & Francis US, 2005), 4-9.

⁵⁵ Bagehot, *Collected Works*, 3: 359

⁵⁶ Wilson to Bagehot 19 July 1860, in *Ibid.*, 358-359.

As financial member of the council of India (his official title) Wilson sought to apply in under one year everything he had learnt from Peel and Gladstone in over ten. With the dual mission of raising revenue and keeping order his budget included many measures he had once opposed. He proposed a paper currency, for example, modeled on Peel's Act of 1844. Income tax would also be assessed, starting at 200 rupees, even as millions of pounds in spending were slashed. "I am putting the screw on very strongly," he admitted.⁵⁷ Yet he screwed diplomatically. Recycling his strategy from *Influences of the Corn Laws*, he endeavored to show Hindus that being taxed was as one with their own ancient laws, codified in the *Manu-Samhita*.⁵⁸ And he set up an English system of public accounts, with estimates, annual budgets, a national audit – what today the *Economist* would cheer as "steps towards greater transparency."

It is no coincidence these moves all tended to increase the confidence of overseas investors. Wilson was such an investor – and that was his intention. His reforms did more than incorporate India into the formal structure of empire: they made it into that structure's financial cornerstone. Without the Indian Army, and the Indian revenues that paid for it, Britain could not have projected its power in Africa and the Middle East, let alone Central, South and East Asia. Nor could the international system of multilateral settlements and payments that emerged after 1858 have looked nearly as favorable to the City.⁵⁹ A stabilized British Raj pulled in capital from

⁵⁷ Bagehot, *Collected Works*, 3: 357.

⁵⁸ Sabyasachi Battacharyya, *Financial Foundations of the British Raj* (Simla: Indian Institute of Advanced Study, 1971), 4, 204-206; James Wilson, *Financial Statement* (Calcutta: G. A. Savielle, Bengal printing co. Ltd., 1860), 9.

⁵⁹ Cain and Hopkins, *British Imperialism*, 330; B. R. Tomlinson, "India and the British Empire, 1880-1935," *Indian Economic & Social History Review* 12, no. 4 (October 1, 1975): 337-380. Wilson also played a role in bringing the Indian Army under direct British control. He aimed to reduce its ratio of Indian men, shifting some to "a great police system of semi-military organisation, but usually of purely civil application," which, he claimed, would be "cheaper by half a million," and safer. Bagehot, *Collected Works*, 3: 359.

London: £286 million, or 18 per cent of the total invested in the empire from 1865 to 1914. The presence of so much foreign capital, in turn, made it crucial to maintain stability – and investor confidence. India was expected above all to “keep faith” with its creditors. Between 1858 and 1898 remittances averaged nearly half of exports, with 20 per cent alone going to debt service and Home Charges, an ingenious system by which Britain debited India for the cost of exploiting it. Meanwhile, the trade surplus India ran with much of the rest of the world allowed it to settle its trade deficit with Britain; and for Britain, in turn, to settle around two-fifths of its own trade deficit, mainly with Europe and North America.⁶⁰

Wilson relinquished nominal control of the *Economist* first to Greg, and then to Graham Hutton, who stayed on as editor during his absence in Calcutta. In reality, it served the ambitions of its founder and owner till the end. When controversy arose over his first budget, Hutton and Bagehot leapt to defend it, strongly attacking Charles Trevelyan, Governor of Madras, who publicly objected to its steep spending cuts and tax rises. Trevelyan was recalled. But not before Wilson scolded his surrogates, accusing them in one of his last letters of hurting his chances by going overboard. His obituaries strongly implied this last administrative subterfuge over income tax, and the advent of the rainy season, induced a fevered Wilson, mumbling to Canning about “his income tax,” and arranging his will, in early August, 1860, to go to “bed never to rise from it again.”⁶¹

Liberal Fault Lines: Wilson, Cobden and Bright on the Empire and the City

⁶⁰ Cain and Hopkins, *British Imperialism*, 338, 341, 342. For an account of the Home Charges, see James Foreman-Peck, “Foreign Investment and Imperial Exploitation: Balance of Payments Reconstruction for Nineteenth-Century Britain and India,” *The Economic History Review* 42, no. 3 (August 1, 1989): 354–374, doi:10.2307/2596438.

⁶¹ Bagehot, *Collected Works*, 3: 354, 360-362.

Wilson was cut short before he could enter the cabinet. A title of his own was promised as reward for his exertions, within five years of his return.⁶² His star shone bright until then, its twinkling catching the attention of his friends and contemporaries. The lordly among them encouraged him and offered help. Others, less refined, if equally important to his rise, came to regret the hand they had given him. The more they thought about it, in fact, the more they realized they disliked him. Cobden and Bright mocked his airs, his hobnobbing and his ratiocinations on behalf of the government, whatever its policy. They bitterly resented his personal attacks on them under the cover of the *Economist*; above all they rued having helped him to start it. Disillusionment with Wilson was not just down to personality or perceived social climbing, however. It was political – a disagreement over what liberalism should mean and whether the kind of relationship Wilson’s *Economist* envisioned between empire and financial capital was compatible with it.

Tensions were evident from the start, of course, some of which related to strategy. The prospectus, which claimed to wish to extend the principle of free trade in every direction, went too far, Cobden worried: Manchester people were still focused on the Corn Laws. After the first number, he wrote Wilson to tell him tactfully that the articles were too long and a bit dull. Another note arrived when he was “taunted by the Chartist leader [O’Connor] as being identified with the anti-popular article in your paper.” This was serious. “I quite admit no person has a right to identify you with liberal politics because you are a Free-Trader,” Cobden granted. “But I still regret as much as ever the view you take...upon the danger to property consequent upon giving

⁶² Barrington, *Life of Walter Bagehot* (London: Longmans, Green & Co, 1914), 286.

working people the suffrage – because I find, in the inevitable tendency of democratic principles it places you in an unfavorable position in the eyes of a class which must exercise more and more power in the legislation.”⁶³ Cobden was prepared to overlook these differences, just so long as free trade as well as peace and goodwill among nations remained fixed points in common. But doubts were growing. In the same *Economist* leader celebrating the repeal of the Corn Laws in 1846 was a premonition of betrayal. Wilson thanked the League for its work, but suggested it move on, suddenly calling it an “extra-constitutional body which, if permanent, might become dangerous.”⁶⁴ Was it independence from the League Wilson had sought in 1843, or its eventual replacement by the more respectable *Economist*? Cobden began referring to him as “Whig valet.”⁶⁵

The differences over democratic principles were magnified by events. By far the most explosive was the Crimean War, but this was succeeded on either side by a flurry of interventions – among them Greece in 1850 and China and India from 1856 to 1860.⁶⁶ Cobden was a peace campaigner:

⁶³ Cobden to Wilson, September 1843, in Barrington, *The Servant of All*, 71

⁶⁴ Such an organ was liable to pose indelicate questions about the polity if left to its own devices and, “for their safety at least” – that is, of “conservative, and, above all, aristocratic statesmen” – some topics “were better left unmooted.” “Thorough Final Unconditional,” *The Economist*, January 3, 1846; “The Crisis - A Warning Voice to the Aristocracy,” *The Economist*, January 17, 1846; “Events of a Week - A Ministry,” *The Economist*, July 4 1846.

⁶⁵ Cobden to Bright...Richard Cobden, *The Letters: 1815-1847*, ed. Anthony Howe, vol. 1, 3 vols. (Oxford University Press, 2007), 452.

⁶⁶ Intervention in Greece came when Palmerston decided to send the British fleet to collect on the claims, in principle, of Don Pacifico, a Jewish merchant born in Gibraltar to British parents, whose house was sacked during a riot in Athens in 1847. The duty of the government to act as it had, argued the *Economist*, would not have been controversial if the subject in question had been an “English nobleman.” The lesson of the episode was the “proud fact that however humble the condition of the man, be he but an English subject – however remote or obscure the place where he lives – the authority and power of England are at hand to secure him certain justice against undeserved outrages and losses. Though ‘but a Jew at Athens’ – though but a journeyman baker at the port of Patras, – though but small coasting traders between the Ionian Islands...England is present everywhere to shield them...It is a conviction that such is the case that gives confidence to the English merchant and success to his enterprise; and secures for him respect and safety wherever he goes.” “The Greek Claims and the House of Lords,” *The Economist*, June 15, 1850. It was precisely this attitude that Cobden attacked in the Commons over a week later as sham liberalism. Cobden, *Speeches on Questions of Public Policy*, 227.

in parliament, aiming to cut defense budgets, and outside, as an active member of the Peace Society. His first pamphlet, *England, Ireland and America*, written in 1835 when he was 31, summed up his position, which did not change. Trade was “the grand panacea,” the only thing, in stark contrast to misguided interventions abroad in the name of whatever constitutional principles, likely to spread liberal institutions: “not a bale of merchandise leaves our shores, but it bears the seeds of intelligence...to the members of some less enlightened community; not a merchant visits our manufacturing industry, but he returns to his own country the missionary of freedom, peace and good government.”⁶⁷ Trade engendered peace and peace, trade. The idea that one country might force another to trade, or to trade in a manner deemed sufficiently free, seems not to have occurred to Cobden. Calling on the Royal Navy to pry open foreign markets struck him as outrageous and hypocritical; soon, though, the call was taken up by the very liberals with whom he had fought against the Corn Laws.

Wilson was one of many, even far more committed radicals in parliament, who violated the dictum in which free peace equaled peace and goodwill. Of Gladstone Cobden wrote to Henry Richard in 1857 that, while he had a high opinion of his intellectual powers, he had doubts about his conscience, or if he was “more than a reasoning machine for the moment.” “He was a party to the invasion of Russia, and to this day defends the policy of sending a British army to the Crimea...In my opinion every member of the Cabinet who was a party to the Crimea expedition ought to be considered for ever separated by an impassable gulf from us unless he renounce the

⁶⁷ Cobden wished to dispute the idea then widespread that Britain should intervene to protect the Poles from the Russians. His pamphlet ranged widely, asking how Britain could think to intervene on such a basis with the plight of Ireland on its doorstep. The entire empire was, “planting, supporting and governing countries,” he added “so grateful to our national pride has been the spectacle, that we have never, for once paused to inquire if our interests were advanced by so much nominal greatness. Three hundred millions of permanent debt – millions of direct taxation are annually levied – restrictions and prohibitions upon our trade in all quarters of the world; and for what?” Cobden, *The Political Writings of Richard Cobden*, 21, 36.

policy which dictated that step.”⁶⁸ The Second Opium War saw similar fallout. Cobden moved to censure his old friend and fellow League and Peace Society agitator Sir John Bowring, who, as governor of Hong Kong, had just ordered the Royal Navy to bombard the coast of Canton on the thinnest of pretexts. Cobden exhorted his press contacts to expose not only the illegality of British actions but also the Free Trade arguments with which some – such as statistician George Porter, Wilson’s friend and a contributor to the *Economist* – justified them. “There is no great empire where our trade is a quarter as free,” Cobden wrote, again to Richard, comparing the low duties charged in China favorably with those in Europe.⁶⁹

Asked if he had read the latest *Economist*, which backed a bellicose ultimatum to Russia, in December 1855 at the outset of the conflict, Cobden replied, “I never see the *Economist* though I have it on my conscience that I was mainly concerned in starting it. It was always a dull stupid paper even when it was honest – But to read sophistical arguments in no better style than Wilson’s is a task I would not condemn a dog to.”⁷⁰ Wilson battered Cobden and Bright, the two sharpest critics of the war and its misconduct, week after week. Both saw his *Economist* as a corrupt example of the co-option of the press. “Have you heard Greg has got a commissionership of the Customs, given him by Wilson, and worth I suppose £1200 a yr, & nothing to interfere with his literary pursuits?,” Cobden informed Bright. “The state into which our press had

⁶⁸ Cobden to Richard, 27 January 1857, in Hobson, *Richard Cobden*, 200-201.

⁶⁹ Cobden harshly condemned all the interests backing the war, from “Manchester fire-eaters” and “the Liverpool China Association,” who spoke of free access and free trade, exciting themselves with the thought “that if every Chinese only bought a cotton nightcap a year from us it would add 20 per cent to the demand for our staple manufacture,” to the “intriguing” between France, Britain and the US, to the religious missionaries. “God help the Christians who think of making their religion acceptable in the rear of an opium war,” he wrote to Richard, “for surely nothing but an interruption of the laws of human nature by especial divine interposition could ever have that result!” Cobden to Richard, 13 April 1857, in *Ibid.*, 210.

⁷⁰ Cobden to Joseph Parkes, 18 December 1855, in *Letters of Richard Cobden: Volume III: 1854-1859*, ed. Anthony Howe and Simon Morgan, vol. 3, 3 vols. (Oxford University Press, 2012), 174.

fallen...is scandalous, & dangerous to all sound public opinion, & it ought to be ripped up with the tomahawk of exposure.”⁷¹ A year later he complained even more bitterly that the “*Economist*’s pages should be employed in assailing the two men who laid the foundation of all this success, if they happen no longer to be in favour with the dispensers of patronage.”⁷²

Bright carried this feud into the open. “The Enemies of Free Institutions,” cataloguing his acts of deceit against the nation in arms, ricocheted back into the House in July 1855. Bright stood to oppose the Turkish Loan settled by Gladstone and Wilson, thundering at their contempt for parliament. “It is understood by the occupants of the Treasury bench, that when the country is at war the House of Commons is to be a shadow.” He flung sarcasm in the direction of Wilson, mocking the editorial anonymity behind which he hid:

If you want to know the opinions of Gentlemen upon the Treasury bench on this subject, I will give it you from a journal of great influence, which is supposed to be under the control of an hon. and very able Gentleman who sits upon that bench. Here is a paragraph which appeared in a leading article of that paper upon the 30th of December, 1854, and, of course, things are worse now.— “It is difficult to say whether the leaders of the Radicals or the leaders of the Tories – whether Lord Derby, Mr. Bright, or Mr. Disraeli— have done most to awaken us to a perception how mischievous, at critical conjunctures, free legislative assemblies may become. The plain truth is, that Parliamentary government is, in time of war, an embarrassment, a danger, and an anomaly, and we have to thank the advocates of an extended suffrage and the supporters of rotten boroughs for making it so plain. Legislative bodies are needed for legislation and control. They are not needed, and they are not fitted for executive action, especially in moments of peril and difficulty. The seldomer Parliament meets, and the shorter time it sits during actual

⁷¹ Cobden to John Bright, 11 August 1856, in *ibid.*, 226.

⁷² “A lively, brief, touch-and-go style of showing up these people is best,” Cobden assured, supplying some biographical details. “Jemmy Wilson was a worker in connection with the League. He wrote dull pamphlets and made duller speeches, but still he showed some Scotch pertinacity in keeping alive the agitation in the metropolis. When we dissolved our organization and gave up the ‘League’ weekly organ, a lithographed circular was sent to all its subscribers recommending them to support the *Economist*...This was the foundation of Wilson’s fortune, which was in a sickly state previously. The *Economist* became the stepping stone to Office.” Cobden to Richard, 16 June 1857, in Hobson, *Richard Cobden*, 218-219.

hostilities, the better for the country which it represents, and the better for its own dignity and influence.” Now, that is a paragraph from the *Economist* newspaper...⁷³

Fractures were fault lines by 1860, with the Second Opium War in China and the brutal repression that followed the Indian Mutiny tremors along the way. The first and biggest wave arose during Crimea, however, which came to define *Economist* brand liberalism over and against the more radical options. When Bright rose to speak he was protesting not just the undemocratic conduct of the government, but the unjust war its loan was meant to fund. The money raised would not be given to the Turks directly, Bright observed, but to a French and English commission:

If we could by possibility, with the knowledge which we possess of the history of the past, conceive ourselves in the Ottoman Empire and subject to its rule, with two of the Powers of the West coming and, under the pretence of defending us from an enemy, taking first the revenues of Egypt, then that of Syria, then that of Smyrna, the inlet and outlet of their commerce, and then appointing a commission to sit in our capital city to expend the money necessary to defray the expenses of our army, should we not say, the glory of the nation had departed, and with it the last shadow of our independence? Should we not say, that the nations pretending to assist us were but treacherous friends...⁷⁴

Later, Bright attacked Wilson’s Indian Budget; not simply for revenge, as one scholar implies, but in opposition to the financial basis of the British Raj. In contrast to Wilson, Bright did not see what was morally instructive about Indians paying the cost (estimated at £40 million) of putting down the Mutiny, or of servicing debt incurred fighting Britain’s wars in Afghanistan or with China.⁷⁵ Here was the crucial difference in their constructions of liberalism. City imperatives were preponderant at the *Economist* – and these would sometimes necessitate timely imperial interventions. Whatever else it meant, a liberal world was a world made safe for sound investments.

⁷³ 139 Parl. Deb. (3rd Ser.) (1855) 1283-1287.

⁷⁴ *Ibid.*, 1287-1290.

⁷⁵ James L. Sturgis, *John Bright and the Empire* (London: Athlone P, 1969), 188; Kale, *Dawn of Modern Finance in India*, 52-53.

Cobden and Bright were venerated for their heroism in the fight against the Corn Laws. Their calls for peace and retrenchment, however, as the political corollaries of free trade and prosperity, were drowned out by support for imperial wars. In 1856 Bright collapsed of physical exhaustion and the next year both he and Cobden lost their seats as a result of their unpopularity following their outspoken opposition to the Crimean War and opening salvos of the Second Opium War. Liberals would continue to turn to both men as to a conscience, in times of grave doubt. *The Economist* was not a conscience but a practical guide to the commercial world then emerging – and after 1859 to the Liberal Party in shaping and responding to it. Wilson had won the debate over liberalism, helping to craft its dominant brand at home and for export abroad.

Chapter 2 - Banking and the British Constitution: Reform and Risk

Had he survived his exertions reforming the financial system of India in Calcutta it is probable that Wilson would have been rewarded with a title and a cabinet post. In the event it was up to his son-in-law and successor as editor, Walter Bagehot, to consolidate the position the *Economist* had built for itself. In doing so Bagehot, a Somerset banker, affirmed its implantation in the City, and deepened the connection to one of its sectors, finance, writing on banking reform and crises from the point of view of a true insider. He also expanded the political reports meant to aid traders and investors in evaluating returns and risks abroad. Like Wilson he was sometimes shy about identifying himself with liberalism, maintaining that he was “between sizes in politics.” Nothing was more natural and indeed politic than this evasion from the editor of the *Economist*, poised precariously from its founding between a set of enlightened Whig landowners and radical industrialist publicists, with the City for its axis. Nevertheless, the Whigs soon vanished, and Bagehot oriented the paper towards the Liberal Party, its natural outgrowth, while retaining the deep and abiding suspicion of the lower orders that was a hallmark of the original configuration. As before, revolutionary upheavals on the continent, especially in France, were warnings, which translated into an almost grotesque snobbery. Bagehot ran for parliament unsuccessfully on four occasions, presenting himself on each as a Liberal.

Unlike Wilson Bagehot was also a lively essayist and wit who followed the emergence of the Liberal Party by sketching a more detailed picture of its domestic prerogatives: in politics, an analysis of the British Constitution and the polite limits to the franchise it delimited; in economics, the importance of confidence in the banking system and the Bank of England in

maintaining it; in culture, views on literature, theater, poetry and the natural sciences. Differences with Cobden, in particular over empire, remain fundamental to understanding the dominant form of liberalism thus elaborated – but, as the dismissive tribute Bagehot crafted to his “unique character” suggests, with the stings temporarily removed. Bagehot dedicated the front page of the *Economist* to Cobden after his death, remembering him as a “sensitive agitator,” praiseworthy for his tact and moderation: “very rarely, if ever in history, has a man achieved so much by his words—been victor in what was thought at the time to be a class-struggle — and yet spoken so little evil.” It is a puzzling testament, for Cobden did not reserve his ire for private letters. Bagehot added that, at the same time, “his mind was very peculiar and had sharp limits,” including an insufficient regard “for the solid heritage of transmitted knowledge...the late Mr. James Wilson used to say, ‘Cobden’s administrative power I do not think much of, but he is most valuable in counsel, always original, always shrewd, and not at all extreme’.”¹ The statement is little short of a sublimation.

The bitter disagreement between Cobden and the founder of the *Economist* did not long stay hidden, however, as the period following Bagehot’s death demonstrates. From 1877 to 1883 R. H. Inglis Palgrave, statistician, amateur economist and also a country banker, and longtime staffer D. C. Lathbury jointly ran the paper, the former contributing articles on banking and finance, the latter political leaders. Edward Johnstone took over to 1907. The longest serving yet least well-known editor, Johnstone was a press veteran, having worked at the *Scotsman* and *Pall Mall Gazette* before becoming business editor under Bagehot. The effect of their combined tenures was to make the *Economist* an institution in the City, linking its views to the widest

¹ “Mr. Cobden,” *The Economist*, April 8, 1865. Wilson’s comment is partly a dig at the financial difficulties Cobden encountered, first after neglecting his business campaigning for the Corn Laws, for which a public subscription, at

stratum of bankers within it – something suggested by both the specialization of the editors and their sectional additions to the paper: under Bagehot, a Banking Supplement, Budget Supplement, Annual Commercial History, Wholesale Price Index and the *Investors Monthly Manual*; under Lathbury, supplements measuring the volume and value of foreign trade; under Johnstone, with assistant editor A. J. Wilson, a record of capital issues.²

The resurfacing of the original dispute between Cobden and Wilson came in the political outlook that was the corollary of this deepening imbrication in finance. Under Johnstone the *Economist* reached a peak of imperial interventionism – with articles from the likes of Asquith and Alfred Milner, future leaders of the Liberal Imperialists. Liberal unity was tested by one colonial fracas after another – occupation of Egypt, Irish Home Rule, and the scramble for Africa culminating in the Second Boer War. Peace and goodwill were in short supply. If the *Economist* stayed true to the Liberals this was owing to an unshakable commitment to the first term in the Cobdenite trifecta, free trade.

Precocious in Paris: Letters Home from the Coup

Walter Bagehot was born in a bank where he slowly gathered interest. Vincent Stuckey, his maternal uncle, ran it and Thomas Bagehot, his father, was a partner; his marriage to the widow Edith Stuckey merging the leading shipping, mercantile and financial families of Langport in Somerset. If banking formed the backdrop to their lives, its scale was reduced. For their son and “greatest treasure” the Bagehots hoped for more spiritual outcomes. His father, a plainspoken

² “A Hundred Years,” in *The Economist, 1843-1943: a Centenary Volume* (London: Oxford University Press, 1943), 18-33.

Unitarian, assigned him history and philosophy in English and French. At five a governess introduced novels and Latin. His Anglican mother took his moral education in hand, bringing him to church on Sunday afternoons. He was unruly, rode a pony named Medora and climbed trees and would not come down.

Formal schooling built on this liberal home life. In 1839 he left Langport Grammar School for Bristol College, where he studied classics, math, German and Hebrew. Three years later, at 16, he moved to University College, London, where nonconformists sent their sons (unlike Oxford or Cambridge it had no doctrinal test). He chased down still more subjects: after history, poetry and math, he took a first in classics, followed, two years later, by a gold medal in philosophy. He and his friends started a debating society, wrote each other sonnets and perhaps most crucially attended Anti-Corn Law League meetings. At one such gathering the biggest stars of the movement spoke. Bagehot was stunned by their oratorical skill. “I do not know whether you are much of a free-trader or not,” he told a friend. “I am enthusiastic about, am a *worshiper* of, Richard Cobden.”³

Bagehot grew up with the kind of ironclad self-regard that comes from being doted on by adults as a child. His parents worried about him. At times they ventured a criticism. His father advised him not to get carried away at college: “As I said in my first letter...work as hard as you can, but be modest, for to be so is a great charm in boys, and the more so, the cleverer they are.”⁴ But by

³ A Covent Garden meeting in 1844 was memorable on account of O’Connell’s voice, its “higher tones very dignified and impressive, and the lower ones very sweet,” his fiery attack on slavery, and his linking the cause of Free Trade and ‘Irish Freedom’. James Wilson, also present at the meeting, was more remarkable to Bagehot at this stage for being annoyed by the cheers for O’Connell that kept interrupting his own speech. Russell Barrington, *Life of Walter Bagehot* (London: Longmans, Green & Co, 1914), 11, 122.

⁴ *Ibid.*, 84.

and large they were content. In later life his greatest flaw was not immodesty, but a chronic frivolity which made it difficult to focus on one subject at a time.⁵ Bagehot won the prize, then moved on. After university he studied law, yet another course abandoned, but only after he was successfully called to the Bar in 1852.

A chance encounter raised his hopes high enough as a writer to refuse to be a barrister, and this did at least temporarily focus his attention. Bored with the law, he went to Paris in the fall of 1851, staying long enough to witness an abortive uprising against the *coup d'état* of Louis Napoleon on 2 December 1851. What Bagehot saw – uneducated workers building barricades to defend the Second Republic, before being crushed by the army – was of crucial importance in his personal and intellectual development. From it he began a lifelong attempt to define liberalism, and his own place within it; and this led him down the path to Wilson and the *Economist*.

In Paris Bagehot took notes, and seven letters duly appeared in the *Inquirer*, a moderate liberal journal of Unitarian persuasion. The self-consciously provocative intention of this series was to justify the *coup* to liberal opinion in England – especially to the sort of sincere and moral folk he would have met at the services his father had led in the family drawing room. Just how provocative can be gauged by the fact that Palmerston was ousted as foreign minister for congratulating Louis Napoleon too quickly – without leave from Queen Victoria or her cabinet. If this set Bagehot apart from many liberals at the time, who expressed reservations about

⁵ One commentator suspects his cheeriness was based on a desire to distract himself and his readers from unpleasantness, a behavior learned at home. Edith, his mother, went insane periodically – thinking she was mute, breaking all the windows in the bank, she was disbarred from his wedding. Bagehot was apparently able to calm and distract her. See, Ferdinand Mount, *The British Constitution Now* (London: Heinemann, 1992), 40. Bagehot also looked after his half brother from Edith's first marriage, Vincent Estlin, considered a half-wit by the family. See, Alastair Buchan, *The Spare Chancellor: The Life of Walter Bagehot* (London: Chatto and Windus, 1959), 23.

military dictatorships usurping parliaments, it did align him with the position of Wilson and Greg in the *Economist*. This was also the first time a wide audience was treated to his special style, and on such a serious subject.

Bagehot reported “a universal and excessive tremour” among shopkeepers, tradesmen, housewives, “stupid people who mind their business, and have a business to mind.”⁶ He did not care much for stupid people, granting, in his second dispatch, that socialism, which they dreaded above all else, would probably not have “abolished *eau sucrée*,” let alone polite society. “But I do assert that according to the common belief of the common people their common comforts were in considerable danger. The debasing torture of acute apprehension was eating into the crude pleasure of stupid lives.” Trade was grinding to a halt as certainty vanished. Elections, scheduled for May, would have been bloody if “preceded by six months’ famine among the starvable classes.”⁷ Still, he quipped, “civilization dies hard.” Instability, however, would mean the ruin of commercial civilization, of “buying and selling,” without which there was no civilization full stop. Instead, business instantly improved, the boulevards turned gay and splendid, and the “starvable” ate. Here was the justification, “the political excuse,” for the *coup*.

Liberal scruples counted for little in the face of endemic uncertainty, he concluded. Self-preservation was essential, “parliaments, liberty, leading articles, essays, eloquence...all are good, but they are secondary.” “The first duty of government is to ensure security of that

⁶ Walter Bagehot, *The Collected Works of Walter Bagehot*, ed. Norman St. John-Stevan, vol. 4, 15 vols. (London: The Economist, 1965), 32.

⁷ Bagehot, *Collected Works*, 4: 36.

industry which is the condition of social life.”⁸ He acknowledged the coup to be illegal. But in a sop to liberal readers, he added, Louis Napoleon was “really strong and really popular among the inferior people.”⁹ The portraits he painted of working class men and women – for whom he seems never to have run out of insults – is difficult to square with this fleeting endorsement of popular legitimacy. The barricade builders looked like “traditional Montagnards, sallow, stern, compressed, angry, armed to the teeth...gloomy fanatics, over-principled ruffians.” When his note-taking was rudely disturbed by a “stern *allez vous en* it was not too slowly that I departed, for I *felt* that he would rather shoot me than not.”¹⁰ Many of these menacing types were later killed, and this could not but shock freeborn Englishmen. Still, “better one *émeute* now than many in May.” Fatalities made him philosophical. “There are things more demoralising than death.” What shocked him was the confiscation of the personal property of the Orléans.¹¹

Even Bagehot’s private letters are striking for their mix of adrenalin and callousness, as if he could not decide whether to be horrified or laugh. To a mentor, Crabb Robinson, he wrote, “I was here during the only day of hard fighting which we have had and shall be able to give lectures on the construction of a barricade if that noble branch of Political Economy ever became a source of income in England.”¹² To his father he boasted of being the only man to have breakfasted in the Palais Royal on 3 December, after climbing the railings; or of reminding himself, when roaming between barricades, not to run: “it is a bad habit to run in a Revolution, somebody may think you are the ‘other side’ and shoot you.” He concluded his paternal missive

⁸ Ibid., 33.

⁹ Ibid., 30.

¹⁰ Ibid., 33.

¹¹ Ibid., 37.

¹² Buchan, *Spare Chancellor*, 64.

on a note of world historical weariness, unaware that for Marx this was the farce, not the tragedy. “I am pleased to have had an opportunity of seeing it *once* but once is enough, as there is, I take it, a touch of sameness in this kind of sight.”¹³

Bagehot’s case for the necessity of the *coup* – “no legal or constitutional act could have given an equal confidence” – involved more than expediency. It did not escape him that supporting a regime in France which he would never have accepted in England required an explanation. In a sense the rest of his career was an attempt to provide one. Yet the rudiments of an answer were already there in the letters from France. If the revolutions of 1848 contained a lesson it was “to teach men...that no absurdity is so great as to imagine the same species of institutions suitable or possible for Scotchmen and Sicilians, for Germans and Frenchmen, for the English and the Neapolitans.”¹⁴ Only national character could begin to explain these divergences. The problem with the French character, at least with respect to political freedom, was too much cleverness. A real Frenchman “can’t be stupid; *esprit* is his essence, wit is to him as water, *bons-mots* as *bon-bons*.”¹⁵ Their character was “excitable, volatile, superficial, over-logical, uncompromising,” and thus unsuited to the turbulence of parliamentary government.¹⁶ Bagehot explained why the same could not be said of the English. “The most essential mental quality for a free people, whose liberty is to be progressive, permanent, and on a large scale...is much *stupidity*. I need not say that, in real sound stupidity, the English are unrivaled.”¹⁷

¹³ Barrington, *Life of Walter Bagehot*, 194-6.

¹⁴ Bagehot, *Collected Works*, 4: 49.

¹⁵ *Ibid.*, 52.

¹⁶ Bagehot, *Collected Works*, 4: 81.

¹⁷ *Ibid.*, 51-52.

The mock national humility belies the real importance Bagehot would come to place on the relationship between national character and political institutions. Even here, its real implications are evident, though only when his attention strays from Europe. The notion that there are certain rights, or one form of government, which obtains at all times and any place was an old error that confused politics with ethics – as if you had “no more right to deprive a Dyak of his vote in a ‘possible’ Polynesian assembly, than you have to steel his mat.”¹⁸ A metaphor mixing national and animal kingdoms drives home his point. “There are breeds in animal man just as in the animal dog. When you hunt with greyhounds and course with beagles, then, and not till then, may you expect the inbred habits of a thousand years to pass away, that Hindoos can be free, or that Englishmen will be slaves.”¹⁹ Stupidity meant different things in different breeds of people.

These letters were as important for Bagehot as *Influences of the Corn Laws* for Wilson – even if their immediate impact on Bagehot’s career prospects was smaller. Rather, their publication, and the resulting controversy, kindled his ambition. If he could just find a less demanding way to earn a living, Bagehot reasoned, he could write and keep an eye out for his main chance in the world of politics. Such a model of business and worldly success was luckily close at hand – back in the family bosom in Langport.

Country Banking, City Dreams

In 1852 Bagehot returned home to work at the Stuckey’s Bank. His uncle Vincent, who ran this establishment until his death in 1847, was no ordinary banker: a political career at the Treasury;

¹⁸ Ibid., 48.

¹⁹ Ibid., 50.

friendships with Pitt and Peel, advising the latter on the Bank Charter Act of 1844; three times mayor of Langport; and a taste for epigrams, a bonus. “Bankers are mortal, but banks should never die,” he said. Stuckey had, more importantly, converted the bank into one of the first joint-stock operations and a regional force. By 1909, when it merged with Parr’s Bank of Lancashire, it had £7 million in deposits, and a larger note circulation than any other bank, except the Bank of England.²⁰ Heartened by this familial precedent, Bagehot slogged on for seven years in a variety of jobs, including manager of the Bristol branch.

Just as his “Letters from the French Coup D’État” set the stylistic tone for what followed, so his banking revealed the permanent and contradictory set of his character. After so many years cultivating intellectual friendships and writing essays in London, he did not take to the mundane chores of book keeping. To a friend he complained of “being rowed ninety-nine times a day for some horrid sin against the conventions of mercantile existence.” “My family perhaps you know are merchants, ship-owners, and bankers, etc., etc,” he continued languidly. How much better if they “would admit that sums are a matter of opinion.”²¹ Among number crunchers, he was an intellectual. When confronted by scholars and artists, however, he played the practical, nonsense philistine. On a business trip in Somerset he was invited to a dinner party, where a professor declared his intention to get at “the kernel of all the machinery by which we were governed.” Bagehot piped up after a short pause, “My impression is that the kernel is *the*

²⁰ Barrington, *Life of Walter Bagehot*, 56-57; “Stuckey family (*per. c.1770–1845*),” Iain S. Black in *Oxford Dictionary of National Biography*, ed. H. C. G. Matthew and Brian Harrison (Oxford: OUP, 2004); online ed., ed. Lawrence Goldman, January 2008, <http://www.oxforddnb.com/view/article/48027> (accessed August 10, 2013).

²¹ Bagehot to Killigrew Wait, 5 January 1853, in Barrington, *Life of Walter Bagehot*, 211-212. Sometimes he could be tactless about other businessmen’s boorishness. In the obituary he wrote of Wilson, by now his ex-father-in-law, in 1860, he could not help commenting on his simplicity, commonsensical practicality, the fact that he did not read books, his limited education – a nice contrast with Bagehot himself.

consolidated fund, and I should like to get at *that!*” If someone else was taking too long constructing an elegant phrase, he would interrupt him by asking, “How much?”²²

Poets and novelists also came in for rough treatment. His articles from these years were mainly portraits of English writers for the *Prospective* and *National Reviews* – Cowper, Coleridge, Shakespeare, Macaulay, Shelley, Scott, Dickens, Milton. Leaving to one side whether business success ought to be a criterion of literary merit: what is most striking is the insistent relation of all these lives to the traits he considered best in himself. As an historian Scott was preferable to Macaulay, because the former gave the Cavalier his due: “a thrill of delight; exaltation in a daily event; zest in the ‘regular thing’.” Bagehot was clear about his resemblance to the Cavalier. Shakespeare, meanwhile, was made to share in his own view of common folk. There was no need to be a snob and it was even fun to mix with the lowly on their own level, “the stupid players and the stupid door keepers.” But at the end of the day “it was enough if every man hitched well into his own place in life.” Such was the underlying lesson of plays like *Henry VI* or *Love’s Labor’s Lost*. For, “if every one were logical and literary, how could there be scavengers, or watchmen or caulkers, – or coopers?” This method Bagehot extended in all directions.²³

Essay writing during his spare hours from the bank was not enough for Bagehot. It was as a banker, though, and not an intimate of the great poets, that he managed to free himself from the daily routine of counting house and countryside. Richard Hutton, his best friend at University

²² Barrington, *Life of Walter Bagehot*, 62, 357. The recollection of Henry Satwell, a distant cousin.

²³ Bagehot, *Collected Works of Walter Bagehot*, 1: 189-190, 213, 406-408. His first biographer Emilie Barrington discerned the egoism of these sketches – even if she found them charming and highlighted the passages that corresponded to Bagehot. A particularly fine example of Bagehot’s technique is the essay he devoted to Sir William Pitt in 1861.

College, now co-editor of the *National Review*, wrote from London in 1856 to say he had just received a tentative offer from Greg for the editor job at the *Economist*. Hutton was unsure, and thought of visiting the tomb of his wife in the West Indies before deciding: what did Bagehot think? He was incredulous. Hesitation was a luxury he could ill afford. “Offers of this kind are not to be picked up in the street every day... You have an opportunity of fixing yourself in a post, likely to be useful and permanent, and give you a fulcrum and position in the world which is what you have always wanted and is quite necessary to comfort in England. I do not think you ought to risk it for the sake of a *holiday*.”²⁴

Hutton went on his holiday to a graveyard in Barbados. Bagehot, however, was not about to let this chance slip away. With Hutton still on the boat he wrote to their mutual friend James Martineau, who secured an introduction to Greg, who secured an invitation to Claverton Manor from Wilson. After a visit in January 1857, Bagehot was asked to write a series of letters on banking. At this stay he also caught the eyes of the six girls in the house, for making fun of their German governess, “an egg,” and for his appearance: black wavy hair and a long bushy beard, tall, thin, “very fine skin, very white...a high, hectic color concentrated on the cheek bones...he would pace a room when talking and throw his head back as some animals do when sniffing air.” A year later he was engaged to the eldest daughter, Eliza.

Editing the *Economist*: A Fulcrum in the World

²⁴ Barrington, *Life of Walter Bagehot*, 225-228.

Wilson saw in Bagehot a successor. He introduced him into society, and entrusted him in 1859 – even as Hutton remained nominal editor until 1861 – “to interpret his great work in India to the public in England through the pages of the *Economist*.”²⁵ Offered the post of finance member in Calcutta after Wilson’s death the next year, Bagehot declined. He looked forward to metropolitan glories. First commissioned by Wilson to write during the 1857 banking panic, he continued churning out leaders on the money market for the next twenty years. He stamped the paper as fully as Wilson, wrote most of its leaders, and further strengthened its bond with the City. While he resigned as a bank manager, he stayed on as a director, and oversaw all of Stuckey’s City business. Gladstone consulted him in this dual capacity on policies like the Bank Notes Issue; and Bagehot felt confident enough, in that instance, to assure the Chancellor of the Exchequer of “the entire assent and substantial support of the issuing bankers.”²⁶

In conscious contrast to Wilson, however, Bagehot was drawn as much to literature, history and political gossip as the effect of tariffs on the price of salt. He produced at least two articles per week on political events for the following sixteen years; in 1861 he published thirty-one on the American Civil War alone. His three important long-form works were spun from his weekly articles. In turn, his *Economist* articles extended theories elaborated in books. The fact that the *English Constitution* and *Physics and Politics* began appearing in the *Fortnightly Review* in 1865 and 1867 respectively, indicates the importance Bagehot ascribed to models of political structure and evolution in England in the 1860s. *Lombard Street* – his text on the outbreak and management of banking crises, derived from the *Economist* – was not published as a book until 1873. *Economic Studies* was unfinished at his death in 1877.

²⁵ Ibid., 231-233.

²⁶ Ibid., 373-374.

A brief survey of his major works set alongside his articles best captures his inflection of the liberalism inherited from Wilson. As editor Bagehot returned again and again to the themes of his Parisian letters on the *coup d'état*, the original point of affinity with the *Economist*. The fear of democratic disorder haunted his quest for a coherent set of liberal principles, in politics as in economics. It was the former, however, that continued to pose the most serious difficulties in the period leading up to the Second Reform Act of 1867. This concern he shared with most liberals, including Mill. Historian Richard Price points to aggravating factors. Trade union unrest in Manchester and Sheffield, the first Fenian bombing campaigns in England and a revolt of ex-slaves in Jamaica hardened opinion against extending the right to vote too widely: nothing but a slight reduction in the value of the property franchise was contemplated in the elite liberal salons in which Bagehot moved.²⁷

Bagehot set the *Economist* to tackle each of these subjects in turn. The unions vote to strike instead of taking a ten percent pay cut was disastrous from the point of view of “unhappy and wretched workers.” *The Economist* counseled patience. In time skilled laborers would realize that combative unions really entailed a subsidy to their “less industrious companions.”²⁸ It accepted the electoral concessions and factory legislation Wilson had earlier rejected, but feared even incremental extensions of the franchise upon civilized society, efficient government and colonial administration. Like Mill, Bagehot refused to entertain a secret ballot, and with the exception of certain large towns, where all ratepayers would be allowed to vote, the ten-pound

²⁷ Richard Price, *British Society, 1680-1880: Dynamism, Containment, and Change* (Cambridge, U.K.: Cambridge University Press, 1999), 281.

²⁸ “The Recent Strike Among the Iron Workers in the North of England,” *The Economist*, December 15 1866.

qualification was to stay. His 1859 leader entitled “Parliamentary Reform” coincided roughly with the opening of debate on Gladstone’s reform bill. “*Every person,*” Bagehot emphasized, in his own recalibration of natural law, “*has a right to so much power as he can exercise without impeding any other person who would more fitly exercise such power.*”²⁹

In contrast, the *Economist* applauded government attempts to “tread out the Fenian folly” in Ireland.³⁰ Jamaican rebels were “negro Fenians” who shared with the Irish an inchoate set of grievances, a senseless hunger for land, and leaders who manipulated poverty and misery for their own ends. But on this issue it showed nuance. Bagehot agreed with Thomas Carlyle that black Jamaicans were inherently inferior to white Europeans. But he did not approve of Governor Edward John Eyre, the colonial administrator charged with breaking the law and murdering innocent people. The importance of empire was not in doubt. To maintain and expand it in line with the needs of British capital, however, would require the cooperation of natives. Britain must be seen to be fair and just to them. Eyre supporters were, in short, being shortsighted. *The Economist* dangled China in front of them, its potential “railways, canals, tea planting, silk growing, steam navigation...beyond any experience we have yet acquired.” The same tantalizing opportunities awaited in “Japan, Indochina, Persia, Asiatic Turkey,” and Africa, “from Abyssinia to the Cape.” None of this treasure could be unlocked unless the need for cooperation was kept in mind – “that very large bodies of dark laborers will work willingly under a very few European supervisors.”³¹

²⁹ “Parliamentary Reform,” in *Collected Works of Walter Bagehot*, 3: 127.

³⁰ “The Fenian Arrests,” *The Economist*, 23 September 1865.

³¹ “Economic Value of Justice to the Dark Races,” *The Economist*, December 9 1865; “The Insurrection in Jamaica,” *The Economist*, December 18 1865. See, Bernard Semmel, *The Governor Eyre Controversy*, Studies in Society (London: MacGibbon & Kee, 1962), 115, 141.

Characters and Constitutions

In his twice weekly leaders for the *Economist* and the longer essays he began to publish alongside them, Bagehot brought consistency; if not of a philosopher, than at least of the shrewd investor. The right balance between formal liberty, on the one hand, and the order which inspired confidence in business transactions, on the other, would always skew to the latter in times of crisis. But what about periods of calm, or less mercurial spirits than the French? How to determine the right balance in these cases? The first answer posited in the letters on the *coup* from Paris – national character – was not as straightforward as it seemed. As editor Bagehot was pulled in two directions at once.

In the domain of foreign affairs the concept of national character provided a clearly lit path, even as it led to spectacular errors. While Bagehot stopped short of advocating intervention in the US Civil War, he welcomed the dissolution of the Union as a *fait accompli* in 1861, denied slavery played a role in the conflict for its duration, felt that General Lee's push to the capital in 1863 might convince the North to come to terms, and looked forward to a future with two "less aggressive, less insolent, and less irritable" countries.³² Lincoln was gutless. But not much could be done about it, since the checks and balances of the US constitution limited efficient government without confining democracy to the educated and propertied – as did its English

³² "The Disruption of the Union" *The Economist*, January 19 1861; "Is the success off the North Possible?," *The Economist* June 29 1861; "English Feeling Towards America," *The Economist*, September 28 1861; "The Invasion of the Federal States," *The Economist*, July 11 1863.

counterpart.³³ Napoleon III and his exploits inspired devotion till the bitter end. Bagehot hailed his installation of Maximilian on the throne of Mexico in 1864 – a better administrator than “any obtainable half-caste or Indian president,” whose rule would insure the export of everything from silver to apples.³⁴ In 1867 he predicted the savvy Emperor of the French would never risk “a long and desperate war with Prussia,” and later attributed his defeat at Sedan to a painful bladder stone which fatigued and impaired his usual “clearness of insight.”³⁵ On the continent it was the Italian Liberal Mazzini Bagehot considered dangerous, not Germany’s Iron Chancellor Bismarck.³⁶

The application of national character to the balancing of domestic politics proved even trickier, however. Was an aptitude for liberty – so clearly lacking in the French or Indians – a quality common to all Englishmen or just those on the property ladder? The case was not clear-cut. In 1865 Bagehot explained his views in the *English Constitution*. He began by dividing government into two parts: the dignified, “which excited and preserved the reverence of the population,” and the efficient, “by which it in fact works and rules.”³⁷ The British Monarchy famously belonged to the former category, with the crown placed at the head of a carnival procession. A “theatrical show” distracts and gratifies “the mob” so the “real rulers” –the cabinet, or what Bagehot calls

³³ “American Constitution at Present Extreme Crisis,” *The Economist*, June 1 1861.

³⁴ “The New Mexican Empire,” *The Economist*, August 22 1863.

³⁵ “Continental Alarms,” *The Economist*, October 5, 1857; “The Emperor Napoleon,” *The Economist*, January 11, 1873.

³⁶ “Mazzini,” *The Economist*, March 1872; “Prince Bismarck’s Foreign Policy,” *The Economist*, April 10, 1875.

³⁷ Bagehot, *Collected Works*, 5: 206.

the “committee of the legislature” – can work in quiet and legitimate obscurity. The partition was cynical, proudly so.³⁸

A theory of social stratification in which classes have begun to correspond to stages of historical development undergirds these halves of the constitution. With the exception of an educated and propertied elite amounting to no more than ten thousand men – Bagehot gives this figure – most people were “no more civilized than the majority of two thousand years ago...narrow-minded, unintelligent, incurious.” They were “unable to comprehend the idea of a constitution – unable to feel the least attachment to impersonal laws.” Suffrage would be a disaster, for, Bagehot spelled it out, “the rich and the wise are not to have, by explicit law, more votes than the poor and stupid” – or, in towns, than even the workers, whom he dubbed “the members for the public houses.”

It is useless to pile up abstract words. Those who doubt should go into their kitchens. Let an accomplished man try what seems to him most obvious, most certain, most palpable in intellectual matters, upon the housemaid and the footman, and he will find that what he says seems unintelligible—that his audience think him mad and wild when he is speaking what is in his own sphere of thought the dullest platitude of cautious soberness. Great communities are like great mountains—they have in them the primary, secondary, and tertiary strata of human progress; the characteristics of the lower regions resemble the life of old times rather than the present life of the higher regions. And a philosophy which does not ceaselessly remember, which does not continually obtrude, the palpable differences of the various parts, will be a theory radically false, because it has omitted a capital reality—will be a theory essentially misleading, because it will lead men to expect what does not exist, and not to anticipate that which they will find.³⁹

³⁸ Ibid., 379-80. Cobden took a similar view of the constitution. In a letter to his brother Frederick in 1838 from Prussia he praised its government, comparing it to the “English constitution – a thing of monopolies, and Churchcraft, and sinecures, armorial hocus pocus, primogeniture and pageantry.” But he was appalled, in contrast to Bagehot. Wendy Hinde, *Richard Cobden: a Victorian Outsider* (New Haven: Yale University Press, 1987), 55.

³⁹ Bagehot, *Bagehot: The English Constitution*, ed. Paul Smith (Cambridge, U.K.: Cambridge University Press, 2001). 6, 37, 104.

Bagehot's defeat in his third of four attempts to be elected a Liberal MP added urgency to this conviction in 1866, even as he was finishing off his constitutional treatise. He did not lose at the Bridgwater by-election, however, as fable has it, "because he refused to bribe the electorate."⁴⁰ Bagehot was not addicted to democratic principles, something his cult of Louis Napoleon should make plain. An 1869 investigative commission declared him, "privy and assenting to some of the corrupt practices extensively prevailing." Bagehot did not accept this censure with good grace, either. He blamed the country bumpkins, "these rustics," for having made him bribe them, and did an impersonation crude enough to raise a blush on Dickens: "I won't vote for gentlefolks unless they do something for I. Gentlefolks do not come to I unless they want something of I, and I won't do nothing for gentlefolks, unless they do something for me."⁴¹ After his testimony, and an admission about a sum of £1,533 10s 2d. he had paid out via his solicitor to cover "retrospective" campaign expenses, Bagehot wrote Hutton, bragging of his triumph. He amused his old friend. "You will like to hear that my reputation for ability is much raised at Bridgwater since my examination. They say, 'Ah! Mr. Bagehot was too many for them. They broke Westropp but could they not break him.' They regard it as a kind of skill independent of fact or truth. 'You win if you are clever, and lose if you are stupid', is their idea at bottom.'" That idea, it has occurred to others, belonged to Bagehot.⁴²

The sallow faces on the hustings proved as haunting as those on the barricades. In 1870 Bagehot confided his torment to the Metaphysical Society, in an intimate talk over dinner at the Grosvenor Hotel, which was later reprinted in the *Contemporary Review* as "On the Emotion of

⁴⁰ Edwards, *Pursuit of Reason*, 258; Buchan, *Spare Chancellor*, 141

⁴¹ Barrington, *Life of Walter Bagehot*, 391-392.

⁴²C. H. Sisson, *The Case of Walter Bagehot* (London: Faber and Faber Ltd, 1972), 48-55. A year after the *English Constitution* was published as a book many of its premises were outmoded by the passage of the Second Reform Act

Conviction.” He explained that for years after his defeat, no matter how hard he reasoned, “I had the deepest conviction that I should be ‘Member for *Bridgwater*’.”

Even still, if I allow my mind to dwell on the contest, if I think of the hours I was ahead in the morning, and the rush of votes at two o’clock by which I was defeated,—and even more, if I call up the image of the nomination day, with all the people’s hands outstretched, and all their excited faces looking the more different on account of their identity in posture, the old feeling almost comes back upon me, and for a moment I believe that I shall be Member for *Bridgwater*.⁴³

Bagehot tried conjuring these vivid images away by strengthening his argument about the limited scope of constitutional liberties. A new work was appearing at the same time as his revelations to the Metaphysical Society – one linking his earlier justifications of the parliamentary status quo explicitly to Darwinian laws of evolution.

Physics and Politics described three main evolutionary epochs: a “preliminary age,” primitive, tribal and customary; a second, “fighting age,” in which some nations win out over others based on their martial qualities; and a third, progressive, industrialized and peaceful “age of discussion,” where “higher gifts and graces have rapid progress.” Here the class rule of the ten thousand educated members of society was given firmer footing in the application of “adaptation” and “natural selection” to Victorian social life. Some law of imitation, Bagehot speculated, must operate inside nations to account for their success; a copying process, perhaps, percolating down from “predominant manners,” and then inherited, in a Lamarckian sense. He borrowed from other social evolutionists to extend this framework outwards. British imperialism in China was justified, for example, since its ancient civilization had been arrested at an earlier

⁴³ *The Contemporary Review* (London: A. Strahan, 1871), 33.

stage of development. There, to “crack the cake of custom” (and pave the way for investment and trade) might require foreign cannon balls.⁴⁴

It was not until *Lombard Street* in 1873, however, that Bagehot truly landed on a positive solution to the problem which had transfixed him since Paris. The need to perfect order while ensuring adequate levels of representation had led him to theories of government, whether in the *English Constitution* or *Physics and Politics*, in which the real governing took place behind a screen. These were works of containment, written in the shadow of electoral reform. In leaving the political realm for the world of finance, Bagehot arrived at a more dignified concealment and a more efficient use of power. Here he waded into debates on reforms to the City of London – needed as its power over both the domestic and international economy rapidly grew. This was home turf for Bagehot. He spoke with confidence and color and none of the awkward or violent scorn of his explicitly political works. It was banking that brought him to the *Economist*, and it was in banking that he made his most original contribution to its liberal creed.

That reforms were necessary was established by the frequent financial crises, which either began in the City or passed through it infinitely magnified. At home, the panic of 1866 was among the most spectacular, dominating *Economist* coverage of the money market long afterwards. That year one of the great wholesale banking houses, Overend, Gurney & Co., failed soon after it had raised vast sums by incorporating as a company with limited liability. This transformed a stock

⁴⁴ Bagehot, *Collected Works*, 7: 64-72; 40.

market crash into a bank run. For Bagehot the episode demonstrated that the Bank of England, which at first refused to intervene, was unlike all other banks and discount houses.⁴⁵

Lombard Street developed this theme. Since it was backed by the government and held the nation's reserves, the Bank of England had an important public function, especially in times of crisis. When credit dried up, it must act as lender of last resort, at least until confidence returned. Its directors were "trustees of the public," whose actions had a major effect on Britain's standing in the world economy. "A large deposit of foreign money in London is now necessary for the business of the world." Which also meant, however, that a rush to withdraw by foreign individuals or states could determine "whether *England shall be solvent or insolvent*."⁴⁶ From whichever angle, in other words, change was needed. The Bank of England needed larger reserves in light of the vast new scale of British financial commitments; and it could no longer be governed by an elderly bench of part-timers, drawn from a class of reputable but amateur city merchants.⁴⁷

The French answer was nationalization. That, obviously, would not pass muster with the English. Such a move also had the demerit of exposing government to criticism in a crisis, or subjecting

⁴⁵ Overend and Gurney had made its name in the bills of exchange business before plunging into finance, and the longer term lending required for railways and shipyards. Short-term deposits were being used to finance long-term assets, their price inflated by a stock market boom; when the market crashed, depositors rushed to withdraw, and the bank was exposed as insolvent. For the *Economist* on the crisis, and Overend, Gurney and Co., in particular, see: "Overend, Gurney and Co.," *The Economist*, July 15 1865; "What a Panic is and How it Might Mitigated," *The Economist*, May 12 1866; "The Practical Effect of the Act of 1844," *The Economist*, May 26 1866; "Overend, Gurney and Co., Limited and Unlimited," *The Economist*, June 16 1866.

⁴⁶ Bagehot, *Collected Works*, 9: 64-65. Ashworth characterizes the lesson of *Lombard Street* as "ramming home" that the Bank of England had "the responsibility of maintaining a reserve big enough to meet the needs of all England." After its publication, "both in theory and practice no one doubted that England was a country with one single reserve for its whole financial system." William Ashworth, *An Economic History of England, 1870-1939* (London: Methuen, 1960), 165, 170.

⁴⁷ *Ibid.*, 55.

policy to political pressures, “as chance majorities and the strength of parties decide.”⁴⁸ In an ideal world, Bagehot conceded – and with a nervous glance over his shoulder at Wilson – the Bank of England would not even exist. Like any other trade, state meddling harmed and impeded banking business. “The best thing undeniably that a Government can do with the Money Market is to let it take care of itself.” Since it did exist, though, better not to upset the markets by any too radical change. “You might as well, or better, try to alter the English monarchy and substitute a republic,” he added, momentarily lapsing into whimsical mode. The analogy between the function of credit and the constitutional monarch was deliberate and revealing. Bankers believed in the good credit of the Bank of England as implicitly as “Queen Victoria was obeyed by millions of human beings.”⁴⁹ There was no good reason to accept either, in other words.

For Bagehot, the smooth running of any system depended, in the final instance, on a powerful mirage from which everyone benefited, even if only a discerning few were able to laugh about it. The appointment of a permanent deputy director to the Bank with the requisite experience, sitting under a rotating and ceremonial governor, would ensure consistency and independence enough to instill confidence in the nation’s credit. But where to find such a deputy? The custom by which bankers were excluded from the bank’s governing body dated from an era in which all banks, including the Bank of England, were in competition. “This is a relic of old times.”⁵⁰ Now bankers could work together, and as the principal depositors, with an interest in a large reserve to

⁴⁸ Ibid., 82.

⁴⁹ Ibid., 214, 81.

⁵⁰ Ibid., 155.

safeguard their assets, they were the ideal candidates.⁵¹ Here at last was Bagehot's great political insight: the removal of both the old commercial oligarchy from the board of the central bank as well as any threat of parliamentary interference from without. Vast powers – to set interest rates, determine and maintain adequate reserves, to bail one another out in a pinch – would fall to those men “*most fit to exercise such power.*” Neither the people nor its representatives could be trusted. The gurus of the City of London would govern.

Bagehot and His Liberal Peers

Bagehot's present reputation proves that posterity can be just as guilty of sycophancy as condescension. Lord Bryce called him “one of the greatest minds of his generation.” “The greatest of all Victorians,” was the verdict of historian G. M. Young, and that was after scanning a list including Eliot, Tennyson, Arnold, Darwin and Ruskin. Woodrow Wilson kept a framed photograph of Bagehot on the wall of his study at Princeton. From it, he told the *Atlantic* in 1898, he derived “much inspiration.” More recent assessments have been less fulsome but no less flattering. In *The British Constitution Now* Ferdinand Mount found him “full of manly common sense...often witty, very often charming, he is never silly.”⁵² For biographers distance has been even harder to achieve. Emilie Barrington, his sister-in-law, produced the first homage in 1915; *Economist* staffer Alastair Buchan wrote *The Spare Chancellor* in 1958; and Ruth Dudley Edwards was hired by the paper to apply a thick coat of varnish for the sesquicentennial

⁵¹ Ibid., 167. That this constitutes a form of protection for bankers which fits ill with the dictates of *laissez faire* was not lost on Bagehot. Thus his disavowals. See, Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd Beacon Paperback ed (Boston,: Beacon Press, 2001).

⁵² S. A. M. Westwater, “Walter Bagehot: A Reassessment,” *The Antioch Review* 35, no. 1 (January 1, 1977): 39, doi:10.2307/4637858; Mount, *British Constitution Now*, 41.

in 1993. The only critical assessment, *The Case of Walter Bagehot* of 1972, is very amusing. British poet and civil servant C. H. Sisson had his own motives for execrating Bagehot, though at least he was neither a relative nor an employee.

Sisson saw his book as an attack not only of Bagehot but also of liberalism. The editor of the *Economist* was the quintessential modern “man of affairs,” cravenly hateful of all that was artistic, primitive, rural or spiritual – “a good laugh at the monarchy, a series of little jeers at the historical Church, a jealous look at the gentry.” In arts and letters, praise for Shakespeare’s wise investments; aspersions on Coleridge, who was peculiar, “walked around, talked to undergraduates or women, but did not do anything noticeable such as running a bank.”⁵³ Sisson’s sarcastic barbs are one thing: it is his conclusion that is open to question. Was Bagehot really, as he claims, the intellectual precursor to Keynes? Or, as a clever Victorian banker and newspaper editor did he actually share the same mindset as a British civil servant in the 1970s? These are some of the hasty accusations with which Sisson closes. More intriguing is his implication that Bagehot was hardly a liberal at all. He calls Bagehot’s political outlook “rickety liberalism,” “absolute relativism,” “a trick.” Bagehot himself liked to maintain he was “between sizes in politics.” In any historical emplotment of the *Economist* it is crucial that Bagehot be precisely located.

⁵³ Sisson, *Case of Walter Bagehot*, 127, 37.

The cycle of revolution and reaction from 1848 to 1851 which so affected Bagehot was a moment with profound consequences for liberal thought in general.⁵⁴ Not all thinkers experienced these changes in the same way, however. Two leading liberals with whom Bagehot came into contact had very different reactions to this period of upheaval. A brief comparison to John Stuart Mill and Alexis de Tocqueville can sharpen our overall view.

Bagehot chose to review Mill's *Principles of Political Economy* in one of his first published pieces in 1848. It was a typical act of bravado. "I am in much trouble about John Mill, who is very tough, and rather dreary," he told Hutton. "I am trying to discuss his views about the labouring classes."⁵⁵ The article for the *Prospective Review* praised Mill's genius, equal to that of Smith or Ricardo. But it puzzled over the author's "peculiar view" of the workers: from a proposal they be made "partners" in capitalist enterprise – given a share of the profits, not fixed wages – to an even stranger interest in their "intellectual cultivation." What they needed was not so much education, Bagehot put in, as "a restraining discipline over their passions and an effectual culture of their consciences."⁵⁶

Mill and Bagehot both feared that democracy might lead to a tyranny of the majority – especially if that majority remained poor and uneducated. But as 1848 rolled on, and the wave of revolutions swept through Europe, differences in their approach to the problem became clearer. Mill was thrilled by these events, with special attention on Paris. He saw the fate of democratic

⁵⁴ The emergence and spread of socialistic doctrines up to 1848, Bobbio argues, caused liberal thought to focus ever more narrowly on economic freedom at the expense of its post-1789 stress on democracy. Noberto Bobbio, *Liberalism and Democracy* (London ; New York: Verso, 1990), 79.

⁵⁵ Barrington, *Life of Walter Bagehot*, 177.

⁵⁶ Bagehot, *Collected Works*, 11: 193.

reform everywhere in Europe as tied to the republican experiment there, and lambasted the English press for attempting to discredit it in advance.⁵⁷ He even revised his *Principles* in 1852 to emphasize his support for workers co-operatives, hailing “the capacity of exertion and self-denial in the masses of mankind” awakened by 1848.⁵⁸ For Bagehot the year and the labor associations that grew out of it were bad jokes.

Mill remained a major point of reference for Bagehot. And if he lamented that the author of *On Liberty* sometimes wandered into radical thickets, he also downplayed it as if it were a charming and clumsy quirk. When Mill became MP for Westminster in 1865 Bagehot stressed his affinity with the *Economist*. Mill’s address to his new constituents was “one of the most remarkable ever delivered,” for “honesty, simplicity, and courage,” and “we can agree with him on everything, except in the degree.” His position in favor of female suffrage was too wild to contemplate. Otherwise, Mill was sound: against the secret ballot; for proportional as opposed to universal suffrage; against direct taxation; for military spending and foreign interventions, a “right” and “duty” on behalf of liberty; and against the “tyranny” of trade unions over workers. This list of shared positions was partly invented. Its main point was to attack “the official creed of the advanced Liberal party...to shatter into dust those Radical fallacies” held by Wilson’s old fellow travellers, Bright and the Manchester School.⁵⁹ On this narrower point, Mill might have agreed, valuing his independence from the populist Bright. To the Liberal Party, and to its leader

⁵⁷ John Stuart Mill, “French Affairs,” *Daily News* August 6 1848, in *Collected Works of John Stuart Mill*, vol. 25, 33 vols. (Toronto: University of Toronto Press, 1986), 1110-1112. Mill’s Parisian correspondents included not just Tocqueville, a critic of the revolution, but Louis Blanc, one of its leaders. See, Alan Ryan, *J.S. Mill* (London: Routledge & Kegan Paul, 1974), 183.

⁵⁸ John Stuart Mill, *Collected Works of John Stuart Mill*, ed. F. E. L. Priestley, vol. 3, 33 vols. (Toronto: University of Toronto Press, 1965), 775-776.

⁵⁹ “Considerations on Representative Government,” *The Economist*, 18 May 1861; “Mr. Mill’s Address to the Electors of Westminster,” *The Economist*, 29 April 1865.

Gladstone, however, Mill showed great loyalty.⁶⁰ Bagehot was disappointed in Mill, who proved just as difficult to understand in politics as in his books. “Mr. Mill is, of course,” he was writing by 1871 “the standing instance of a philosopher spoilt by sending him into Parliament, and the world.”⁶¹

Tocqueville also left, in his *Souvenirs*, a vivid account of the onrush of events after 1848. He directly participated in them, both as member of the French Assembly and a national guardsman, right up to the moment of the *coup d'état*. Nothing forms a more striking contrast than the accounts given by Tocqueville and Bagehot – both of what they saw and what they learned from it. Tocqueville never patronized his social subordinates. The more fear they inspired, the more he took them seriously. During the fall of the July Monarchy he remonstrated with guardsman from his district, observed with approbation the handiwork of the *barricadiers*, was lectured at by a working class man outside the Assembly (without, however, rendering his speech in cockney), and deplored the pious egotistical ravings of his sister-in-law, “concerned only with the good God, her husband, her children and especially her health, with no interest left over for other people.”⁶² Bagehot’s ode to the pursuit of “common comforts” and “stupid lives” during a national emergency was, for Tocqueville, plain selfishness.

Even though Tocqueville argued for brutally repressing the June insurrection in order to “deliver the nation from oppression by the Paris workmen,” he gave the revolutionaries, and the historical moment, their due. “The insurgents were fighting without a battle cry, leaders or a flag, and yet

⁶⁰ Bruce Kinzer, introduction to *Collected Works of John Stuart Mill*, ed. J. M. Robson, vol. 28, 33 vols. (Toronto: University of Toronto Press, 1988): xxiv-xxvii.

⁶¹ Walter Bagehot, “Senior’s Journal’s,” *Fortnightly Review*, August 1871.

⁶² Alexis de Tocqueville, *Recollections* (Garden City, N.Y: Doubleday, 1970), 39-40.

they showed wonderful powers of co-ordination and military expertise that astonished the most experienced officers.”⁶³ When the *coup* took place Tocqueville smuggled out a letter denouncing Louis-Napoleon to his friends across the channel. “If the judgment of the people of England can approve these military saturnalia,” he wrote, “I shall mourn for you and for ourselves, and for the sacred cause of legal liberty throughout the world.”⁶⁴

The differences were not merely tonal or temperamental but concerned the very contours of liberalism. “The English thinker with whom Tocqueville can be most properly compared,” wrote jurist A. V. Dicey, “is Bagehot.” Dicey overstated the case.⁶⁵ Still, if Tocqueville can be said to represent the conservative wing of European liberalism, where does that leave Bagehot, in whom the specter of disorder inspired greater fear than the trammeling of individual liberty? Tocqueville was primarily concerned with religious and moral liberty, and whether these could survive in democratic societies. He viewed the spread of democracy as inevitable, providential and, if managed correctly, beneficent. Bagehot felt the same tendency could and should be arrested insofar as it threatened the tenets of economic liberty and class rule. Bagehot read and admired Tocqueville, and met him at least once at Wilson’s house in 1857. He could not help suspecting, however, that a man who took such a dim view of making money, even criticizing its potential to threaten the preservation of liberty, “might be thought to be the expression, if not of a disappointed man, then of a disappointed literary class.”⁶⁶ Tocqueville was an aristocrat with a

⁶³ *Ibid.*, 136

⁶⁴ Published in the *Times* on December 11, 1851. See, Alexis de Tocqueville, *Selected Letters on Politics and Society* (Berkeley: University of California Press, 1985), 228.

⁶⁵ In my view so do some contemporary scholars. For example, see Alan S. Kahan, *Aristocratic Liberalism*, 4, 156.

⁶⁶ “One difference between France and England,” in *Collected Works of Walter Bagehot*, 8: 178.

castle in Normandy, Bagehot a striving banker who admired many pastimes of the gentry.⁶⁷ Which way was the wind blowing? The *coup* provided a strong hint, obliging the former to retire from politics, and the latter to enter it.

If both Tocqueville and Bagehot represented changing historical valences of a common tradition, it is nevertheless pushing it to claim, as Lord Bryce did, that in the pantheon of great liberals, Montesquieu ranked above Tocqueville, with Bagehot's intellect "worthy to be compared even with that of the earlier and greater of these two illustrious men."⁶⁸ Tocqueville used his retirement to discover a deeper explanation for France's revolutions in the unbroken tendency to administrative centralization since the time of the old regime. Bagehot rushed to national character. The apt comparison is to Tocqueville's ambitious assistant, Arthur de Gatineau, whose *Essay on the Inequality of the Human Races* (1853-56) so shocked and horrified the author of *Democracy in America*.⁶⁹

Marx Reading the *Economist*: Liberalism and the Aristocracy of Finance

⁶⁷ What could be more revealing than comparing their experiences of seeking elective office? In Hutton's account of Bagehot's testimony before the Bridgwater Commission, Bagehot crudely caricatures a rural elector at whose feet the problem of bribery is implicitly laid. Contrast this with Tocqueville who wrote about his country constituents, in *Recollections*, with something like love. "The local people had always been kindly disposed to me, but this time I found them positively affectionate." After assembling in front of the church to walk to the neighboring village of Saint-Pierre to vote, the men queued in alphabetical order. "I preferred to take the place my name warranted," he wrote, "for I knew that in democratic times and countries one must allow oneself to be put at the head of the people, but must not put oneself there." Finally, an old peasant approached Tocqueville, who complained to him of fatigue after the long walk. "I am very surprised, Monsieur de Tocqueville, that you should be tired, since we all brought you here in our pockets." Tocqueville, *Recollections*, 94-95; Hugh Brogan, *Alexis de Tocqueville: a Biography* (London: Profile, 2006), 437; Sisson, *Case of Walter Bagehot*, 48-55.

⁶⁸ W. David Clinton, *Tocqueville, Lieber, and Bagehot: Liberalism Confronts the World* (New York: Palgrave Macmillan, 2003), 2.

⁶⁹ Brogan, *Alexis de Tocqueville*, 545-547.

One commentator on the *coup d'état* was in little doubt about the liberal moorings of the *Economist*; still less would he have questioned the representative attitude of its future editor.

Marx had spent the summer of 1850 reading back issues of the *Economist* in the British Museum, looking for information that would allow him to chart the relationship between economic performance and political riptides since 1848.⁷⁰ His study suggested that an improving economic climate, which began in the middle of 1848 and picked up steam in 1849 and 1850, had strengthened the forces of reaction in Europe. Yet his reading of the *Economist* had given him more than raw data. In it he discerned the mouthpiece of an advanced section of liberal opinion, a financial elite, “not merely the loan promoters and the speculators in public funds...but the whole of the banking business.” “If in every epoch the stability of the state power signified Moses and the prophets to the entire money market, why not all the more so today, when every deluge threatens to sweep away the old states, and the old state debts with them?”⁷¹ *The Economist* was an invaluable resource for Marx, who used it – as with a camera obscura – to project and invert an image of liberal ideology at mid-century.

In the *Eighteenth Brumaire of Louis Bonaparte* (1852) Marx cited the *Economist* to help explain the way the 1848 revolutions unfolded. In Paris, the noisy struggle of the “party of order” with the executive, and the threat of revolution from below, led the bourgeoisie to renounce political authority in favor of preserving its social power under Louis-Napoleon. The desire for tranquility was such that “even bourgeois liberalism” was thrown out as socialism.⁷² This was what Bagehot

⁷⁰ David McLellan, *Karl Marx: a Biography*, 4th ed (Basingstoke [England]: Palgrave Macmillan, 2006), 224.

⁷¹ Marx, *Eighteenth Brumaire*, 101.

⁷² Karl Marx, *Eighteenth Brumaire of Louis Bonaparte* (New York: International Publishers, 1963), 67.

had said – albeit attributed, here, not to national characteristics but cosmopolitan class interests. “The position of the aristocracy of finance is most strikingly depicted in a passage from its European organ, the London *Economist*,” wrote Marx. A Paris correspondent had noted, on February 1, 1851, “the sensitiveness of the public funds at the least prospect of disturbance, and their firmness the instant the executive is victorious.” “In its issue of November 29, 1851,” Marx continued, “*The Economist* declares in its own name: ‘The President is the guardian of order, and is now recognized as such on every Stock Exchange of Europe’.”⁷³ Here was the banking class assuming its role as guardian of the public trust which Bagehot was later to develop in *Lombard Street*.

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Bagehot is the most famous editor of the *Economist*. He extended the paper in directions Wilson was already moving yet in a style that was his own. The rush of events required Bagehot to look even further afield – to political conditions in countries Britain depended on for raw materials, markets for manufactures and capital goods, and were, increasingly, its industrial competitors. Wilson harangued parliament for none but free trade reforms. For the time he prescribed little but *laissez-faire*. The same concerns led Bagehot to the American Civil War and its effects on textile factories in Lancashire, or of revolutions and wars in Europe on the London money markets. The political format best suited to the stable, steady accumulation of capital became an intellectual fixation. This downgraded political freedom, even if it did not always sacrifice it, to economic expediency. Suffrage for women and workingmen was out, but so was over-the-top oppression of the colonized on racial grounds alone.

⁷³ Ibid., 103.

Bagehot opened the door to the world, shouting at it with great force and insolence. He stamped the *Economist* with his personality. Whereas Wilson cared about public figures in terms of their stance on a single issue, Bagehot believed in hidden depths, the play of personality which he carried over from his essays on literary lives into the *Economist*. As Keynes noted in a 1915 review of his collected works, “Bagehot was a psychological analyser, not of the great or of genius, but of those of a middle position, and primarily of business men, financiers, and politicians.”⁷⁴ His disdain for the worker, the rustic, the servant and street fighter surpassed the bounds of simple political suspicion to the extent that, without capital, these figures lacked any but a shadowy, collective personality. “He is not only clever himself,” wrote Sisson, describing Bagehot’s “affable, matey tone...but gives a distinct impression that he is one of a band of like-minded conspirators, to which the reader is invited to attach himself.”⁷⁵ Bagehot set the unique house style at the *Economist*. To this day it gives one the uncanny sense of hearing a single smart-alecky cadence in the many unnamed voices that throng each issue.

The Empire Returns: Johnstone and Fin-de-Siècle Finance

Edward Johnstone left no comparable imprint on the *Economist*, but his twenty-six years as editor did reflect major transformations in the capitalist world system and the content of liberalism in the last quarter of the nineteenth century. Two broad shifts are visible in the *Economist* from 1843 until roughly the turn of the century. In the aftermath of 1848 the overall political vision was negative: to avoid another revolutionary wave through a mixture of

⁷⁴ J. M. Keynes, “The Works of Bagehot,” *The Economic Journal* 25, no. 99 (September 1, 1915): 369, doi:10.2307/2221887.

⁷⁵ Sisson, *Case of Walter Bagehot*, 111.

repression and very gradual reforms. This winnowing was also the result of a second shift, in editorial assets. Wilson inherited wealth in wool and a business in hats. But he soon moved on to shorting indigo. Skeptical of banking reforms on *laissez-faire* grounds, he set the *Economist* against Peel's 1844 Bank Charter Act.⁷⁶ But here too he was converted. Wilson helped found the Chartered Bank to invest in rising Asia, while his passage to India revealed the merits of a centralized system designed to put investors, far from their capital, at ease.

Bagehot dictated the most visible alteration to the paper under Johnstone, focusing front matter on the money market. His 1873 memo to the Wilson family trustees outlined their duties in selecting future editors and in keeping the paper profitable. For years after the panic of 1866 its rate of profit had declined. "I believe it to have been owing to the dull state of the money market," Bagehot explained, "which was so motionless for nearly four years that there was nothing to tell the public about it." When trading volume picked up again the paper "recovered its position," largely because, as a member of Stuckey's, "which always has large sums in London, I have better means of knowing than a mere writer what is happening and what is likely to happen."⁷⁷ Its paradoxical possession of insider knowledge and a reputation for honesty ensured its competitiveness in the increasingly crowded field of business journalism. Free trade and political news were important but needed to be viewed in reference to changes in the money market, "because they affect all men of business, and all are anxious to see what will be their course." "Every other part of the *Economist* must now be considered second." Bagehot

⁷⁶ Wilson sided with Tooke in opposing the quantity theory of money. He argued that supply and demand alone insured banking reserves sufficient to convert bills into gold bullion. And he thought banks should be able to issue their own notes. "The Bank Charter Act, 1844," *The Economist*, October, 20 1855.

⁷⁷ Walter Bagehot, *The Collected Works of Walter Bagehot*, ed. Norman St John-Stevan, vol. 14, 15 vols. (London: The Economist, 1986), 424.

concluded by encouraging the trustees not to rely too much on the paper's present prosperity, and never to mistake it as a source of income in the same manner as "funded property or land."⁷⁸ *The Economist* too was a form of paper wealth, a precarious speculation, whose circulation depended on turnover in the broader market.

Palgrave, who briefly followed Bagehot, came from an eminent milieu of gentlemanly capitalists, born into a Yarmouth banking dynasty, educated along with his three brothers at Charterhouse.⁷⁹ Robert Giffen, also offered the top job, was assistant editor until 1876, at which point he moved seamlessly to the Board of Trade, to which he brought statistical expertise developed at the *Economist*, then back to the City, where he founded a rival paper, *The Statist*. Johnstone was another financial journalist with banking expertise. Greater flexibility on *laissez-faire* (at least in the financial realm) reflected their focus on the money market as well as the distinct historical relationship between financial capitalism and state. Here the emphasis was less on freedom from interference – abolition of guilds, tariffs, poor laws or restrictions on mobility of labor – than on the mediating role of the state in floating loans, servicing debt or setting preferential terms for financing major projects such as railroads. Bagehot was well placed to see the benefits a stable gold standard might bring to the City, and the entire provincial banking network linked to it.⁸⁰ He disagreed with Wilson over the potential harm of the Bank Charter,

⁷⁸ *Ibid.*, 426.

⁷⁹ His family forms a fresco of upper class interpenetration: their father, Sir Francis Palgrave, née Cohen, historian and founder of the Public Record Office; his mother Elizabeth, daughter of Dawson Turner, the Yarmouth banker with connections to Gurney's in London; with their four sons, aside from R.H. – Francis, poet and civil servant; William, colonial adventurer, inveterate and insubordinate British diplomatist; the youngest, Reginald, chief clerk of the House of Commons.

⁸⁰ Economic historians point to the commitment to gold as an essential factor which drew liquid capital to London and secured its role as clearing house to the global economy. See, for example, Polanyi, *The Great Transformation*, 138-139; Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994), 266.

and as editor looked favorably on the extension of limited liability to banks and the development of continental *crédit mobiliers*.⁸¹

Bagehot's formulation, that Lombard Street was the conduit between "the quiet saving districts of the country and the active employing districts," betrayed nostalgia for an earlier age.⁸² By the time he wrote it, in 1873, surplus capital was rushing from England to where it could be more profitably invested – abroad, away from a downward pressure on prices which characterized the whole period from 1873 to 1896.⁸³ *The Economist* under Johnstone directed its gaze at this migration of capital and attempted to grapple with its political and economic ramifications. A sharper focus on the struggle for imperial mastery and colonial lucre were the inevitable results.

Global Compass of Capital

Foreign speculation transformed the paper by the fin-de-siècle. Weekly reports on the money market replaced political leaders at the front, while subsequent pages tied politics to investment opportunities. The headlines from 13 January, 1883 are absolutely typical: "Suez Canal Dues and Traffic," "The Finances of Eastern Roumelia," "The Condition of the Peasantry of the Decan," "Roumanian Progress," "Industrial Enterprise in Turkey." Late Victorian businessmen turned to the *Economist* not for news in the narrow sense but for political analysis to help them evaluate the risks and rewards of placing capital abroad.

⁸¹ Bagehot, *Collected Works*, 9: 235-71. See also, "The Credit Mobilier," *The Economist*, October 13 1855; "The Crédit Mobilier and Banking Companies in France," *The National Review*, January 1858.

⁸² Bagehot, *Collected Works*, 9: 53.

⁸³ Arrighi, *Long Twentieth Century*, 166; Ashworth, *An Economic History of England*, 158; Eric Hobsbawm, *The Age of Empire, 1875-1914* (New York: Pantheon Books, 1987).

The link was usually explicit. In the 1880s the *Economist* regularly lamented the creditworthiness of Russia and Italy, then embarking on major railway expansions. On Europe's fringe, the instability of the Sublime Porte in Turkey was a permanent source of anxiety. One appraisal of the Imperial Ottoman Bank concluded that its holding of government securities – despite high annual dividends and a stake in the profitable state tobacco monopoly – made it vulnerable in the event of the collapse of the Ottoman Empire. “When the crash does come, it will be best for those institutions standing most clear.”⁸⁴

Still greater scrutiny was reserved for Central and South America where twenty percent of British foreign investment was tied up by the 1880s.⁸⁵ Brazilian and Uruguayan deficits it eyed warily on behalf of European bondholders.⁸⁶ Past mistakes in Mexico were forgiven; the growth in railway stock there revived hopes that, “with its vast natural resources, it would speedily become an orderly State, and therefore a State in which English capital might profitably be invested.”⁸⁷ It anxiously watched Peru's borders lest supplies of phosphorus rich bat guano be disrupted.⁸⁸ And in Argentina it fretted not only over the government's ability to finance its external debt – incurred largely through railway loans from England – but also the erosion of

⁸⁴ “The Imperial Ottoman Bank,” *The Economist*, June 30, 1883.

⁸⁵ Hobsbawm, *Industry and Empire: From 1750 to the Present Day*, 2nd. ed. (London: Penguin Books, 1999), 126. In 1890, Hobsbawm points out that Argentina had surpassed even Brazil in terms of its share of total foreign investment: 157 million pounds compared to 69 million pounds, with Mexico close behind at 60 million, and Uruguay, Cuba and Chile in the distance.

⁸⁶ “The Deficits of Brazil,” *The Economist*, May 31, 1884; “The position of Uruguay,” *The Economist*, October, 17, 1885.

⁸⁷ “The Future of Mexico” *The Economist*, January 20, 1883.

⁸⁸ “Priority Claims on Peruvian Bat Guano” *The Economist*, October 13, 1883.

British exports faced with stiff competition from France and Germany.⁸⁹ Yet prudence belied a basic optimism. Investment in South America in particular had not only been profitable, but secure: both loans and companies – “railways, tramways, gas, mining, improvement and others” – “in which our money has been sunk *are purely English*, in so far as the directorates and shareholders are concerned.”⁹⁰ Impressively global coverage reflected the diversity of Britain’s national holdings; it also pointed to their magnetic poles in the formal and informal outposts of empire.

Some scholars have questioned the economic basis of imperialism: the *Economist*, for its part, has never doubted it. Revenues and yields were calculated annually partly to defend “liberal imperialism” against both its critics and those who wanted to pursue it for frivolous ends. £620 million in total colonial investments yielded an average return of five percent in 1883, it reported, during one of its larger annual overviews. Charts and graphs provided detailed illustrations of these sums. One tabulated total interest payments by region – Australasia, North America, India, Africa, etc. – and type – government loans, railways, provincial cities, harbors and gas, banking, mortgage, agency and others. Colonial government loans brought in only slightly more than four percent, excusable because low risk; railway and municipal bonds and stocks were excellent at over five; and banks and mortgage companies were galloping away at over six. “Nearly one half of our subscriptions in 1883 were to colonial loans and to colonial enterprise,” it reminded readers, “and the growth is so certain to continue, that the whole question cannot be too carefully considered.”⁹¹

⁸⁹ “The Trade and Finance of the Argentine Republic,” *The Economist*, May 5, 1883.

⁹⁰ “Our Investments in South America,” *The Economist*, December 8, 1883.

⁹¹ “The extent of our colonial investments,” *The Economist*, February 16, 1884.

The lack of movement on the stock exchange over the same period gave rise to similar formulas. An encomium to speculative virtues praised the social utility of the risk-taker and entrepreneur in terms of empire, an individual who “will subscribe for new securities – such as the Indian gold mines and electricity companies already mentioned – which without him would certainly never have been subscribed at all.” In the midst of stagnating prices one was obliged to wait until “the savings of the investing classes increase.” A dazzling securitized vista would then melt even the most bearish heart. “New Guinea and the Western Pacific may someday be pictured as teeming with wealth; South America, where we have already sunk over 150,000,000*l*, will offer an indefinite field; so will all our colonies.”⁹² A more sober and thoroughgoing endorsement of empire in both its indirect and direct forms is difficult to imagine.

Under an Emotion of Tropical Territory: British and Rival Imperialisms

Though a powerful rationale for empire, the *Economist's* was not a standard one. Rather, it framed a uniquely financial vantage point on empire. One reason its views merit careful examination is that some of the most compelling theoretical explanations for imperialism down to today attribute its motor to this very source. For the foundational theorist of imperialism, the contemporary liberal economist J. A. Hobson, the impetus for colonial expansion arose from the nexus of interests contained in the Square Mile.⁹³

⁹² “Why there is stagnation in the stock exchange,” *The Economist*, November 24 1883.

⁹³ Other liberals, including the next editor of the *Economist*, Francis W. Hirst, drew heavily on Hobson for their own economic analyses of imperialism. See, Bernard Semmel, *The Liberal Ideal and the Demons of Empire: Theories of Imperialism from Adam Smith to Lenin* (Baltimore: Johns Hopkins University Press, 1993). For a vastly more complex historical reworking of his insights today, see Cain and Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London; New York: Longman, 1993).

Neither patriots, missionaries nor manufacturers had sufficient motivation or influence, argued Hobson in 1902, to explain why Britain had outpaced all her rivals, absorbing approximately 4,754,000 square miles and 88,000,000 subjects from 1870 to 1898. Nor would mercantile explanations do, since trade with rival countries in Europe, or the US, exceeded the share taken up by the colonies. The income from stocks and bonds, not trade, had followed the flag: the outsize political influence of the “investing classes” was what pushed governments to open up new zones for speculation.⁹⁴ If Hobson’s study identified a culprit, however, it said relatively little about the nature of their crimes. What characterized this particular type of imperialism during the last quarter of the nineteenth century? How did it respond to conflict, crisis and competition from other rising imperial powers? No publication is more likely to supply an answer than the *Economist*. As economic rivalries transformed into geopolitical ones, Johnstone could not afford to be disinterested. Tracking investments also entailed taking a weekly stand on the frontiers the British Empire.

The official *Economist* position was that further physical expansion of empire should be limited, and inter-imperial cooperation encouraged. But in practice maximum flexibility was needed and cases were dealt with on an *ad hoc* basis.

In 1883 the paper called for prudence. “The air is thick with projects of annexation. In Africa, in Asia, and in Australasia, schemes of conquest or of colonisation are being pressed forward.” Though some chances could not be passed up – “to such enterprises as the opening up of the

⁹⁴ J. A. Hobson, *Imperialism a Study* (London: James Nisbet & Co, 1902), 38, 107.

Congo we cannot, of course, be indifferent” – on the whole, “consolidation and development rather than fresh adventure” was the wisest course. It reminded readers of the vast possessions already under British sway – an expanse sixty-five times the size of the British Isles, twice the area of Europe, with an estimated populace of 217,695,000 in 1881. “Our interests will be better promoted by international agreements as to freedom of trade, than to extend our dominion over new land.” Bluster was rare, and the paper deprecated the likes of Joseph Chamberlain and Cecil Rhodes as hotheads whose tough talk and territorial strivings endangered the real basis of British power. On the other hand, it showed little tolerance for any principled critiques. It would be absurd to draw a line, “where we can say thus far and no further.” Nor was empire in itself an unnecessary strain. The fact that total resources expended on and returned from the colonies were increasing at roughly equal rates disguised the real profits accruing to the home country. And this applied to more than trade: large outlays on public works in the colonies were actually debts, it pointed out, which India, Australia, Canada and others would be obliged to repay with interest.⁹⁵

Imperial rivals were treated with disdain, which did not prevent outbursts of sympathy or alarm. For the *Economist* France remained eternally irrational and unpredictable. The 1883 Tonkin expedition was a vainglorious land-grab and “occupation” and, what was worse, without the prospect of material gain. Its most likely outcome was a war with China whose brunt would be Britain’s to bear – the rise in the price of tea “felt in every English cottage;” the flow of opium from India stanchied, product of “a century of care and skill, akin to Lafitte among clarets, or

⁹⁵ “Our Colonies and Possessions” *The Economist*, April 28, 1883.

Havana cigars among tobaccos.”⁹⁶ In drab Jules Ferry it discerned an impetuous minister who might refuse to back down in East Asia, or in Madagascar, where Britain retained influence on the northeast of the island.⁹⁷

Germany’s strivings were considered more benign. In 1884 it welcomed overtures from Bismarck to settle the status of the Congo and the Niger as motivated by pecuniary good sense: “right of access for his traders, and a share in the right of levying duties.”⁹⁸ On 18 November 1899 – just a month after the Boer War commenced – it hailed Kaiser Wilhelm II’s visit to his cousins in England. Relations had warmed since the recent deal to divide Samoa between Germany, the US and Britain. Wilhelm II’s disastrous telegram to President Kruger of the Transvaal, congratulating him on repulsing the Jameson raid in 1896, was a youthful outburst, best forgotten. Germany’s stature was growing. *The Economist* encouraged Englishmen to be good sports. “Its power in the field of industry has been honestly won...we feel, therefore, not only that the rivalry is honorable but by no means precludes perfect political amity.”⁹⁹ Even the initial decision to build up the German Navy was met with the sanguine assumption that the Kaiser’s ambitions were confined to the Pacific.¹⁰⁰

At the end of the day, though, empire was a talent which few other nations could hope to acquire. “France has an enormous colonial empire,” the *Economist* granted in 1899, “but she makes so little of it that it is a burden rather than a source of profit. She has no surplus population

⁹⁶ “The French Expedition To Tonquin,” *The Economist*, May 5 1883.

⁹⁷ “M. Ferry’s Speech at Havre,” *The Economist*, October 20 1883.

⁹⁸ “The Congo and the Niger,” *The Economist*, October 18 1884.

⁹⁹ “The Kaiser’s Visit,” *The Economist*, November 18 1899.

¹⁰⁰ “Germany and Her New Navy,” *The Economist*, December 16 1899.

wherewith to colonise, and she permits her colonies to be overrun by officials and soldiers, and to be hampered by unwise tariffs.”¹⁰¹ Colonies pursued for the sake of so abstract a concept as “*la gloire*” was bad enough; valuing that chimera more highly than *rentabilité* was simply crazy. Germany did not always fare much better. The publication of Prince Frederick III’s diaries in the *Deutsche Rundschau* in 1888 gave rise to questions about whether his chancellor, Bismarck, “has directed or utilised the national desire for colonies with any wisdom.” He had failed to chose colonies where Germany’s surplus population could settle, “nor one which promises to greatly increase the volume of national trade.” “If he wanted an Australia,” it breezily opined, “he should have looked to South America, where protected German colonists could have founded States, or if he desired an India he should have found one in Asia, but he has preferred to establish ‘plantations’ often chosen, as in the Cameroons, and perhaps in Zanzibar, with little reference to conditions of either climate or of soil.”¹⁰² *The Economist* was especially sensitive to the hypocrisy of US imperialism. It was impossible to take the Open Door Policy in China seriously, for example, when Americans continued to levy tariffs at home and in the newly acquired Philippines.¹⁰³ Britain should remain above this fracas. Let the latecomers, “under an emotion of tropical territory,” fight for the leftovers. Britain already had the best land, “holds all coaling stations on the two routes to the far East...the keys of the Mediterranean, of the Red Sea, of the Persian Gulf, the Straits of Malacca, the Eastern Archipelago, and rules in unquestioned and practically lonely sovereignty the people of India.”¹⁰⁴

¹⁰¹ “Continental Criticism of England,” *The Economist*, September 30 1899.

¹⁰² “A New View Of Prince Bismarck,” *The Economist*, September 29 1888.

¹⁰³ “The United States And The Open Door,” *The Economist*, January 6 1900.

¹⁰⁴ “The Expansion of the Empire,” *The Economist*, December 13 1884.

The British Empire represented more than a talent for judicious entanglement, however. *The Economist* painted a weekly picture of the world in which both the reproduction of national wealth and international peace and goodwill could not be conceived without it. In the menagerie of subjects treated the empire soon took precedence. News from India had been a weekly staple since Wilson. Major settler colonies in Australia, New Zealand, North America and South Africa were added in subsequent years. A new age of imperial sparring saw new flash points of immediate interest. Egypt was omnipresent after its occupation by British and French forces in 1883. “We have already tried to govern Egypt through its treasury, and the attempt has failed.” Though preference was given to indirect rule, exceptions were made – the Suez Canal was simply too vital to be left to the vagaries of autochthonous middlemen.¹⁰⁵ Nor were all pieces of the imperial puzzle equal. The settler colonies of Canada, Australia, South Africa and New Zealand were early on being weighed in the balance of any future war in Europe; their deep bonds with Britain meant their moves towards political independence as dominions were relatively unproblematic. India never appeared within these brackets. No patience was shown with advocates of representative democracy in newly occupied Egypt, either:

Our expedition to Egypt was neither a humanitarian crusade nor a buccaneering adventure. We went there because we had definite interests...The success of Arabi would have driven European capital and industry out of the country, revived the direct control of the Sultan, and permanently endangered the high road to the East. So long as Egypt is free from anarchy, independent of the Porte, and friendly to ourselves, we need no more concern ourselves with her internal development than with that of Afghanistan.¹⁰⁶

In the event of conflict with a tutelary race or rival imperial power the *Economist* rallied to the Union Jack without hesitation. What it reserved the right to criticize was always narrowly defined: the individual conduct of politicians or generals after war seemed imminent or had

¹⁰⁵ “The Financial Control in Egypt” *The Economist*, January 13 1883.

¹⁰⁶ “Mr. Gladstone on Egypt” *The Economist*, August 11 1883.

already in fact begun. Against the backdrop of a stubborn pragmatism, patriotism was liable to burst forth in shrill gusts.

When Khartoum fell to the Mahdi in January 1885 it demanded vengeance for General Gordon, the adventurer *par excellence*, who had remained within the city despite direct orders to leave. “The Englishmen in the Soudan have shown the best qualities of the national character, and their achievements will always hold a conspicuous place in the annals of British heroism.”¹⁰⁷ A few months later it threatened to retaliate – “there are occasions which compel a country to choose between war and national dishonor” – for Russian sorties beyond the River Kushk into Afghanistan.¹⁰⁸ At the close of the century imperial tempers grew especially heated. The 1899 Boxer Rebellion in China required cooperative, but no less categorical, repression. The paper favored a German plan to avoid partition and punish the Chinese responsible; this would help “to maintain proper respect for the representatives of Western peoples; and, on the other, to maintain China intact against Western greed and intrigue.”¹⁰⁹

The most important military operation of the period – the Boer War – got underway at the same moment. Chamberlain, according to the *Economist*, was an ineffective diplomat whose gruff, preemptory, secretive methods “unsettle the negotiations, unsettle markets, unsettle the public mind.”¹¹⁰ The fate of the British Empire should not be made to depend on the voting rights of a certain number of miners and capitalists on the Rand. “Do not let an exaggerated Imperialism

¹⁰⁷ “The Fall of Khartoum,” *The Economist*, February 7, 1885.

¹⁰⁸ “The Battle on the Kushk,” *The Economist*, April 11, 1885.

¹⁰⁹ “The Chinese Problem,” *The Economist*, September 29, 1900.

¹¹⁰ “The Transvaal and the New Diplomacy,” *The Economist*, September 2, 1899.

make us ridiculous before the world,” it remonstrated, “Our Empire was not built up that way.”¹¹¹ On the cusp of war in October, however, the paper reversed course, supporting unilateral action, even in the face of intense criticism from abroad and within Liberal ranks at home, including from a future editor, the “Pro-Boer” Francis Hirst.

No matter how just their cause, “if they [the Boers] once presume to attack a British colony, this country...would be united in a war which would be literally waged *saigner à blanc*. There would be no compromise, as in 1881; the Boer State would be wiped out of existence by general consent.”¹¹² Kruger’s ultimatum was greeted with painful sneers: the average Boer “knew less than people like the Afghans;” their leaders believed “as Muslim fanatics believe,” and were “fully possessed with the idea that Englishmen want their mines – which, we may remark, Englishmen own already.” The Boers may have thought like crude Orientals but in deciding for war they counted on being treated as white men. “They know perfectly well that the English will neither execute them, nor take their farms, nor subject them to special taxation.”¹¹³ When this proved untrue the *Economist* went eerily silent. Thereafter criticism was confined to calls for more and better guns, more and swifter transport and a larger, better-paid standing army.¹¹⁴

Irish Home Rule and the Unity of Empire

¹¹¹ “Boer and Briton,” *The Economist*, August 26, 1899.

¹¹² “The Transvaal Issue,” *The Economist*, October 7, 1899.

¹¹³ “The Motives of the Boers,” *The Economist*, October 14, 1899.

¹¹⁴ “Some Reflections on the War,” *The Economist*, December 16, 1899; “The Military Proposals,” *The Economist*, February 17 1900.

Empire was just as central to the domestic political profile as it was in discussions of the global economy and balance of power. Irish Home Rule made this abundantly clear. *The Economist* had opposed Irish nationalism from the start. Under Johnstone, however, this position received a boost from a new recruit. Herbert Henry Asquith, future Liberal prime minister, was almost certainly responsible for these leaders – which, even after he ceased writing for it in 1885, defined the *Economist*'s position within Liberal Party politics for almost two decades. Asquith began writing at least one leader a week at the end of the 1870s. He got the job, which paid £150 a year, through Bagehot's old friend Hutton at the *Spectator*. There Asquith waxed on classical themes – “The Art of Tacitus” or “The Age of Demosthenes,” for example, before crossing the street to deal with harsher realities and shorter attention spans.¹¹⁵ At this stage Asquith saw any steps towards autonomy for Ireland as anathema on the grounds of the “unity of empire.”

So crucial was its status that when Gladstone announced his conversion to Home Rule in 1886, carrying Asquith with him, the *Economist* rallied to Liberal Unionism on the right. Gladstone, venerated until then, was raked across the coals. True Liberals were duty-bound to resist his compromise, which promised the “disintegration of the Empire...and would hand that unhappy country over to the strife of rival factions, the bitter play of religious animosities, and the keener conflict of class hatreds.”¹¹⁶ In this Johnstone was giving vent to views widespread in the City, which now turned against Gladstone and the section of the Liberal Party he led.¹¹⁷ In parliament

¹¹⁵ Roy Jenkins, *Asquith* (London: Collins, 1964), 32-33.

¹¹⁶ “Mr. Gladstone's Scheme,” *The Economist*, April 10, 1886.

¹¹⁷ Kynaston, *The City of London*, 1, 375.

the paper advocated expelling the Parnellite members for obstruction and expose them to a salutary lynching by the London mob.¹¹⁸

The Liberal split over Home Rule posed a particular challenge to the *Economist*, whose political outlook had started to embrace a measure of social reform at home, even as it tightened imperial screws abroad. On the one hand, the “new radicalism” announced in its pages by Asquith in 1883 was meant to revise and update the axiomatic liberal truth, “that the duty of the State begins and ends with protection of life and property and the enforcement of contracts.” In advanced industrial societies the state now had not only to ensure security, but also, “to some undefined degree, the distribution of comfort and social well-being.” Education, sanitation, industrial relations – all could be solved, if at all, by the “direct action of the State alone.”¹¹⁹

Foreign policy got a radical retouch as well. Free trade was never going to abolish war, another leader written by Asquith explained, and certain old radicals, of the “Manchester School of foreign policy...yielded so far as to concede full self-government to the colonies.” The preservation of empire, and the enforced flow of free trade among its constituent parts, also required state intervention. Thankfully, “younger Radicals are obviously indisposed to the idea of non-intervention.” The English people, for their part, understood the strategic necessity of securing the route to India, and beyond: “No anxiety is shown to reduce the numbers of the Army; strong measures, like the dispatch of a fleet to Smyrna, to secure the surrender of

¹¹⁸ “The Irish Difficulty,” *The Economist*, December 26, 1885.

¹¹⁹ “The New Radicalism,” *The Economist*, January 20 1883.

Thessaly to the Greeks, are not resisted; and in recent Egyptian difficulties the country has been, on the whole, in favor of high-handed action.”¹²⁰

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Asquith may have been right that popular sentiment in favor of empire was increasing at the same pace as its economic importance. Ireland was different, however, and required deft handling. As much a domestic as an imperial question, severity called into question the new radicalism’s liberal prognostics for social harmony, while meekness endangered the empire itself, its dependent on bold demonstrations of power. Just twenty years after Bagehot had tried to smooth over the split between Cobden and the parliamentary leaders of the Liberals – remembering him as a polite agitator for the Anti-Corn Law League and advocate for the commercial treaty with France – the split returned with magnified force. The Liberal Party splintered, with loyal Gladstonians crushed at the 1886 polls, and the breakaway Liberal Unionists quickly absorbed in all but name into the Conservatives. This outcome raises fundamental questions about the ideology underwriting the party, and the difficulty of assimilating empire (both crucial to and often at odds with its general precepts) to it.

Ireland exposed a rift between two faces of liberalism that no amount of squabbling in the interior of Africa ever did. This imbalance preceded the Johnstone era. Not unlike other champions of *laissez-faire* in Britain, Wilson became a bureaucratic state planner on his passage to India. While Bagehot may have expressed doubts about foreign entanglements after the unexpected difficulty in Crimea, he endorsed the hierarchy between races that undergirded empire – and was just as alive to the financial infrastructure which made it spin. An “old saving

¹²⁰ “The Change in Radicalism” *The Economist*, March 1 1884.

country” should spread its capital abroad to new colonies crying out for development, provided it could do so safely – “we shall thus get a good interest for our money for virgin communities can pay better than others.”¹²¹ Johnstone came down hard against any republican breakaways from empire, in Ireland or South Africa. Under the next editor, Francis Hirst, the clash between an in-bound and out-bound liberalism, with the role of finance at its center, would reach its brief and tumultuous climax.

¹²¹ Walt Whitman Rostow, “Bagehot and the Trade Cycle,” in *The Economist, 1843-1943* (London: Oxford University Press, 1943), 168.

Chapter 3 - The New Liberalism and Financial Imperialism

In 1907 Francis Hirst was chosen to lead the *Economist* in the midst of major new challenges for liberalism, both at home and abroad. If the growing weight of finance within both the City and national economy had vindicated Wilson and Bagehot in hitching their newspaper to its mast, the overall picture for Britain had visibly changed. As early as the 1870s midlands manufacturers – in hardware, chemicals, glass, pottery and especially steel and iron – began to encounter stiff competition in world markets from Germany, the US and other later industrial developers. By the turn of the century foreign rivals were leaving many British firms behind. Movements against free trade accompanied the relative decline of sectors squeezed by competitors – who, critics of the prevailing system observed, hid behind tariff walls while dumping goods in Britain and its imperial markets. A National Fair Trade League had already formed by 1881. While its success was limited – it folded in 1891 – its message was refined and immeasurably amplified a decade or so later.

Joseph Chamberlain, a Birmingham screw manufacturer and leader of the Unionists, took up the cause of the disaffected. From 1903 to 1906 he fought election campaigns on a platform of Tariff Reform, proposing a system of Imperial Preference modeled on Germany's *Zollverein*, in order to strengthen the Empire while supporting social reform. Chamberlain and the Tariff Reform League launched a massive push to convince voters that the doctrine of Free Trade was no longer suited to a world in which only Britain abided by its rules. In contrast to the earlier Fair Trade episode pains were taken to sign up the working class through a mixture of imperial appeals to its patriotism and promises of full employment. "Tariff Reform Means Work for All," went the

popular slogan and dance hall tune, designed to sweeten and partly offset the counter-argument, that tariffs meant a “dear loaf” and a return to the hungry forties. The unintended consequence was to unite Liberals on Free Trade, handing them the largest parliamentary landslide in history in 1906. But this outcome was deceptive, at least as regards the unity of the Liberal Party.

The Economist under Hirst displays all the tensions plaguing the Liberals at the moment of their electoral zenith. For the City, in contrast to the industrial midlands, had increased its lead absolutely in what was now described as a global economic race for survival. In fact, were it not for its invisible exports – dividends, interest, premiums, commissions, salaries, pensions – a large trade deficit would have already existed by 1902. As it was a deficit in finished goods was turned into an ample surplus. By 1909 the *Economist* put total capital exports at £3 billion.¹ The next year it toasted “the hegemony of the City,” mocking “Wall Street’s boastful anticipations that it would succeed London as the centre of the financial world, humbled to the dust by the crisis of 1907.”² By 1914 British capital placed abroad was closer to £4 billion, as compared to £5.5 billion for France, Germany, Belgium, Holland and the US combined.³ The City stayed true to a system from which it had so spectacularly benefited. Crucially, so did some of the oldest and most significant export industries, still finding ample shelter in a Free Trade Empire: textiles, half of total exports to 1914, enjoyed special access to India; coal reigned in global markets, as more efficient German and American pits produced for domestic consumption; and a floor was

¹ “Free Trade in Being,” *The Economist*, March 13 1909.

² “Bagehot’s Lombard Street,” *The Economist*, July 23 1910.

³ Hobsbawm, *Industry and Empire*, 130. For competing views on the overall importance of finance to the imperial project, see Lance Davis and Robert Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism* (Cambridge: Cambridge University Press, 1988); P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London; New York: Longman, 1993). An overview of recent debates is given by Raymond E Dumett, *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire* (London; New York: Longman, 1999).

placed under naval capacity by the imperial stratagems, and order books, of the Admiralty.⁴ *The Economist* championed free trade from all of these angles, as did the bulk of those who chose to stay in the Liberal Party.

If Hirst exposed fault lines running across liberalism these were less over the proper response to economic challenges than the imperial rivalries to which these were giving rise. On the latter question Liberals disagreed violently. The answer given by the *Economist* under Hirst contrasted sharply with that of his predecessor. For Johnstone colonial interventions in Africa and Asia were acceptable, provided they were not too long or costly, and erected no barriers to trade. Hirst appeared to reject this out of hand. Educated at Oxford, then suffused by the socially progressive New Liberalism of T. H. Green, whose resident disciples included L. T. Hobhouse, he was also and paradoxically formed by his reading of Richard Cobden. He was, in fact, about to repeat the falling out between the latter and the *Economist*. Hirst cut his teeth in public life as an opponent of the Boer War. Here he began his ongoing clash with the Liberal Imperialists, who favored free trade but insisted that imperialism was essential both for social reform at home and the challenge posed by rival powers abroad. From it Hirst also developed a critique of “financial imperialism,” hardly flattering to some *Economist* readers, even as he maintained that honest investors never stood to gain from war. His critique joined a growing body of literature that sought to understand the relationship between finance capital and empire at the turn of the century, preceding by two years the famous theory posited by a fellow Liberal, the economist J. A. Hobson.

⁴ Semmel, *Imperialism and Social Reform*, 89-90, 147. In the last case, there was even complementarity, with insurance companies insuring cargo and banks issuing bills of exchange, discount and credit that reinforced a lead in shipping and shipbuilding.

Hirst's *Economist* swung from attacking liberal turncoats like Chamberlain, an ex-Liberal who defected over Irish Home Rule in 1886, to the Liberal Imperialist wing of his own party, among them Lord Roseberry, Edward Grey, R.B Haldane, and the former *Economist* leader writers, H. H. Asquith and Alfred Milner. Hirst dueled with them all until the outbreak of the First World War pushed him to nervous collapse; his own illusions about the relationship between liberalism, finance and empire cruelly exposed. Hirst was ousted in 1916, the only editor ever evicted in this way, two years into a running polemic in favor of a negotiated peace and against conscription. Stockbroker and financial journalist Hartley Withers replaced him; the City, its patriotic self-image badly tarnished by Hirst's dereliction of duty, was soothed.

Hirst and the Golden Days of Liberalism

Hirst's appointment brought a sudden lurch away from the imperial impasse reached in 1902 at the conclusion of the Second Boer War. Since 1883 Johnstone had carefully followed Bagehot's diktat, aligning the newspaper ever more closely with readers whose main interest was the money market. As a political compass, however, the finance proved liable to swing in curiously illiberal directions. Each new clash between the imperial powers, in Central Africa or the Far East, threatened to unleash a war in Europe, even as stock markets continued to set records. Britain, at least, stood mercifully aloof from these irrational tussles, according to Johnstone's *Economist*, being content to police the seas and enforce free trade throughout its empire, while its disinterested capital city parceled out global investment. With the Second Boer War, however, this position looked increasingly vulnerable.

The conquest of two enclaves bordering the British Cape Colony – the Orange Free State and Transvaal Republic, where major gold deposits were unearthed a decade earlier – proved surprisingly difficult, costly and brutal. *The Economist's* support for war was no less significant than its high-pitched hostility to Home Rule in Ireland. In both cases the liberal gloss on the unity of empire was tarnished. Still more alarming were editorial noises in favor of France during the Moroccan Crisis, which threatened to launch Britain into a war with Germany between 1905 and 1906.⁵ The family trustees looked for a new editor to inject vitality into the newspaper while extricating it from some of these difficulties after illness sidelined Johnstone. Thirty years after Bagehot's death they chose a young, ambitious jurist turned journalist – steeped in the liberal hallowed halls of the Oxford Union and a committed anti-imperialist. Had the trustees made their choice with both eyes open?

The third of five children from a non-conformist family with a wool-stapling business in West Yorkshire, his story would have seemed familiar. The sole exception turned out to be the rule for future editors: in 1892, he was sent up to Oxford to study at Wadham College. A dissenting father and the doctrinal tests had closed this route to Bagehot. Yet it was the great man himself whom Hirst resembled. As an undergraduate he was totally uninterested in being captain of the boats or of the cricket eleven or of the Rugby fifteen or of the Association eleven. “Not one of those distinctions pointed the way to leadership in Church or State.” The portraits in the hall of the Union Society, on the other hand, showed the heights to which its officers could aspire. Hirst became president. Debates blended high seriousness – “That this House heartily welcomes and supports Mr. Gladstone's intervention in the Armenian agitation” – with what passed for wit and

⁵ “The Powers and Morocco,” *The Economist*, June 10 1905.

humor – “that *ladies* should propose.”⁶ He dressed well for dinners to the college literary society, in a light blue waistcoat with gilt buttons, and his conversation inspired mirth. But the true mark of a liberal gentleman, according to Arthur Ransome? His “invisibility to fish” on their trips to the Meon River.⁷

As editor Hirst relished Eliza Bagehot’s invitations to Herds Hill which abounded “in memories of the great man, of his talk and work and neighbors.”⁸ Through Eliza, Bagehot had inherited the *Economist*. Hirst was not to be outdone. In 1903 he married Helena Cobden, the great-niece of Richard Cobden. Much later he would use the Cobden countryseat, Dunford House, as a base of operations for the Free Trade Defense Committee.⁹ Bagehot had three goes at becoming a Liberal MP. Hirst tried twice, in 1910 and 1929, with similar results. On the former occasion he was even invited to contest the City, a measure of his standing there among Liberal financiers.¹⁰ Transparency of ambition made them garrulous climbers.

If the Oxford Union acted as a finishing school for future members of parliament, it also served up a set of immaculate liberal references. Gladstone, a “majestic-presence, his deep and still musical voice,” returned to cheering crowds in 1892. A beguiled college freshman was on hand to observe that 62 years had elapsed since the grand old man’s own stint as president. Four years

⁶ Francis W. Hirst, *In the Golden Days* (London: F. Muller, 1947), 111.

⁷ Francis W. Hirst, *Francis Hirst by His Friends* (London, Oxford University Press, 1958), 37.

⁸ Francis Hirst, “Walter Bagehot,” in *The Economist, 1843-1943: a Centenary Volume* (London: Oxford University Press, 1943), 68.

⁹ Frank Trentmann, *Free Trade Nation: Commerce, Consumption, and Civil Society in Modern Britain* (Oxford; New York: Oxford University Press, 2008), 344-345.

¹⁰ Hirst eventually turned this chance down, “fearing the damage an inevitable Liberal defeat would do the free-trade cause.” Anthony Howe, “The Liberals and the City 1900-1931,” in *The British Government and the City of London in the Twentieth Century* (Cambridge: Cambridge University Press, 2004), 143.

later Hirst was puffing on cigars with Asquith, another alumnus, when the home secretary was invited to lead a debate on voluntary schools. At ‘Teddy’ Hall he ran into Ramsay MacDonald, fresh from quitting the Liberal Party, “a very handsome young fellow with curly black hair and bright black eyes...a wild man.” C.B Frey and F. E. Smith were classmates, and with six others, including Hillarie Belloc and J. A. Simon, he published *Essays in Liberalism* in 1897. Lord John Morley groomed him for politics, once jesting, having taken Hirst and his favorite fox terrier, Eileen, for a walk before a speech in parliament, “would you like to hear it, or would you rather wait till you are a member?” It was Sir Robert Giffen, assistant editor under Bagehot, now a statistical eminence and fellow of the Political Economy Club, who recommended him to Mrs. Bagehot for the editor spot.¹¹

Hirst’s immersion in liberal circles at the turn of the century was complete. What made him an odd choice for the *Economist* was his passionate devotion to the sort of liberalism it had rejected after 1846, that of Richard Cobden. This meant something more than free trade: it also entailed peace, retrenchment and an opening to the working class. Perhaps Mrs. Bagehot recalled in Hirst her own late husband’s “worship” for Cobden – and that he eventually outgrew it.

The title of Hirst’s memoirs, *In the Golden Days*, is indicative. It does not refer to lapsed pastorals in prewar England, but to an earlier moment, at Oxford, “in those happy days, the golden age of Queen Victoria, when it was no drawback to hold Liberal opinions.”¹² The book

¹¹ Hirst, *The Economist: Centenary Volume*, 71; R.S. Mason, “Robert Giffen and the tariff reform campaign, 1865-1910,” *Journal of European Economic History* (1996), 176. Giffen, already wavering on free trade, would soon part company with the Liberal Party entirely, attacking the 1909 People’s Budget as socialism, and arguing for increased armaments and “an expansive imperialism.” “Sir Robert Giffen,” *The Economist*, April 16, 1910.

¹² Hirst, *Golden Days*, 86.

ends with New Liberalism at its electoral summit, the great victory of 1906, a pristine party. Hirst was no dissident when he was hired: rather, liberalism itself was in flux. The names of his friends from this golden age, and their reactions to Liberal policies up to the declaration of war in 1914, are illuminating. Giffen was on the point of abandoning free trade for imperial preference, and favored compulsory military service; Belloc later rallied to monarchism, and would support the war as a fight for civilization against barbarism; both opposed as collectivist the national insurance schemes put in place by Liberals after 1909. Morley, in contrast, resigned his office rather than countenance English involvement in the Great War, while John A. Simon held on as Home Secretary until conscription was introduced in 1916. If opposition to the war was far from the rule among this group it did not constitute a personal eccentricity either.

International Finance and the Methods of Barbarism

The Boer War posed a serious challenge to the ideological stability of liberalism in Britain. It also helps to account for the revival of Cobdenism among younger Liberals. For Hirst it was the formative political event of his life, defining his vision for a renascent liberalism at once more stringent fiscally yet supple geopolitically. His contribution to *Liberalism and the Empire* (1900), an essay entitled “Imperialism and Finance,” would have weighed heavily in his selection as editor. The volume’s three entries – Gilbert Murray and J. L. Hammond supplied the others – were too loud to be overlooked. Appearing two years before J. A. Hobson’s more accomplished analysis it nevertheless owed much to the campaign in which Hobson and many other leading Liberals were engaged at the early stages of the conflict. The controversies generated by the war

remained a sometimes dormant but nonetheless consistent and crucial division within the Liberal Party until the outbreak of the First World War.

Hirst recalled that Lloyd George moved the first motion at a meeting of the League Against Aggression and Militarism on February 14, 1900: “That this conference denounces the present war in South Africa as a crime and a blunder committed at the instigation of irresponsible capitalists.” Others referred to the threat of conscription, the Press boycott, “and to a meeting in the City when members of the Stock Exchange cried: ‘This is our war!’ Brampton Gurdon said he hoped they would be made to feel it.”¹³ Hirst organized meetings and wrote leaders for the *Speaker*, edited by Hammond as a pro-Boer rival to the Liberal Unionist *Spectator*. Campbell-Bannerman, leader of the Liberals, became their slightly startled champion when he appeared to denounce the “methods of barbarism” being used against the Boers. Their primary targets were not just the Unionist architects of the war, the Colonial Secretary Joseph Chamberlain, the High Commissioner for South Africa Alfred Milner, or Cecil Rhodes, who Hirst described as “our typical imperialist, at the same time a Privy Councillor, Prime Minister of the Cape, Managing Director and Life Governor of De Beers, and, I think, Managing Director of the Consolidated Goldfields of South Africa.”¹⁴ They also took aim at opponents within their own party, among them Lord Roseberry, Edward Grey, Richard Haldane and H. H. Asquith.

“Imperialism and Finance” portrayed the Boer War as symptomatic of a corrupt polity. Rhodes and Chamberlain showed the revolting degree of collusion between capitalists and ministers,

¹³ Hirst, *Golden Days*, 199-200.

¹⁴ Francis W Hirst, “Imperialism and Finance,” in *Liberalism and the Empire; Three Essays* (London: R.B. Johnson, 1900), 60.

whose relationship boiled down to, “We give a press and public opinion; you give an army.” A war to get rid of the Boers on the Rand, opening up new gold fields in the Transvaal, meant millions in savings for mining concerns – above all De Beers – on taxes, tariffs and labor. Speculators who sold their shares in the mining companies at the outbreak of the war had already made fortunes. When the unexpected occurred, and a “handful of peasants decided to fight for their independence,” relations between the government and its “syndicate” grew tense. “The press was let loose against Mr. Balfour (who complained of the Raid) and against Sir Michael Hicks-Beach, who talked of taxing the gold mines. For a few days it really seemed possible that certain ministers would have to be ejected and a friendly government of national defense set up. A British Ministry floated by an international syndicate! Why not?”¹⁵ The long political arm of capital might be curtailed through liberal reforms to the constitution, which, in a spirit if not a language alien to Bagehot, Hirst described as “only a mask over the face of plutocracy.”¹⁶ Hirst proposed three main reforms: newspapers should be owned and operated by the journalists who wrote them; election expenses must be paid, “removing the barrier which monopolistic wealth interposes between public spirit and public service;” and a graduated income tax introduced, not only to fund education and other public services, but to reduce the political influence of the rich by reducing their means.¹⁷ When foreigners such as the Dutch-born Rhodes were allowed to put the Empire in motion for their private gain, “it is time to counter work the busy, though unseen, agencies of international finance.”¹⁸

¹⁵ Ibid., 59.

¹⁶ Ibid., 113.

¹⁷ Ibid., 113-114.

¹⁸ Ibid., 63.

Hirst was not only building a platform on which Liberals could win elections – he was also indicting tendencies within it which had led to the misfiring in South Africa. The old balancing act between increasing state intervention at home and imperial expansion abroad was unsustainable. The war showed not only that spending on arms was a danger to peace and balanced budgets. It also constituted a loss of revenue so substantial that social spending – not to say equitable taxation – was out of the question. Liberalism as a political platform would thus rise or fall on its ability to reduce armaments. Britain must lead the way in slashing them, since “it is our expenditure which forces a similar increase upon a reluctant Czar, a recalcitrant Reichstag, and an unwilling Chamber of Deputies.”

What the young Asquith had announced in the pages of the *Economist* as New Radicalism was now denounced as Liberal Imperialism. Even more misguided were the Fabians, who rallied to the Boer War on the grounds that a big and generous welfare state required an equally imposing empire. Hirst saw an opening between right and left. Maintain the superiority of the fleet, improve without enlarging the army – this went without saying – but “a great future awaits that portion of the Liberal Party... convinced above all of the utter hopelessness of attempting by any conceivable inflation of military establishments to force upon the world indefinite pretension of race and empire, and identifies itself with a firm, civilized, and studiously unaggressive policy.”¹⁹ Hirst developed these themes further in *Free Trade and Other Fundamental Doctrines of the Manchester School* in 1903 and *Monopolies Trusts and Kartels* in 1905.²⁰ The trustees must have

¹⁹ Ibid., 41.

²⁰ Francis Hirst, *Free Trade and Other Fundamental Doctrines of the Manchester School, Set Forth in Selections from the Speeches and Writings of Its Founders and Followers* (London: Harper & brothers, 1903); Francis Hirst, *Monopolies, Trusts and Kartells*, (London: Methuen, 1906).

been badly shaken by the course of the war to accept this assault on City financiers as the source of an incompetent and immoral militarism.

A Campaigning Economist

The Economist's immediate change in tone was so striking it at first overshadowed the content of the revised editorial line. Brackish consistency under Johnstone was replaced by the playful pugilism of a debating club. Hirst sprinkled his arguments with picturesque flourishes: a stanza of Milton to introduce a budget report, Bentham to explain social reform, Mill political economy or Burke foreign policy. Leaders often ran as rhetorical questions – in 1908, “What causes a revival of trade?” or “What is waste?” The center of gravity shifted from the money market to politics. Not only was there more political coverage, it was at once more sectarian in its definition of liberalism and more open to foreign infusions. Challenges from the left were met with condescension but also curiosity. “The Significance of Karl Marx” and “Definitions of Socialism,” in 1907, hailed the eclipse of the man and the movement, respectively, as proletarian parties in Germany, France and England, learnt to work for “relative adaptations,” not revolution.²¹

Liberal Imperialism remained a sharper internal threat on the right. *The Economist* rallied instead to a version of New Liberalism as expressed by Henry Campbell-Bannerman. The landslide victory of the party under the leadership of the latter in 1906 opened the way for the rebalancing act – domestic reform, imperial retrenchment – which Hirst had been advocating since 1900.

²¹ “The Eclipse of Socialism,” *The Economist*, March 16 1907.

After one year in office the newspaper published an appreciative overview of liberal achievements: “they have reestablished the sinking fund...nearly put an end to borrowing for works...imposed a severe check on waste and corruption...removed the coal duty, lowered the tea duty...and reduced the income-tax on earnings by 25 percent.” These gains were based not only on sound policy but superior personality. The prime minister, who preferred to be called C.B., possessed a “genial and imperturbable temper, an insight into human nature, a sympathy with the anxieties and aspirations of the common people, a good humored indifference to the opinion of smart society.”²² George Dangerfield translated this list of attractive personality traits into another idiom: “an elderly and rich Presbyterian whose three passions in life were his wife, the French nation and his collection of walking sticks.”²³ Hirst adored him. In 1907 he wrote to him in his capacity as *Economist* editor, which “compels me to watch trade and finance very closely,” and “from a strong sense of loyalty.” Having talked over arms spending with William Harcourt, “Lord Willy,” Hirst urged “Sir Henry...to make it the policy of the Government to return to the pre-war level...cutting four millions at least off army and navy this year,” thereby allowing the Liberals to lower taxes, add to the sinking fund and raise social spending.²⁴ Early government shortcomings he excused on strength of character: failure to arrive at an agreement on armaments at The Hague, or reduce Britain’s own naval budget, and as yet no meaningful social legislation. Further initiatives were surely just over the horizon. In one sense, this expectation was well founded. Liberals carried social reform much further than Hirst ever imagined, though they did

²² “The Prime Minister’s Character and Policy,” *The Economist*, October 12 1907.

²³ George Dangerfield, *The Strange Death of Liberal England*, rev. ed. (New York: H. Smith and R. Haas, 1935; London: Serif, 2012), 29. Citations refer to the Serif edition.

²⁴ Such a policy would also avoid a “war crisis,” damaging to trade and raising the level of unemployment. Hirst to Campbell-Bannerman, 9 November 1907, BL Add. MSS. 41238-41240, Campbell-Bannerman Papers.

so without the indispensable bonhomie of Campbell-Bannerman, who resigned office shortly before his death in 1908.

The Economist supported the steady expansion of the liberal mandate even when City interests were touched. It encouraged readers to accept the old-age pensions in Asquith's 1908 budget on the grounds that worker contributions and economies elsewhere would avoid the need to raise taxes to pay for them. The 1909 People's Budget devised by Lloyd George was "bold and ambitious, difficult and complicated," offsetting new spending with new taxes – both small indirect levies on motor cars, tobacco and liquor and direct increases on high earners, including a super tax on stratospheric wealth.²⁵ With health insurance, introduced in 1911, Lloyd George had carried off more than a parliamentary triumph, "he has captured the imagination of the man in the street." Once again, affordability was stressed: the estimated cost of the plan when fully operational in 1915 was £24,500,000 of which £11,000,000 would come from workers, £9,000,000 from employers and the remaining fraction from the state. Combined with Winston Churchill's scheme for unemployment insurance, "millions of the working classes to whom a few weeks sickness or unemployment now mean poverty and distress, will be able to meet such time with comparative fearlessness."²⁶

Some readers on unearned incomes were evidently wary of the new insurance schemes, despite their pleasant commercial sound. "We have no doubt that the introduction of old-age pensions for the poor will be regarded with a good deal of disfavor in the City, which is apprehensive just now about anything that may be thought socialistic." *The Economist* worked hard to reassure

²⁵ "A Great Budget," *The Economist*, May 9 1908.

²⁶ "The National Insurance Scheme," *The Economist*, May 6 1911.

them that liberal reforms were inimical to alien socialism – as English as warm beer and cricket, or the poor law act of Queen Elizabeth. Hirst had a special meter for delicate questions, a mounting-the-rostrum delivery, which he now used to persuade holdouts:

It may be wrong to tax very rich men at a higher rate than men with only moderate incomes, but it is not Socialism. It may be wrong to relieve landlords of income-tax, but it is not Socialism. It may be wrong to tax wind-falls, but it is not Socialism. It may be wrong to tax the still rather than the teapot, but the crime is not Socialism. If this Budget were Socialism, the public may be sure that it would have been welcomed by the *Morning Post* and torn to pieces by the *Economist*.²⁷

The intellectual feistiness and political ambition of liberalism, on full display in the *Economist*, hardly contravenes the thesis that its strange death began in the prewar period, however. Female suffrage, working class militancy, strife in Ireland, rivalry in the wider empire – all threatened its cohesion. New Liberalism, at least as it manifested itself in the political realm, was a makeshift construction, held together by its opposition to one issue: Tariff Reform. Joseph Chamberlain championed the measure, and did more than any politician to make tariffs the central electoral issue in Edwardian England. He left the cabinet in 1903 to launch a national campaign for a treaty of imperial “preference and reciprocity” – essentially a colonial *Zollverein* in which trade within the empire would benefit from lower duties. The proposal had an economic and political dimension, responding to industrial competition from Germany and the US, and the desire for a stronger imperial union.²⁸

²⁷ “The Word Socialism,” *The Economist*, October 9 1909.

²⁸ Semmel, *Imperialism and Social Reform*, 60. Semmel convincingly demonstrates that both Tariff Reformers and Liberal Imperialists shared a vision for social reform in which the Empire would serve to create an “imperial race,” that is, a healthier, more prosperous working class. Where they differed was on whether the economics of free trade could be expected to aid or hinder that cause.

Hirst was pitiless in his assessment. Chamberlain had cooked up the plan hoping it “would distract the attention of the electors from the results of the Boer War by providing a remedy, which he called Tariff Reform, for bad trade and unemployment.”²⁹ Yet the issue of Free Trade was always more vital for Liberals than Unionists. Whereas it precipitated a long and divisive fight in the ranks of the latter, it papered over divisions in the former. Asquith was forgiven his own patriotic drift during the Boer War because of his success in defending Free Trade on a national tour that nipped at Chamberlain’s heels. Liberal victory in 1906 was built on the old argument that protection in any form would raise the price of food for ordinary households. In one heated exchange between the Tariff Reform League and the Liberal Publication Department over the price of a 4lb loaf of rye bread in protectionist Germany, the *Economist* weighed in with an estimate that topped the range, 8 pence, as against the League’s 5.25 pence.³⁰

But the issue would not die, and the *Economist* was called upon to bat away all attempts at revival with a magisterial swat. Hirst chastised tariff reformers, without evident irony, for believing that between mother country and colonies “sentiment counts for nothing except when it is expressed in pounds, shillings, and pence.” Thinking better of it, he added that mutual security interests already bound the empire tightly to Britain. “Supposing that Canada and Australia were left to themselves, how long would the one hold her own against the United States, or the other against Japan?”³¹ The campaign for imperial preference was itself responsible for endangering the basis of hegemony and ramping up the tension between rival powers. “Their envy, hatred,

²⁹ Hirst, *Golden Days*, 230.

³⁰ A Berlin correspondent wrote to reiterate that he had “the best quality rye...weighed in my presence” and that the price he had reported was “fully correct.” *Liberal Magazine*, June 1908, XVI, 319-320.

³¹ “The Colonies and the Empire,” *The Economist*, April 13 1907.

and malice are, indeed, mollified and tempered by our policy of the open door and by their knowledge that wherever British sovereignty is exercised foreign commerce can come and go freely on equal terms.” “That evil day may come,” it continued, “when the British Empire will close its doors and invite the hostility of the world.”³² By 1909 the rationale for tariffs had shifted away from imperial preference. The Unionist Party now endorsed the idea but as a way to protect domestic manufacturing and to raise revenue. *The Economist* changed tack accordingly and denounced “scientific tariffs.” Over the last ten years these had yielded a piddling rise in French exports, just £70 million, as compared to Britain, where free trade had delivered a robust increase of £170 million.³³

The battle against tariffs may have recalled the *Economist*'s glory days, and returned electoral luster to the Liberal Party, but it could not overcome signs of a fragile consensus. The clearest was the inability of free traders to deliver a knockout blow, as they had in 1846. Britain was no longer the only workshop in the world. Germany and the US were industrial dynamos whose rise had depended on high barriers to British imports. Evidence of imperial overstretch and the relative and absolute decline of growth, output and share of world trade were plainly visible. Tariff Reform, in short, was not merely a political decoy, much less the last stand of an indolent landowning class.

Empire and the Limits of the Critique of Finance Capital

³² “In Aid of Turkey,” *The Economist*, 21 March 1908.

³³ “Free Trade in Being,” *The Economist*, March 13 1909.

This caricature was the tip of a larger intellectual problem for the *Economist*, and for New Liberalism, as conceived by Hirst. The central conceit – that reduced defense spending would pay for social reform – quickly proved untenable. At the height of its parliamentary majority a reduction in spending on armaments was never even proposed; nor was this possible, given the consensus on maintaining naval supremacy in the arms race with Germany. This meant that social expenditure was met by greater increases in taxation than Hirst had expected, or liked to admit. Asquith’s 1907 budget distinguished, for the first time, between earned and unearned income, and introduced a super-tax on estates valued at over £1 million. By 1909 Lloyd George was proposing a super-tax on incomes above £3,000, as well as new or increased duties on liquor, tobacco, inheritance and land. “For the bankers and brokers and shippers, merchants and financiers of the City need ever and anon to be reminded that although the increasing burden of direct taxes upon their incomes is naturally exasperating,” acknowledged one leader, “it is infinitely preferable to indirect taxes upon their trade and commerce which will take away their business, hand it to foreign centres, and inevitably destroy the supremacy of London.”³⁴ *The Economist* sometimes risked irking its readers under Hirst. But it never broke faith with the City.³⁵

³⁴ “Free Trade in Being,” *The Economist*, March 13 1909.

³⁵ Recent research has emphasized the split between the City and the Liberals during this period. The “People’s Budget” of 1907 certainly alienated some City opinion, as the Conservative voting patterns prevailing there suggest. But it is a stretch to conclude from this, as Howe does, that instead of succumbing to the pressure of cosmopolitan capital, Liberal “aspirations were increasingly reined in by the democratic promise of the post-Gladstonian Liberal party.” Liberals like Lloyd George, and Hirst, remained steadfast in insisting that they had the long-term interests of the City at heart. As the general rush to mutual embrace in 1914 suggests, disagreement was strictly between friends. Howe, “The Liberals and the City 1900-1931,” in *The British Government and the City of London*, 138, 141. That Liberals felt they were behaving in the wider interest is also probable. But the claim made by Daunton with respect to the Treasury – “Policy did not reflect the dominance of one particular interest group, for that would threaten the assumption that the state was disinterested. Fairness was more than a rhetorical device; it had to be seen to be done” – is circular, for fairness is a subjective category. Nor, as Labour’s record in power shows, would it be necessary to assume class dominance for the formulation of policies continuous with City interests. Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge University Press, 2007), 388.

Britain's economic performance up until 1914 was not uniform. If industry faced stiff competition from later developers, other leading indicators actually strengthened. World growth as a whole came to depend more, not less, on Britain's financial, trading and shipping services, and its dominance in international capital markets was overwhelming. As the relative weight of these sectors in the national economy grew, so did their traditional importance to the newspaper. Hirst, brought in to tame the demons of finance which he blamed for the Boer War, was therefore faced with an awkward restriction. In fact, his critique of financial imperialism was always limited in scope. Through modest changes in taxation, spending and diplomacy, he argued, imperialism could be brought under control.

This implied two important assumptions about the gloss he had given New Liberalism in the run-up to the First World War: first, that finance was the dynamic economic force and benign pillar upholding British hegemony; second, that aggressive imperialism was undesirable, not on moral grounds, but because it was more than Britain could afford and endangered the more strategically important parts of empire. Here Hirst parted ways with a small minority of liberal critics, most notably Hobson, who claimed finance was the "taproot of imperialism" and that a "socialist state which kept good books would soon discard imperialism."³⁶ *The Economist* repeatedly rejected the idea that confiscating surplus investment income from the rich was a valid means to pay for social expenditure – let alone that stemming the flow of wealth going abroad would encourage investment at home, raise wages, and extinguish the very impetus of imperialism, as Hobson argued. Hirst was never going to take the newspaper down that road. Too much was at stake.

³⁶ "An intelligent *laissez-faire* democracy which gave duly proportionate weight to all economic interests alike would do the same," Hobson added. Hobson, *Imperialism*, 52-53.

Ten percent of national income consisted of interest on foreign investment. Almost fifty percent of that amount was tied up in the colonies, while the rest in effect funded the industrial, military and territorial expansion of rivals.³⁷ “Surely we can look composedly upon the exports of British capital,” it argued, putting the total at more than £3 billion sterling by 1909, “as the surplus profits of an enormously wealthy country, whose trade spreads all over the world.” “There is no fear of our home industries being starved. Capital is cheaper here and credit more abundant than in any other country. The reservoir would not overflow unless it were full.”³⁸ The reissue of *Lombard Street* in 1910 was an occasion for celebrating the global reach of the City and its prophet, Bagehot. His faith in its potential had, on bank deposits alone, been vindicated four or five times over. The Boer War may have been a major setback, swallowing £160 million or two years of British savings,

But Wall Street’s boastful anticipations that it would succeed London as the centre of the financial world were humbled to the dust by the crisis of 1907, when all the banks of the United States suspended payments. Never was the City of London’s hegemony more plainly demonstrated. The Bank of England’s rate controlled the world. London attracted gold from every part of the compass and doled it out to New York and Chicago as a good doctor distributes drugs to suffering patients.³⁹

In *The Stock Exchange*, a popular explanation of the principles of investing published in 1913, Hirst was still taking pride in “the banking and financial centre of the world, our merchants and shippers seek profit in every corner of the globe; our investors large and small have interests in every continent, and the London Stock Exchange List is itself a sort of key to the distribution of trade and capital.” He might be accused of a certain bias in favor of ordinary investors, he added. “At the same time I would beg to assure the reader that he and I have no better friends than the

³⁷ Arrighi, “The Social and Political Economy of Global Turbulence,” *New Left Review* no. 20 (April 2003): 5–71.

³⁸ “Free Trade in Being,” *The Economist*, March 13 1909.

³⁹ “Bagehot’s Lombard Street,” *The Economist*, July 23 1910.

numberless bankers, brokers, dealers and promoters of new undertakings who practice callings so useful and so indispensable with the highest sense of honour, the most scrupulous integrity and the most consummate ability.”⁴⁰

Empire was the second assumption undergirding the pre-war liberal settlement. Anti-imperialists were against diplomatic bluster, jingo journalism, large standing armies, and unfriendliness to Germany. These attitudes were quite compatible with a firm conviction that the British Empire was a positive civilizational achievement whose upkeep was worth every sensible exertion. *The Economist* under Johnstone had let imperialism trump empire. Hirst was supposed to reshuffle the deck. In this respect, the difference between their reigns up until the Great War was primarily one of tone and emphasis, with one major exception: a gradual softening on Home Rule for Ireland. Here Hirst trod carefully, taking no chances until 1909, when the House of Lords rejected the People’s Budget. From then on the ensuing crisis required constitutional action to overcome “the hereditary oligarchy of sumptuous and leisured men,” including the creation of new peers and the redistribution of seats in the House of Commons.⁴¹

The Economist posited Home Rule as a solution to the over-representation of Irish MPs and a point of honor in the pact with Irish Nationalists, without whom Liberals could not have governed after their majorities were drastically reduced in 1910.⁴² The newspaper reacted hotly once Bonar Law, successor to Balfour as leader of the Unionists, began to speak about forces “stronger than parliamentary majorities,” and of resorting to firearms to defend the union. Such

⁴⁰ Francis W. Hirst, *The Stock Exchange: a Short Study of Investment and Speculation*, (London: Williams and Norgate, 1911), 15-17.

⁴¹ “Rejection of the Budget,” *The Economist*, December 4 1909.

⁴² “Ireland and the Constitution,” *The Economist*, July 15 1911.

talk was dangerous, undemocratic, a betrayal of conservative principles of law and order: “The right of the minority is not to rebel, but to convert itself into a majority by constitutional means.”⁴³ Three days before the outbreak of war on the continent, the *Economist*’s attention was elsewhere, transfixed by the possibility of a civil war over a limited form of Home Rule for Ireland.

Ireland was an exception in the handling of the imperial diadem. The jewel in that crown, India, remained under lock and key. Both harsh repression and independence were chimeras, argued the *Economist*, but of unequal dimensions: “The bureaucratic illusion that all troubles can be easily disposed of by the suppression of a few newspapers and demagogues...or the more dangerous illusion of certain Liberals that India is now ripe for self-government.” Reforms would be extremely gradual. No less a figure than Lord Morley, Hirst’s mentor, was conferred the task of carrying these out, “a statesman and philosopher, as well as democrat and an ex-Chief Secretary for Ireland...who cannot be accused of any lack of sympathy with popular aspirations.”⁴⁴

Morley made great strides, according to the *Economist*, suppressing riots and imprisoning agitators when necessary, but also increasing the number of legislative councils and augmenting their power to discuss and advise on budgets produced in Whitehall. India was meant to form a hopeful and truly liberal contrast to the aggressive imperialism Hirst detested. Politically, wise administration could redeem the imperial mission after several catastrophic detours. “It will take some time for Empire Day to recover from Eno and Selfridge, Tariff Reform and Conscription,”

⁴³ “The Moral Issues of Home Rule,” *The Economist*, May 30 1914.

⁴⁴ “The Unsettlement in India,” *The Economist*, May 25 1907.

ruminated the during the festivities in 1909, “but for those who, having no axe to grind and no powder to puff, are able to contemplate the British Empire with the critical and anxious eye of a true patriotism, there has been one great event.” This event was Morley, whose task in administering the subcontinent was clearly stated:

We are there to keep the peace among these peoples, to remove the grinding poverty which became chronic under native rule, to save them from internecine warfare, from the oppression of Eastern conquerors, and from the rivalries of other Western nations, who, however little we may know the native mind, assuredly know much less. We must persevere with our burden, maintain order, providing as many safety-valves for discontent as is consistent with that aim.”⁴⁵

Economically, the empire remained imperative. Tariff Reform was most menacing as a threat to its internal economic balance. In 1907, imperial preference risked hurting India, if “retaliatory tariffs excluded the staple products of India from the markets of continental Europe;”⁴⁶ in 1909, they risked hurting Britain, since “the moment protection is applied to England...it will be the duty of the India Office to protect India against Lancashire.”⁴⁷ The newspaper routinely tried to quantify the income received from British capital abroad, emphasizing the economic rationality of empire. In 1909 it estimated yearly income from the interest on foreign and colonial government securities, dividend payments from foreign and colonial companies, income disclosed by bankers, coupon dealers, persons, firms or public companies, and railway profits at £79, 560, 116. The figure was surely too low given the “natural disinclination of British investors to disclose the extent of their foreign and colonial investments.” Capital issues made on behalf of foreign and colonial borrowers provided another, geographical, perspective. The states which carried the most British debt, with the exception of a second place US, were formal or informal

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ “The Empire of India,” *The Economist*, May 29 1909.

outposts of empire: India owed the most, between £470 and £500 million, followed by Australia, Canada, South Africa and Argentina.⁴⁸

Liberals and the Great War

Hirst's editorship should be seen as an attempt by an enlightened section of the City to address and correct the conditions which had brought about the Boer War. Why did it fail? An allegiance to finance, an integral vision of empire, blunted its critique of imperialism to such an extent that it was blindsided when war broke out, this time on a global scale, in 1914. But should war really have come as a surprise? *The Economist* constantly warned its readers what failure to implement a program of "peace, retrenchment and reform" could mean. Hirst had had major doubts about Asquith since they were on opposite sides of the Liberal Party during the Boer War. By 1912 he was acting on them. That year the *Economist* published an account leaked to Hirst by Morley on the battle within cabinet over constructing more Dreadnoughts. "You might like to know for your own information how opinion is divided at the moment," Hirst wrote to Sir John Brunner, president of the National Liberal Federation, urging him to send a "firm letter to Asquith...a party man par excellence...that, if the government endorses this policy and proposes it to the House, you would feel conscientiously bound to summon a meeting of the Federation in the hope of bringing Liberal opinion to bear upon this fatal and provocative policy."⁴⁹

⁴⁸ "Our Investments Abroad," *The Economist*, February 20 1909.

⁴⁹ Hirst to John Brunner, 15 July 1912, in Stephen Koss, *Asquith* (London: Allen Lane, 1976), 149-150. For possible placement of the leak, see *The Economist*: "The Naval Scare of 1909," June 8 1912; "The Orgy of Armaments," July 6 1912.

And if private doubts about Asquith were not enough, the chain of international spats in the years preceding 1914 made Hirst vigilant. The Agadir Crisis in 1911 showed at once how close the threat of war with Germany was, and how determined the newspaper was to avoid it. Hirst denounced a “sordid squabble, a scramble for concessions and commercial monopolies,” over German designs on French Morocco. Great Britain had no pecuniary interest, less to fear from German expansion than French, no moral ground to stand on, having failed “to resist or protest against the buccaneering expedition of the French to Fez,” and no *casus belli*, “unless, indeed, this nation is to tie itself to the apron-strings of France, with whom our jingoes were not very long ago anxious to go to war over a miserable swamp in Fashoda.”⁵⁰ War was commercial suicide, impossible from an economically rational standpoint. £54,864,811 worth of exports to Germany and £61,845,000 of imports to Great Britain would cease in a dispute over a nation that took in £1,404,741, “less than half our exports to Java.” The North Sea and Baltic shipping routes would be covered with mines, destroying England’s eastern ports, closing factories, doubling the national debt and trebling taxation. France should fend for itself in the event that Germany came knocking. *The Economist* could not fathom why Great Britain should stand in the way.

Archduke Franz Ferdinand of Austria was assassinated in Sarajevo on 28 July, 1914. *The Economist* went to press the day Germany declared war on Russia, 1 August, with a leader predicting a small war in the Balkans. Austria’s behavior towards Serbia was overweening, but no less than might be expected from “an old and haughty nation proud in arms.” Was its response, Hirst asked, materially different than the one likely to issue from England in the event

⁵⁰ “British Interests and the Moroccan Dispute,” *The Economist*, July 29 1911.

of a plot by the Afghan Government to raise a rebellion in Northwest India? If the Prince and Princess of Wales had been killed, “certainly the cry for vengeance would have been raised.” British involvement was treated as a rhetorical question. Its possibility seemed more remote than during the Agadir Crisis. Warmongering by the *Times* was “utterly opposed to the interests of the business community,” just as military mobilizations, aiding Russia “to extend its empire in Europe and Asia...are opposed to the instincts of the working classes.” Churchill’s “sensational orders to the fleet” were troubling but absurd, “as if whatever happened, any British Government was entitled to plunge this nation into the horrors of war, in a quarrel which is no more of our making and no more our concern than would be a quarrel between Argentina and Brazil or between China and Japan.”⁵¹ The conclusion: strict neutrality was assured.

Mary Agnes Hamilton, recruited to the *Economist* by Hirst from Newnham College, Oxford in 1912, recalled the atmosphere in which that leader was written:

There was an argument in the *Economist* office about the subject of the leader for the last week in July. The staff – at that time, Leonard Reid, Gilbert Layton, A.W. Wright and myself – thought it must be about Ireland, where armed rebellion seemed to be preparing and there had just been an affray in which the King’s Own Scottish Borderers were involved. F.W.H. insisted that it must be about the expiry of the Austrian ultimatum to Serbia – which we had forgotten. Even he, however, was calmly planning a summer holiday which was to take him to visit the battlefields of Europe. He was going to Waterloo, Sedan, and so on. I can see him, now, in the brown linen suit which a very hot day and the imminent prospect of departure made suitable.⁵²

Britain declared war three days later, after Germany invaded Belgium. Hirst was with John Burns who had already resigned from the cabinet, anticipating its decision to enter the war on the

⁵¹ “The War and the Panic,” *The Economist*, August 1 1914.

⁵² Mary Agnes Hamilton, *Remembering My Good Friends*, (London: J. Cape, 1944), 65.

side of France and Russia. When they heard the news both men burst into tears.⁵³ Hirst wrote that week's leader in a spirit of utter dejection. He tried to scrape together a fallback position around the traditional liberal defense of "small nationalities" but this lasted no more than a paragraph, threadbare and unconvincing. Instead he meandered between the need for sacrifice – deer parks and village commons converted into vegetable gardens, ministerial and commercial salaries reduced, luxuries taxed – and civilizational obsequies. "Since last week millions of men have been drawn from the factory to slay one another by order of the warlords of Europe. It is perhaps the greatest tragedy of human history." *The Economist* had implored its government to convene Europe and arrest the rivalry in armaments, before it was too late. "It is now too late. The explosion has come. Look where you may you can see no ray of comfort. Death, anguish, starvation, and despair are written over Western Europe. It is the triumph of diplomacy over common sense, of force over reason, of brutality over humanity."⁵⁴

Hirst attacked the new methods of barbarism as they rolled off the line. The suspension of the Bank Act and the moratorium on the repayment of loans were the first; but in the next two years, there followed martial law, press censorship, propaganda, tariffs, taxes, compulsion, conscription and ministerial and military incompetence.⁵⁵ *The Economist* not only criticized wartime policy, it encouraged peace overtures from the moment French and British forces had halted the German advance towards Paris. On the last day of the Battle of the Marne, "The Progress of War and The Prospects of Peace" urged the allies to throw out the treaty they had signed on 5 September.⁵⁶

⁵³ Hirst, *Golden Days*, 238.

⁵⁴ "The War," *The Economist*, August 8 1914.

⁵⁵ "The Cabinet Crisis and Perplexities of Faith," *The Economist*, July 1 1916.

⁵⁶ "The Progress of War and the Prospects of Peace," *The Economist*, September 12 1914.

The “fight to the finish” was hogwash: negotiate separately and avoid preconditions; casualties were simply too high, at 40,000 per day in December, to be sustained for even a year. Germans were praised for “physical bravery and deamonical courage,” while reports they had committed atrocities in Belgium and France were dismissed as implausible. Hirst went so far as to lament the lack of opportunities for impromptu fraternization between troops in facing trenches: “They bring home to the imagination the cruel absurdities of war, and suggest to some a hope that from the soldiers in the field there might come a protest against the indefinite prolongation of its horrors.”⁵⁷

Hirst’s last leader excoriated the National Government. Put in place to avoid questions about the disastrous expedition to the Dardanelles in May 1915, it in turn bungled those to Mesopotamia and Salonika. Worse, it had constrained Liberals to give up “free trade, free speech and free service,” and their Irish allies. Home Rule was suspended and the Easter Rising brutally quashed. “Faith without deeds is vain. But what of a political creed whose apostles work against it?” In his bargain to hold onto power by sharing it Asquith had ruined the Liberal Party. *The Economist* called for a new administration willing to discuss peace overtures. To C. P. Scott, editor of the *Manchester Guardian*, Hirst was still blunter. “I am not sorry to see the organised hypocrisy of Liberal Imperialism based upon the unholy alliance of Jingoism and Socialism falling to pieces.” Nor was he privately hopeful about its replacement to be led by Lloyd George. “Will not this Coalition Government be weak and discredited from the start, without any common purpose or object?” He heaped scorn freely – on the “foul Lord Northcliffe pogrom of people with German names,” Liberal and Tory Imperialists, “with their idiotic resolution of destroying the German

⁵⁷ “The War - Atrocity and Chivalry,” September 5 1914. “The Progress of the War and the Prospects of Peace,” *The Economist*, December 12 1914.

nation,” and the Cadbury Press.⁵⁸ In the *Economist* a month later he concluded confidently that, “if our circulation and letter-bag are any test...our criticisms...are rapidly gaining ground in business circles.”⁵⁹

Hirst was given less than half of one column on page eleven to make his closing remarks the following week, 8 July, 1916. The trustees had had enough. His was a sudden yet gallant curtain call – as if to show that even after the lights had gone out in Europe, an Oxford Union man knew how to lose a debate with poise. He had endeavored to publish letters of all points of view, he had only once transgressed the Defense of the Realm Act, despite being its fierce critic, and he proudly accepted the accusation made by the *Times*' financial editor, that he had imparted to the *Economist* a “distressingly pacifist” policy. He cited rising circulation figures to show that peace had been the “feeling of our business men.” Limited space left room for just one crescendo. “If I could believe that I had hastened its advent by one day and saved the precious lives and limbs that are lost in 24 hours, I should feel myself to have won a prize worth all the titles that Emperors shower on their favorites or Ministers on their supporters.”⁶⁰

The parting swipe at the *Times* should not be overlooked. Attacks emanating from this most important of the national dailies were intensely embarrassing for the family trustees. The country required conscription, not billowing rhetoric, the *Times* had been complaining since early 1915. How else to end the chaotic practice of sending the best workmen to the firing line while leaving

⁵⁸ Hirst to Scott, Tavistock, 21 May 1915, in *The Political Diaries of C.P. Scott, 1911-1928*, ed. Trevor Wilson (London: Collins, 1970), 124-125.

⁵⁹ “The Cabinet Crisis and Perplexities of Faith,” *The Economist*, July 1 1916.

⁶⁰ “Valedictory,” *The Economist*, July 8 1916.

a mass of potential soldiers at home? “This, we suppose, is what the *Economist* means when it professes to think that we shall win the war through ‘the admirable elasticity of a free community’. The soul of Carthage was lulled by such specious phrases.”⁶¹ With conscription actually coming into effect in March 1916, Hirst became a serious liability. A regular column entitled, “Through German Eyes,” began to appear, its explicit purpose to quote Germans quoting wobbly Englishmen. In one, the *Cologne Gazette* took heart from an *Economist* leader arguing not only that Britain would be unable to recover lost markets after the war, but that any hope of an imperial customs union to balance German economic strength was out of the question now that colonies were developing their own wartime industries.⁶² In another, the *Lokalanzeiger* used “the authoritative London financial journal” to show that the push for peace negotiations was gaining ground.⁶³

This campaign quickly took its toll. By July the *Times* City editor was applauding Hirst’s replacement by Hartley Withers, the author of “an excellent little new book on ‘International Finance’.” But it was more than the intensity of anti-war sentiment which troubled loyal readers and allowed the *Times* to score points against it. *The Economist* was deeply pessimistic about future growth, publishing one brooding economic forecast after another. Walter Layton, then a young staff writer, described the atmosphere the Tuesday after war was declared as apocalyptic.

Turning up the file for 1871 to see what had happened in the Franco-Prussian war, I came across a dispatch sent from Paris by a correspondent who had lived through the siege. In the course of his letter he said that from beginning to end of the war no bank in Paris ever closed its doors. I took the article in some excitement to the editor and suggested that we

⁶¹ “Service for All,” *The Times*, May 31, 1915.

⁶² “Through German Eyes,” *The Times*, March 16, 1916.

⁶³ “Through German Eyes: The British Radical Press,” *The Times*, June 2, 1916.

should reprint this extract to help to restore confidence on the financial front. He brushed it aside with the remark that ‘Grass will be growing in Lombard Street before the end of the year.’ I sadly left the office and did not return until I was appointed editor three years after the war ended.”⁶⁴

The Economist was not alone in taking this editorial line between 1914 and 1916, but it was sufficiently uncommon, especially for a long established journal of reference in the City, to require explanation. Hirst and his choices are obviously central. He has been described as old-fashioned, idealistic, inflexible, fanatically pacifist. His antiwar reaction was extreme compared to some of his peers. But it was also comprehensible given that his conception of liberalism – to which he had dedicated his political life since Oxford – lay in ruins. “By the autumn of 1916,” writes A. J. P. Taylor, “economic liberalism was played out. The only logical alternatives were to abandon liberalism or abandon the war.”⁶⁵ *The Economist* abandoned Hirst in the summer, but not before he revealed his own lost illusions. His prewar answer to the Unionists on his right, the Fabians to his left, and the Liberal Imperialists at some shifting point between them, had been to retain free trade and pay for social reforms by cinching military budgets. Hirst saw the war as a betrayal of social promises first made in 1906. “It may be perhaps the last time that the working classes,” he wrote, still in shock, on 8 August, “will allow themselves to be marched to destruction at the dictates of diplomacy and by the order of their warlords.”⁶⁶ To C.P. Scott he gave a succinct account of the aims behind conscription: “discipline and enslave the working class and keep down Ireland.”⁶⁷

⁶⁴ Walter Layton, *Dorothy* (London: Collins, 1961), 57-58.

⁶⁵ A. J. P. Taylor, *Essays in English History* (London: Hamilton, 1976), 233. If the *Economist* is any guide economic liberalism was not, in fact, played out. As Chapter 4 demonstrates the expectation was widespread that economic rigor must be immediately reapplied if Britain was to regain its footing, especially vis-à-vis the US. Some important debates over the merits of this course took place between Keynes and Layton in the interwar *Economist*.

⁶⁶ “The War,” *The Economist*, August 8 1914.

⁶⁷ Hirst to Scott, 28 May 1915, *The Political Diaries of C.P. Scott, 1911-1928* (London: Collins, 1970), 126.

Very Great Illusions

Many illusions never dissipated, however. Mary Agnes Hamilton left the *Economist* at the same time as Hirst, joining his pacifist journal *Common Sense*, financed by Hugh Bell, scion of the ironmaster, and Radical Liberal MPs Percy Molteno and R.D. Holt. Editorial meetings at its headquarters at 44 Essex Street assembled the Lansdowne set, so named after the Marquis who favored an early, negotiated peace in 1917. But Hamilton went further. She not only signed up to the Union of Democratic Control, distributing tracts and mixing with conscientious objectors in the homes of Ottoline Morrell.⁶⁸ She also declared herself in favor of socialism and joined the Labour Party. The war affected Hirst differently, she noted. “Hirst invariably, and with a blandness that often deceived the unwary, assumes his opinions are those of all rational beings.” Even, in this case, when he was in a tiny minority:

Laissez-faire, for him, is a religion; his door-mat at home carried instead of the conventional ‘Welcome’, the words ‘Peace, Free Trade and Goodwill’; when in an argument about principles, it was suggested that it could be useful to define what one meant by a principle, his reply was ‘Free Trade is a principle’ – more need not be said. For him the world about 1860-70 had the shape it ought to have, and he sometimes convinced himself that this shape could be brought back, or, rather, that in fact now existed if only people would open their eyes and not entertain ridiculous notions. ‘Anyone who has any truck with Socialism must be intellectually flabby,’ he remarked, at a time when he was in dispute with his friend Laurence Hammond; it was like him not to notice that the imputation also covered me.”⁶⁹

⁶⁸ At 44 Essex she met “a very odd assortment of persons – Lords Buckmaster and Beauchamp, Lady Barlow, Lady Askwith, Philip and Ethel Snowden, Ramsay MacDonald, Sidney Arnold, Richard Lambert, Robert Smillie...Arthur Ransome among others.” At 44 Bedford, the London residence of the Morrells, and at Garsington, their country house, she might run into D.H. Lawrence, G.D.H Cole, Gilbert Cannan, Siegfried Sassoon, Lady Margaret Sackville; and, more often, Clive Bell, the Huxleys, Lytton Strachey, J.M. Keynes, Desmond MacCarthy. The doings of the group are summed up, in her account, by a day in which Morrell and Strachey rode into Oxford on a tandem bicycle; followed by Strachey reading his portrait of Frederick the Great while Ramsay MacDonald dozed. The 1917 Club, to which she was attached along with Henry Nevinson and J.A. Hobson, was more studious. See, Hamilton, *Good Friends*, 85, 76-78.

⁶⁹ *Ibid.*, 80.

Hirst's stand against the war was courageous. It was also an evasion. The same intransigence had shown before the war when he refused to consider female suffrage – even for a select group of middle class wives. The passion and violence evinced by the suffragettes told against the rationality of the female sex, he insisted. His conviction that most women agreed with him was only briefly disturbed by his own wife, Helena, arrested for throwing a stone through a minister's window – a story which landed in the press.⁷⁰ During and after the war his liberalism narrowed into something quaint and cranky. The Lansdowne set was congenial, in part, because he enjoyed the company of elderly lords whom he could tease. “One of the happiest moments came when he was bidden to Bowood for the week-end. His principles stood the test; on leaving, he pressed into the hand of the august butler the half-crown which he invariably leaves; with equal dignity, the butler accepted it.” His stance in 1914 later enabled him “to entertain the most romantic notions about what was going on in Nazi Germany.”⁷¹

Hirst not only ignored the internal and domestic tension within liberalism up to 1914 – with its absolute insistence on market as compared to political freedoms. He also failed to come to grips with its external contradictions. Visions of social harmony within states had depended on

⁷⁰ Hirst was a committed opponent of female suffrage. Like his other positions this one tracked the Liberal Party in power. From 1906 to 1909 Liberals lacked a mandate from voters for such a radical change; in 1910 and 1912 he welcomed the parliamentary machinations which sidelined ‘conciliation’ bills (meant to extend the vote to some women), which his party was supposedly sponsoring. His horror of suffragette militancy was increased by the fact that the ladies of the Women's Social and Political Union (WSPU), led by the Pankhursts, were genteel. “They have education, they have refinement...what is it that allows or compels them to lay aside these qualities, and to become...the shrieking, struggling, fighting viragoes of the Ladies' Gallery and the Albert Hall?” His conclusion: whereas only low class men allowed passions to rule them, even well-bred women had no “safeguard against their appearance.” (12 December 1908). At about the time he began to compare suffragette tactics to those employed by Russian and Turkish armies (1 February 1913) – and waxed over the chivalrous world they wished to destroy (10 May 1913: “the sanctity of solemn vows, the ties of love and affection, honor, romance, the privileges of the weak, the chivalry of the strong”), Mrs. Hirst took to the streets with the WSPU. A row ensued, leading to a separation. Hirst asked John Simon to mediate. (Hamilton, 82). For a list and summary of some of the key texts penned by Hirst on this subject, see Ruth Dudley Edwards, *The Pursuit of Reason*, 477-479.

⁷¹ Hamilton, *Good Friends*, 80, 85.

reducing competitive pressures between them. Germany exposed this as the weakest link in the liberal compact. *The Economist* consistently argued that Germany's growing economic power entitled it to a commensurate place on the world stage. The cultural, commercial and political ties binding Germany to Britain were regular features under Johnstone as well as Hirst, partly in defiance of the *Times* and *Daily Mail*. Yet no redrawing of the political map was ever proposed and extraneous slices of empire were never found, much less given away. Hegemony, based on a far-flung empire, free trade, and naval supremacy, was fundamental to liberalism in Britain to a degree few of its theorists either understood, or cared to admit.⁷² In the altered conditions of early twentieth century capitalism – intense economic as well as territorial competition from later developers – it proved an inflexible position upon which to reach a compromise with Germany. *The Economist* push for an early peace was a last-ditch effort to save liberalism without addressing its intellectual shortcomings. The world it was made to very slowly change appeared to be vanishing into gas and mud.

Rebuilding City Bonds

⁷² Hirst later wrote the introduction to the posthumously published cabinet resignation of his mentor John Morley. In it Hirst tacitly acknowledged how fundamental was the free-trade empire and naval supremacy to even the most enlightened liberals. Remarking on margin notes Morley had made on the 1907 Crowe Memorandum, a secret Foreign Office report on relations with France and Germany, he notes that despite Morley disagreeing with Crowe overall, on “Balance of Power” and making “too much of German Imperialism and too little of British Imperialism,” there were at least two points of agreement. First, “that England was the natural enemy of any country threatening the independence of others and the natural protector of the weaker communities.” Second, that “nations have always cherished the right of free intercourse and trade in the world's markets, and in proportion as England champions the principle of the largest measure of general freedom of commerce she undoubtedly strengthens her hold on the interested friendship of other nations, at least to the extent of making them feel less apprehensive of naval supremacy in the hands of a Free Trade England than they would in the face of a predominant protectionist Power. This is an aspect of the Free Trade question that is apt to be overlooked.” John Morley, *Memorandum on Resignation, August 1914* (New York: The Macmillan company, 1928), xxvii-xviii.

Hartley Withers, a seasoned financial journalist, was hastily plunked onto the editor's chair. The choice was a rebuke which seems to have carried the fingerprints of Eliza Bagehot and Walter Wilson Greg.⁷³ Withers had been City editor at Hirst's hated rival, the *Times*, for five years, before brief stints at the *Morning Post*, a merchant bank and then a medium rank posting at the Treasury. He was not likely to get carried away by political nomenclature, run for office, or perorate on peace or any other sensitive subjects. He was an insider who combined political dullness with practical banking experience. "Inflation is the tree up which I bark," a favorite phrase, gives a sense of the newly foreshortened horizon.⁷⁴ *The Meaning of Money* (1909), his first book, invited warm comparisons to Bagehot, and Eliza was thrilled when he agreed to write an introduction to a 1910 reissue of *Lombard Street*.⁷⁵ Withers was never likely to measure up to her late husband. By then she must have wondered if the *Economist* could survive this eventuality. What mattered was rescuing it from its reputation for pacifism and conciliating its readership. "Questions are being asked in the City as to the prospects of a change in the editorial attitude of the *Economist* towards the war," wrote the *Times*, which looked forward to "a distinct lack of continuity in this respect under Mr. Withers." He was not only a patriot, having helped launch the National Committee for War Savings in 1916. His vision of the nation's financial future "also differs considerably from the rather gloomy forecasts with which the *Economist* has lately been identified."⁷⁶ Withers did precisely what Hirst had been expected to do in the event

⁷³ Greg took particular interest in the publication his grandfather, James Wilson, had started, using the interest on his shares to fund his career as a Shakespearean scholar. He was less keen on joining the family business himself, as editor, as his family expected, than in guarding against diminished dividends. Mary Agnes Hamilton mentions the editors being at their wits end with Hirst by 1917, though she provides no details.

⁷⁴ Edwards, *Pursuit of Reason*, 580.

⁷⁵ "Withers, Hartley (1867–1950)," Dilwyn Porter in *Oxford Dictionary of National Biography*, ed. H. C. G. Matthew and Brian Harrison (Oxford: OUP, 2004); online ed., ed. Lawrence Goldman, October 2006, <http://www.oxforddnb.com/view/article/36984> (accessed August 11, 2013).

⁷⁶ "City Notes," *The Times*, June 28, 1916.

of a national emergency: criticize marginal points while throwing the *Economist's* weight behind victory. His emphasis as editor on funding the war effort through taxation rather than borrowing, and eliminating waste, was uncontroversial and broadly consistent with the previous editorial line. Nevertheless, readers would have noticed the overall change in tone from the summer of 1916 as a shocking reversal.

Withers' reputation was bound up with the book he had published just before becoming editor in 1916, *International Finance*. In it he pointed out the inconsistency of the charges leveled against the besieged bankers of the financial establishment – both of having started the war in 1914 through the aegis of secret diplomacy, and of plotting to end it early through a premature peace. His work as a journalist had shown him that “the popular delusion that depicts them [financiers] as hard, cruel, ruthless men, living on the blood and sweat of humanity...is about as absurd a hallucination as the stage Irishman.” Much of this sentiment was simply anti-Semitism, “that miserable relic of medieval barbarism.” Not all charges against international finance were baseless, however. Britain's interventions in Egypt and South Africa certainly had pecuniary motives – but in both cases bondholders and speculators “might have whistled for their money until the crack of doom if it had not been that their claims chimed in with Imperial policy.” The political weight of finance was actually minuscule where national honor was concerned; the half-empty stock exchange, restrictions on new listings, reduced broker fees, usurpation of underwriting by the central bank, all showed how much suffering and how little benefit had been derived from the present war. More troubling were scandals involving loans to obviously insolvent governments, such as were raised for Honduras, Paraguay, Costa Rica and Santo Domingo in the 1860s and 1870s. Still, he predicted, the postwar City would look different.

Better information for investors was needed, and greater concern on the part of underwriters to make *productive* loans, not so foreign governments could build battleships or cover their deficits. “England may find it necessary,” he added, in a concession to rumored bloodshed on the Western Front, “to consider the policy of restricting the export of British capital to countries with which there is no chance of her ever being at war, especially to her own Dominions overseas.” Repeated insistence that finance was a “mere piece of machinery which assists, quickens, and lives on production” even left open the possibility that *speculation* was something quite different from the system of credit which made international trade turnover. What he did not doubt was that the intricate machinery of British finance was up to the task of defeating Germany and staving off the challenge posed by the US. “If the war teaches her to work hard and consume little, so that when peace comes she has a great volume of goods to export, there is no reason why [London] should not retain much if not all of its old prestige in the world.”⁷⁷ Hirstian doubts about the future of civilization, to say nothing of English bills of exchange, were absent from this account. Withers was steeling his readers for a long but victorious struggle on the eve of his editorship.

On the second anniversary of the war, and his first full issue as editor, the *Economist* announced its conversion. “And yet when all has been said that can be said concerning the awfulness of the calamity of this war,” ran the leader on 5 August, 1916, “it would have been still worse for mankind if Germany’s claim to dominate Europe had been accepted, and if her brutal attack on Belgium had called in vain for an avenger.” The blush of honor and duty reemerged. Allied exploits were praised – “the magnificent resistance by our French Allies at Verdun...the glorious

⁷⁷ Hartley Withers, *International Finance* (New York: E.P. Dutton & company, 1916), 97, 116, 104, 167, 28.

successes of the Russians.”⁷⁸ Hirst had treated the war as a barbaric diversion with unsustainable human and commercial costs. Germans he depicted as worthy adversaries, albeit ones unlikely to win a drawn-out conflict with Britain. *The Economist* now overreached in an attempt to make up for lost time. “We live in a heroic age,” it declared in October 1917. Patriotism was expressed in typically matter of fact tones, yet belied by constant intimations of apocalypse. “No one needs to be told that if the Germans beat us in the field or at sea civilization is doomed.” Liberty and justice were the upkeep of the Allies; the Central Powers were “for ruthlessness and the rule of force, domination and destruction.”⁷⁹ Peace overtures were rejected outright or parsed for signs of weakness. In “Peace Talk and War Measures,” it dismissed them as either “a mere stratagem designed to gain time, so that our enemies may improve their defences on the Western Front...or a kite flown for the benefit of public opinion in Germany or neutral countries.”⁸⁰ Woodrow Wilson’s initial proposals for a settlement in late 1916 were met with derision. Americans had their own reasons for desiring peace. War was producing political instability on their borders, in Central and South America, and ethnic strife at home, while the threat of unrestricted submarine warfare hung over their shipping. It was for Great Britain and the dominions alone to formulate demands. “Meanwhile, the Allies will fight on with their confidence confirmed and gladdened by the proofs that Germany has given that she has shot her bolt.”⁸¹ War might even be salutary given the peacetime problems the country faced. “Generations of prosperity had fattened us and weakened us,” it explained, waving its hand at all that had come before 1914. German economic competition, not just military aggression, could be rebuffed through a collective stiffening of

⁷⁸ “After Two Years,” *The Economist*, August 5 1916.

⁷⁹ “Financial Heroism,” *The Economist*, October 6 1917.

⁸⁰ “Peace Talk and War Measures,” *The Economist*, December 16 1916.

⁸¹ “The President and Peace,” *The Economist*, 30 December 1916.

wartime will. “The war’s experience is, or ought to be, training us into lean and lusty commercial athletes,” argued one bracing leader, “ready to work as hard as anybody, and to put as much care and keenness into the task of restoring our trade position.”⁸²

Withers’ most important editorial move was not so much his backing of the war as his flattering focus on the role finance could play in winning it. This required considerably more panache than regurgitating faded slogans from the summer of 1914. On the one hand, the newspaper had to dispel as myth the widespread perception that war profiteering was taking place in the City’s great counting houses. On the other, it sought to show that financial strength was just as important an asset to national war prospects as adequate munitions, gas masks, naval convoys or the heroic recruits of the New Army. That extravagance should be curtailed went without saying. Women in minks were as morally distressing as men slurping on oysters. One leader pointed to an infamous article in the *Herald*, “How They Starve at the Ritz,” to indicate how “keenly organs of working-class opinion appreciate the manner in which the well-to-do classes are meeting the war needs by personal self-sacrifice.” Superficially, restraint was required. Perceived lapses had stirred up “a very critical and dangerous spirit among the working classes which is expressing itself in crude and inequitable proposals for taxing capital.” And yet the notion that the capitalist was growing rich on the war was a fallacy. “The classes in receipt of rent and interest will receive a gross income which will be higher by the income payable to them on the various war loans,” it granted, “but, owing to a much a higher level of taxation and the rise in prices, the net income of those who live on rent and interest will be considerably reduced.” Against these ravages the *rentiers* had no defense. As for war profiteering, it cited the case of investment trust

⁸² “Enemy Aliens,” *The Economist*, November 4 1916.

companies, which had lost net revenue each year since the beginning of the war: £1,432,405 in 1913 had shrunk by 23 percent to £1,104,631 in 1916.⁸³ Any increase in capital gains tax to raise revenue was firmly rejected. “We shall have to find for our Allies and ourselves well over £2,000 millions in 1917,” it estimated in December 1916. It looked, not for the last time, to Cambridge, and Alfred Marshall’s successor, Arthur Pigou, whose recent letters had urged “a really vigorous use of the income tax...and a much higher and wider taxation of luxuries of all kinds.”⁸⁴ Capital did not deserve to be the target of popular anger and still less of government levies.

Notwithstanding the fact that it too was suffering, the City remained uniquely suited to bring about victory. “The extent of its financial strength has, indeed, astonished,” Withers proudly observed on becoming editor. “Our financial staying power will have been put beyond doubt,” he continued, as soon as people ceased to spend their money as they pleased.⁸⁵ *The Economist* was now preoccupied with the inflationary pressures of the wartime economy: a tight civilian labor market, rising rates of unionization and unprecedented levels of state spending. Average wage rates nearly doubled in four years of war, outpaced only by the cost of living.⁸⁶ Joint action was necessary, on the part of the City and the Treasury, to soak up these wages before they were spent, preferably on War Loans. “We cannot more eloquently prove to our enemies our determination to maintain the cause of freedom and justice to a triumphant end “than by rolling hundreds of millions into the coffers of the Treasury.” *The Economist* shamelessly hawked the loans to home lenders as “a rare and varied feast,” while all and sundry were invited to become

⁸³ “At the Front and at Home,” *The Economist*, November 24, 1917.

⁸⁴ “Peace Talk and War Measures,” *The Economist*, December 16, 1916.

⁸⁵ “After Two Years,” *The Economist*, August 5, 1916.

⁸⁶ P. F. Clarke, *Hope and Glory: Britain 1900-1990* (London: Allen Lane, the Penguin Press, 1996), 96.

“investors,” including the humblest wage earners. Terms were attractive, with guaranteed five percent interest on thirty year loans in the form of bearer bonds or registered stock, which could be used in payment of death duties, and were, for residents abroad, exempt from taxation. Nor was it merely a question of rolling existing savings into government stocks. Patriotic self-denial required borrowing at least as much as one expected to save for the entire year. A citizen would “borrow from his bank to pay the installments as they mature, and save as fast as he can to pay off his banker.” The leader concluded with a report from a rapt Guildhall audience listening to Bonar Law. The Chancellor of the Exchequer explained the sort of reaction he expected on the part of large investors: as long as there was money in the country the war would not be hindered by lack of it. Nor would the terms ever again be so generous. Withers was enchanted: “The enthusiasm with which this frank threat of financial compulsion was received by the Guildhall audience was remarkable evidence of the readiness of the City to suffer all things for victory.”⁸⁷ If patriotism was inherently anti-inflationary, then the patriotism of bankers was transcendent.

Liberalism Takes Stock

Wartime readers witnessed the implosion of liberalism as an intellectual force, just as the split between Lloyd George and Asquith consummated its demise as a party of government. The difference between the political and intellectual impasse to which the war had brought liberalism was, however, that the former turned out to be permanent, the latter temporary. The situation remains anomalous: rarely in history has the political power associated with a current of thought given way without intellectual legitimacy faltering in its wake. Circumstances offer up a partial

⁸⁷ “The War Loan,” *The Economist*, January 13, 1917.

explanation. Lloyd George was ousted as head of the coalition he had assembled during the war not because of dissatisfaction with the Liberals' domestic record since 1906, or the honors scandal, but over his push for war against Turkey in 1922. This time the empire refused to follow him – a reminder that the imperial question remained decisive, and unresolved. Two parties replaced the coalition, not one, alternating and dividing power, and both shared this shortcoming. Conservative and Labour politicians were simply more careful to do nothing to stir up foreign affairs, liable to test the cohesion of empire or the mother country's will to enforce it. The fact that liberalism retained its hegemony in the field of ideas was not so much an indication of its strength, then, as of the weakness of its challengers. On the right, the only significant threat came from the increasingly marginal figure, Oswald Mosley, while to the left, Labour relied directly on Liberals, and converts such as J.A. Hobson, to formulate policy. The most incisive and influential critique of prewar liberalism came from within, and John Maynard Keynes, its progenitor, never ceased to proclaim his liberal convictions.

Hirst was lucid enough to see his expulsion as more than a personal or circumstantial defeat. The Boer War had opened cracks which the Great War dynamited. Morley and Burns, the only cabinet ministers to resign their posts in 1914, had been pro-Boers in 1901; Haldane and Grey, the architects of entry in 1914, had then been enthusiastic Boer Warriors. The crucial questions confronting liberals were amplified during a decade of cooperation over Free Trade, but not altered: in economics, what if any limits to place on the power of finance; in politics, what if any to drape over the empire. The trustees panicked, opting for reaction in both domains to propitiate the City, itself disorientated and divided by the strains of an interminable conflict. This gave Hirst the impression that the wrong men had been allowed to take the reins of the press and the

parties. Yet as even his memoirs concede, it was not Campbell-Bannerman's stroke which finished off the Liberals; it was the war and their readiness to fight it with France and Russia against Germany and Austria. Hirst could never have organized the newspaper around "financial warfare" or "financial heroism," as Withers subsequently did.⁸⁸ But neither could he find a way to curb finance, smooth out imperial rivalries or prevent war over what he and his staff perceived as a trivial squabble in the Balkans. Disillusioned Liberals identified "C.B.'s" death as a missed chance to avoid war *and* save the empire. "We used to predict in those days that imperialism would destroy the Empire," Hirst wrote about his Oxford days in 1946. "But the great revolution of opinion, which placed Campbell-Bannerman in undisputed power and authority at the beginning of 1906, seemed to banish, in a fresh atmosphere of freedom and free trade, these pessimistic dreams of our Cassandras."⁸⁹ The bluster of the remaining war years was short lived. Withers vanished to the *Saturday Review*, leaving behind no valedictory, in 1921.

Despite his assurances, finance emerged severely scathed from the war. Britain was obliged to liquidate a quarter of its foreign assets at a steep discount to cover external spending, about £1.25 billion, while over £2 billion was borrowed at relatively high rates of interest from the US. On the other hand, it was forced to write off a large portion of its allies' war credits, seventy-five percent of which had gone to revolutionary Russia, never to return.⁹⁰ Inflation ate away at the value of income from its remaining investments abroad, and most important invisible exports, including financial services and shipping. Most troubling of all: five years after the armistice sterling had still not been reattached to its anchorage in gold. The City was nevertheless

⁸⁸ "Financial Heroism," *The Economist*, October 6 1917.

⁸⁹ Hirst, *Golden Days*, 202.

⁹⁰ Arrighi, *Long Twentieth Century*, 271; Albert Fishlow, "Lessons from the Past: Capital Markets During the 19th Century," in Miles Kahler, ed., *The Politics of International Debt* (Ithaca: Cornell University Press, 1986), 71.

determined to reestablish the prewar conditions under which it had boomed – handling half of all world trade, exporting half of all capital, and channeling about eight percent of British national income into overseas investment up to 1914.⁹¹ This economic greatness now seemed to dangle by a golden thread. A metallic standard had inspired confidence in and created a common basis for transacting international business in pounds since well before 1844. The sooner the return to gold was achieved therefore the better – a piece of common sense shared by the entire political class, Labour, Conservative and Liberal, who were bound to notice the City’s reduced earning power had rendered the overall balance of payments unstable.

Two factors reinforced their conviction. Abroad, City institutions, though weakened, remained preeminent. Wall Street and the fledgling Federal Reserve were as yet unable to supplant them as arbiters of the world monetary system. One gets the sense of a paradoxical deference in the behavior of Benjamin Strong, the head of the New York Federal Reserve, who felt duty-bound to bully his English opposite, Montagu Norman, into an early commitment to return to gold.⁹² For New York it was still up London to bring back a degree of stability to the global economy. War had also given the City powerful new allies at home. Britain had borrowed over £2 billion domestically, mainly from its own citizens, seventeen million of whom now owned some form of government debt.⁹³ These bondholders were among the “financial heroes” praised by Withers. They now added to pressure from the City for deflationary measures designed, in part, to facilitate a return to the gold standard at the pound’s prewar parity with the dollar.

⁹¹ John Atkin, *British Overseas Investment, 1918-1931* (New York: Arno Press, 1977), 321; Nicholas Mayhew, *Sterling: The Rise and Fall of a Currency* (London, England: A. Lane ; Penguin Putnam, 1999), 198.

⁹² Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin Press, 2009), 227.

⁹³ Robert Skidelsky, “A Short history of Twentieth-century Britain,” in Jonathan Clark, *A World by Itself: a History of the British Isles* (London: William Heinemann, 2010), 615.

The postwar decade was destined to be a difficult one as the *Economist* navigated unfamiliar economic and political terrain. Free Trade, a strong gold-based currency, and balanced budgets continued to reflect the wisdom of the elites who wrote for and read the newspaper. A prolonged depression was about to challenge the efficacy of these policies, however, while Keynes began to undermine their intellectual basis. His running dispute with the *Economist* – now being edited by his former classmate and fellow economist Walter Layton – demonstrates both the importance Keynes attached to winning over the City, and its hostility to his plans to put liberalism on a new footing. As for the Liberal Party it was, he told an audience that included Layton, “still the best instrument of future progress” but it must realize “the historic party questions of the nineteenth century are as dead as last week’s mutton.”⁹⁴

⁹⁴ John Maynard Keynes, *Essays in Persuasion* (New York: Norton, 1963), 324.

Chapter 4 - Own Gold: Layton and the League

Mainstream liberalism had backed the First World War and the measures thought necessary to win it. When it was over, Walter Layton, who took over the *Economist* from Hartley Withers in 1921, faced two major challenges. The first was how to avoid such a conflict from taking place again, which on Cobdenite grounds should never have occurred. The second was how to restore the free trade world lost in its wake. It was his leaders on the Washington Conference and Versailles Treaty, he later recalled, in which “the tone of international politics was set for the seventeen years of my editorship.”¹ *The Economist* supported the agreement crafted in Washington in 1922, which discarded the old, balance of power alliance with Japan for a joint acceptance that the US would dominate the Pacific, but in an agreed ratio of capital ships between the three states, as a concrete example of “collective security,” to be pursued henceforward through the League of Nations. He rejected the punitive measures of Versailles, however, as risking revolutionary upheaval in Europe – in full agreement, in this instance, with John Maynard Keynes, his friend and fellow economics student under Alfred Marshall at Cambridge.

Britain emerged from the war facing unprecedented economic difficulties for which their liberal trainings had not prepared them. Of the two, Keynes blinked first. But up until the 1929 crash, and the abandonment of the gold standard in 1931, the *Economist* and Keynes both backed the austere measures they thought were needed to force the City, and the international system of

¹ Memoirs, pp. 25, Box 147, Layton Papers, Trinity College, Cambridge.

² Skidelsky, *John Maynard Keynes: Hopes Betrayed, 1883-1920*, vol. 1, 3 vols. (London: Macmillan, 1983), 207.

³ Though they were sufficiently close that Layton congratulated Keynes on his marriage to Lydia Lopokova in 1925 in the following terms: “I have long felt that marriage is the one thing left that could give a fresh stimulus to your

settlements, back into prewar place. Afterwards their paths as often diverged, with one economic tenet after another coming under scrutiny from Keynes – whether on debt repayment or budget deficits, state intervention or currency, effective demand or free trade. The point of framing these debates around a series of exchanges between Keynes and Layton in the *Economist* is twofold. First, both insisted, in Liberal Party Summer Schools and elsewhere, that their approaches were consistent with liberal tradition. On the other, whereas Keynes is usually cast as a prescient critic of “old-fashioned liberalism...party questions of the nineteenth century...as dead as last week’s mutton,” it was not he who best captures the dominant tone of progressive interwar liberalism, but Layton. The cautious and halting character of the latter as editor of the preeminent journal of City opinion sheds light on the financial and imperial stakes of interwar economic disputes; and how difficult Keynes found it to win over this powerful section of liberal opinion to his theories.

The Economist grew along with the international profile of its editor. Layton played important roles in the many peace conferences and debt renegotiations on the continent, leading missions on behalf of the League and the British government. In the pages of the *Economist* he and a huge new influx of young journalists interpreted the rise of Fascism to readers through the lens of the City – just as Mussolini and Hitler looked to the *Economist* to understand the political leverage they might expect there from currency, capital and bond markets. Layton took a softer line on the Soviet Union, commissioning reports on its progress and prospects. At home he also grew in stature, joining a group of investors to buy the *Economist* from the family trustees in 1929, and agreeing to become editor of the mass circulation *News Chronicle* in 1930. His dual role, and the policies of each paper, gives a clearer picture of his political outlook, and his sense of the inflections to liberalism required by different audiences. Efforts to revive the Liberal Party under

Lloyd George proved less successful. Layton gradually switched tacks, attempting to exert a moderating influence on Labour. By the 1930s the *Economist* was increasingly being written by the sharp young leftish liberals Layton had hired – among them Douglas Jay, Graham Hutton, Geoffrey Crowther and Nicholas Davenport. Many of these new recruits joined Labour, while others sought to build bridges between “City radicals” and Labour MPs in groups like the XYZ club. This new spirit of cooperation outlasted the Second World War – even as its onset seemed to doom the kind of international settlement pursued by Layton from Washington to Munich.

Layton Liberal Lost

Layton, *Economist* editor from 1921 to 1938, illustrates the no mans land into which Liberals had wandered in the aftermath of the First World War. Layton was the most politically eminent editor since James Wilson, yet never held any but appointed or unofficial posts: at the Local Government Board, Board of Trade and Ministry of Munitions between 1914 and 1919; as temporary head of the Economic and Financial section of the League of Nations, replacing Arthur Salter, in 1920; or as organizer of the Liberal Summer Schools with Ramsay Muir and Ernest Simon from 1921. He was sent by the Conservatives to work as financial assessor on the Simon Commission in India in 1928, while Labour posted him to Europe to negotiate agreements on reparations and trade beginning in 1929. After the Second World War little changed except the order, Labour making him a peer in 1947, Churchill insisting he stand as vice-president of the Consultative Assembly of the Council of Europe in 1948. Though no less willing, he was even less likely to obtain a seat in parliament than previous editors. And he didn't, losing as a Liberal candidate on three separate occasions. Layton nevertheless possessed considerable power via his

press position. He was editor not only of the *Economist*, with its relatively restrained readership of around 5,000, but also the *News Chronicle* whose circulation in 1930 was close to 1,400,000. This placed him at the forefront of liberal opinion, with a far longer daily reach than the other major liberal weeklies, the *Nation* and the *New Statesman*, run by his classmates, colleagues and friends. Keynes and Hubert Henderson, owner and editor of the *Nation* since 1923, both studied economics with Layton under Alfred Marshall at Cambridge. Ernest Simon was befriended later on – another, older alumnus, an industrial scion devoted to the Webs, director and financier of the *New Statesman*.

Francis Hirst and the First World War provided no end of a lesson for Layton as he began his career as editor. Two policy revisions in particular were plainly needed: the soothing of relations with the City, and the fostering of a durable political settlement in Europe. Hirst had pushed too hard against the conservative grain of pinstriped opinion. Under Layton, City readers were not to be challenged or criticized as they reasserted their domestic prerogatives. At the same time, the ability of what passed for City opinion to remove an editor – the *Times* egging on the Wilson family over breakfast – had to end. Layton followed the liberal weeklies in modernizing the ownership structure of the *Economist*, overseeing its sale on behalf of the trustees to a consortium of investors between 1927 and 1929. The second revision was not a reversal but an intensification. Hirst had not gone far enough in his criticism of the international system, advocating ad hoc arms agreements which proved futile in preventing military spending or war. The importance of collective security and economic cooperation through the permanent sitting of the League of Nations grew markedly under Layton. But the editorial pairing of robust internationalism with fawning towards finance amounted to more than a change in tone: here was

a basic alteration in the fabric of *Economist*-brand liberalism. In the postwar decade the quest for international stability was quickly decoupled from the critique of finance capital, a change from the years between the Boer War and the Great War. So fundamental an issue was financial reform, in the context of the aggressive imperialism of this preceding period, that both Hirst and Withers, despite the gulf which separated them as editors, held at least this point in common. Neither could ignore the “evils of finance,” even as they disagreed about the measures required to mitigate them.

The weakness of the financial establishment seemed to menace interstate relations in the postwar world more than any cabal of bankers and politicians. Liberals did propose capital levies, but their ideological flavor had changed. The tax was not meant to curb political corruption, much less under-consumption or aggressive imperialism, as Hobson proposed, but to dampen postwar inflation and help plug a budgetary gap. Empire and finance did not simply disappear as central problems within liberalism, however. Instead they were transmuted through a new historical prism. What did the rise of the US mean for the British Empire, and could restoring the financial power of the City of London be the basis for meeting the challenge?

Just how a more peaceful international order should work – with a shored up City a bulwark of, and no longer an obstacle to, its smooth functioning – was a discussion which the *Economist* carried on primarily with one man. John Maynard Keynes had been a presence at the newspaper since the prewar period. His work at the India Office between 1906 and 1908 made him a standard reference on currency questions for the subcontinent. He wrote quibbling letters to the editor to dispute trade and investment figures, and expansive and impish letters on monetary and

fiscal policy. He even dashed off periodic articles to what he called his “anonymous pulpit” – the guinea he earned from Hirst for his first effort still pleasing him enough in 1909 to preen about in a letter to Duncan Grant.² Layton found anonymity more than a titillating change of routine. He also met Hirst at Cambridge, one year ahead of Keynes, writing his first article in support of the Licensing Bill in 1908. Keynes was neither an intimate, nor a rival, but an omnipresent intellect whose long shadow cast him into shade.³ Layton consorted with Apostles such as Bertrand Russell and Lytton Strachey. But he was never elected a member of the elite *conversazione* society in which Keynes drank claret and spoke on love and beauty. Marshall was fond of both men, encouraging them with mixed success to pursue university careers. When he resigned in 1908, his successor, Arthur Pigou, chose Keynes and Layton to lecture for Part II of the Economics Tripos – Keynes taking Money, Finance, Banking and Credit, and Layton Industry and Public Finance. Belgium’s invasion came as a shock in August, 1914, when both were teaching summer school. As Layton strolled along Kings Parade to meditate on events, he was nearly run down by A.V. Hill driving Keynes to London in a motorcycle combination. “They stopped to tell me that Maynard had been summoned for consultation by the Treasury...My own call quickly followed.”⁴

Keynes continued to kick up dust after the war, with Layton trailing gladly behind. The latter championed the former’s proposals for revising the Treaty of Versailles, while placing greater

² Skidelsky, *John Maynard Keynes: Hopes Betrayed, 1883-1920*, vol. 1, 3 vols. (London: Macmillan, 1983), 207.

³ Though they were sufficiently close that Layton congratulated Keynes on his marriage to Lydia Lopokova in 1925 in the following terms: “I have long felt that marriage is the one thing left that could give a fresh stimulus to your brilliant career and develop your full powers by harmonising the big reserves of your emotional nature with your intellectual life.” (Layton to Keynes, 19 August 1925, quoted in D. E. Moggridge, *Maynard Keynes: An Economist’s Biography* (London: Routledge, 1992), 395.

⁴ Layton, *Dorothy*, 58.

emphasis on strengthening the League of Nations. In 1928 Layton chaired the committee responsible for the *Liberal Yellow Book, Britain's Industrial Future*, in which Keynes nevertheless played the decisive role. Indeed, the following year, it was his streamlined version that emerged as Lloyd George's electoral manifesto, *We can Conquer Unemployment!* On certain, fundamental issues, they moved in tandem. Their unruffled war service is the first indication that this generational promotion did not suffer the same melancholy doubts as Hirst. For them patriotic duty coincided with cosmopolitanism; what mattered was running the war as efficiently as possible, solving technical problems related to the production, purchase and transportation of wheat or ammunition – not fighting against what had become a fact of life. Layton walked out on Hirst in early August 1914, objecting not only to his opposition to the war, but “his prognosis of its economic consequences.”⁵ Three weeks later Keynes wrote to his father, completely miffed, that the *Economist* editor was such “a violent pacifist, passionately incensed at our being in the war, and far more interested in these political questions than in finance.”⁶ On other matters divergences grew wider and more insoluble as the economy failed to recover from its war footing after 1918: on debt, gold, unemployment, taxation and Free Trade. It is important to recall that in the short term Keynes lost most of these debates. Why and with what arguments did a publication like the *Economist* win them? Layton's biographer allocates “the other end of the hedonistic scale” to Keynes. In fact, Layton and Keynes were mirror images in more than one respect. Of the two, it was not the impudent Cambridge Don who captured the dominant current in progressive interwar liberalism, but Layton.

⁵ David Hubback, *No Ordinary Press Baron: a Life of Walter Layton* (London: Weidenfeld and Nicolson, 1985), 83.

⁶ Skidelsky, *John Maynard Keynes: Hopes Betrayed, 1883-1920*, vol. 1, 3 vols. (London: Macmillan, 1983), 293.

For several years after the war there was substantial agreement on most points. Layton even took seriously suggestions, made by Keynes in *A Tract on Monetary Reform* (1923), for a managed exchange rate based on gold. But Keynes's own thought was developing in ways that made a confrontation inevitable. The persistence of unemployment in Britain which, at about 10 percent, remained at twice its prewar level throughout the 1920s, spurred him to abandon his previous commitments. Churchill's decision to return sterling to gold at its prewar parity with the dollar on 20 April, 1925, and Keynes's polemic, *The Economic Consequences of Mr. Churchill*, published just afterwards, was the first in a series of bitter clashes. At issue was not the urgent need for economic revival but whether that was best achieved by a strong currency and high interest rates; in essence, a deflationary policy favoring the *rentier* over the wage earner, finance over industry. By 1923 Keynes no longer felt the intensification of unemployment attendant upon this policy politically feasible. Here their roads divided. Layton and the *Economist* refused to follow him as he progressively abandoned his faith in the automatic mechanisms of classical economics and *laissez-faire* liberalism. Instead it dug in its heels over the gold standard and looked to a recovery in international trade to jumpstart a sputtering economic engine at home. Tracking the early overlap and eventual divergence between Keynes and his interlocutors at the *Economist* – culminating in the panicked reception given to *The General Theory of Employment, Interest, and Money* in 1936 – indicates what a slow and painful campaign Keynes was leading.

“If old-fashioned Capitalism was intellectually capable of defending itself, it would not be dislodged for many generations,” Keynes told an audience at a Liberal Summer School in 1925. But since he found this unlikely he suggested that “New Liberalism” might be capable of

“directing economic forces in the interests of social justice and social stability.”⁷ His most stubborn adversaries remained his fellow liberals; and it was their arguments, advanced with unrivaled credibility each week in the *Economist*, which generally won the day. Economic stagnation at home and the threat of imperial decline abroad presented liberalism with painful choices about its political future. Keynes’s point was that they were even fewer and more difficult than was widely understood.

Keynes and the *Economist*: Restoring Prewar Parities

War transformed Keynes from a punctilious *Economist* subscriber into a subject in his own right. In the days after war was declared he used its pages to urge banks, themselves recipients of government aid, to “courageous action” and “public-spiritedness” – lending money to customers in the financial community who were starving for want of credit.⁸ But it was peace, enshrined in the Treaty of Versailles, which made him inescapable. He dismissed the negotiations in Paris as a frivolous nightmare and resigned from the Treasury in June when it became clear he could do nothing to alter their outcome. Keynes never doubted that Germany should pay reparations; only qualifying that £2 billion was about all it could afford. Demands to cover the whole cost of the war, put forward by Britain and the Dominions, he considered as immoral as they were unworkable. *The Economic Consequences of the Peace* was his riposte. An immediate sensation, it sold more than a hundred thousand copies in its first six months. *The Economist* not only devoted to it a steady stream of articles, it adopted most of its main points. City opinion readily

⁷ John Maynard Keynes, *Essays in Persuasion* (New York: Norton, 1963), 335.

⁸ “Gold and the Banks,” *The Economist*, September 12, 1914. Bankers wrote letters protesting this slight to their civic honor.

hailed the book in its broad outlines. Agreeing that obstacles to peace were primarily economic implied that sound finance and temperate businessmen, not demagogic politicians, should take the lead. Bankers should be left to fix the peace just as the generals had been to fight the war.

The fact that Keynes had risked muddying his argument with racial, political and moral issues as well as mordant sketches of Allied leaders was regrettable, ran one sober *Economist* review of *The Economic Consequences of the Peace*. Still, its main thesis – that the Treaty of Versailles, if put into effect, would complete rather than repair the economic ruin of Europe – carried conviction.⁹ Two sections tellingly stood out for praise in the *Economist*'s coverage. The first concerned the past, “the brilliant chapter on the delicate system of economic interdependence on which we relied in 1914.”¹⁰ In it Keynes had summoned the happy ghosts of a half-century of progress in which food stocks grew even faster than population. Europe provided immigrant labor to till the soil of the New World; food and raw products flowed back to it; which returned again as industrial products and capital goods. This was the supposedly virtuous circle – and foundation of nineteenth-century liberalism – in whose furtherance the *Economist* was founded. What sort of man had most prospered during this half-century of reciprocal prosperity? Keynes described him, in terms bordering on self-parody, as the very image of an *Economist* reader. He was an inhabitant of London who could, before 1914,

order by telephone, sipping his morning tea in bed, the various products of the whole earth, and reasonably expect their early delivery upon his doorstep...at the same moment

⁹ Keynes had shown the treaty to be such a welter of “casuistry and sophistry” as to reap confusion, and impede its own implementation. Clauses permitting the Allies to veto German laws, provision private property, or station the entire French army on its territory in pursuit of reparations, could not be fulfilled. The central economic argument against reparations, though, was simple economic self-interest. Germany, he pointed out, would only be able to afford its reparations payments if it experienced an export-led boom which, given the economic climate, could only further harm British industry.

¹⁰ “Reviews: The Peace Treaty,” *The Economist*, December 27, 1919.

adventure his wealth in the natural resources and new enterprises of any quarter of the world...decide to couple the security of his fortune with the townspeople of any substantial municipality in any continent...secure forthwith cheap and comfortable transit to any country or climate without passport...and despatch his servant to the neighbouring office of a bank for such supply of the precious metals as might seem convenient.¹¹

The newspaper evidently recognized itself in this idealized portrait. But did it also discern its ambiguity? “War had disclosed the possibility of consumption to all and the vanity of abstinence to many,” wrote Keynes, his tone easily mistaken for that lament for frugality common among postwar liberals. In fact, he was describing the passage of an illusion whose existence had depended on a variety of unique factors, including a psychological acceptance of class inequality. Once workers ceased to tolerate low wages and long hours, and capitalists ceased to forgo consumption in favor of productive investment, “the bluff is discovered.”¹² The second important chapter concerned the future. Keynes’s general proscriptions for a debt ceiling between the Allies and the floating of an international loan to revive industry, trade and stabilize currencies were quite simply, wrote the *Economist*, the only “alternative to dissolution and economic collapse in much of Europe.”¹³ His *A Revision of the Treaty*, which followed in 1922, its message much the same, was even more copiously praised.¹⁴ In both cases Keynes tweaked politicians and looked instead to financial experts, in particular central bankers, for saner solutions. Getting the City’s lending markets working again was the key to restoring the prewar world system, its attendant prosperity and peaceful stability.

¹¹ John Maynard Keynes, “The Economic Consequences of the Peace,” in *The Collected Writings of John Maynard Keynes*, vol. 2, 30 vols. (London: Macmillan for the Royal Economic Society, 1971), 6-7.

¹² *Ibid.*, 13.

¹³ “Review: The Peace Treaty,” *The Economist*, December 27 1919.

¹⁴ “By the shipment to the United States of all the bullion in the world, and the erection there of a sky-scraping golden calf, a short postponement may be gained,” he wrote. “But a point may even come when the United States will refuse gold, yet still demand to be paid, – a new Midas vainly asking more succulent fare than the barren metal of her own contract.” The US ‘needs to buy more and sell less’ – i.e. lower tariffs and forgive allied debt – or else she will be obliged to make ‘an annual present’ – further loans to cover the European account deficits. Keynes, “A revision of the treaty,” in *The Collected Writings of John Maynard Keynes*, 3: 176.

Notwithstanding the broad consensus in favor of revising the Treaty of Versailles, especially as it affected Germany, a more primordial division already subtended it: what attitude ought Britain to strike with its own creditors, the newly flush Americans? Keynes argued that financial sacrifices made between allies in wartime could not be treated as investments to be repaid with compound interest. *The Economist*, in contrast, agreed only that “we should cancel all the indebtedness of the Allies to us in view of their weaker financial position and the greater strain that the war threw on them.” Britain asking for the same treatment was akin to begging with cap in hand. It suggested the US consider funding its debts to them into a forty or fifty year loan. “We still prefer this solution to Keynes’s for we believe that we can afford it if we work hard and reduce extravagance, and it is in accordance with our proud financial traditions.”¹⁵ So when Arthur Balfour, then foreign secretary, issued a note in August 1922 indicating that the government was prepared to ask of its allies and Germany only what it was obliged to pay on its own war debts, the *Economist* erupted in anger. Britain must stand by its obligations whatever transpired on the continent; implying otherwise was “deplorable,” provoking a “tragedy of disappointment,” while transatlantic cables disgorged “the unfortunate effect upon American opinion which such insistence was bound to produce.”¹⁶ Keynes had stated publicly that Britain could not afford to pay the full amount.¹⁷ Anything even close risked an outflow of dollars, destabilizing sterling

¹⁵ “The Turn of the Year,” *The Economist*, December 27, 1919. The US Congress was totally unmoved by either proposal, insisting on full and timely repayment. Keynes too disagreed with the Balfour Note, writes Skidelsky. At the 1922 Liberal Summer School he argued that Britain should forgive its allies’ debts regardless of what the US said or did. Skidelsky, *John Maynard Keynes: The Economist as Savior, 1920-1937*, vol. 2, 3 vols. (London: Macmillan, 1992), 172. Keynes believed this would demonstrate British leadership in Europe through an act of magnanimity, predisposing the US to a more favorable debt settlement. It did not mean that he thought it wise to pay the US back at anything like the rate desired by the Harding administration.

¹⁶ “A Lost Opportunity,” *The Economist*, August 5, 1922.

¹⁷ Keynes also met with Baldwin privately in December, just before his trip with Norman to the US.

still further in the midst of economic malaise. It was simply incorrect, retorted the *Economist*, to imply the British taxpayer could not afford to pick up the slack. “In our opinion he cannot afford to do otherwise.”¹⁸

The Economist thus hailed the announcement by the new Chancellor of the Exchequer Stanley Baldwin, who said he desired an amicable understanding between “business men.” At the turn of 1923 he led a delegation, accompanied by the Governor of the Bank of England, Montagu Norman, to Washington D.C. Both men were convinced that the path to economic revival passed directly through the City of London. On this point, the country’s most eminent banker, Norman, agreed with the scion of one of its most prominent industrial families, the steel and iron producing Baldwin. The attitude that a quick deal was essential to restore faith in British credit led them to agree to extremely harsh terms. American officials would not budge below 80 cents to the dollar, and Baldwin and Norman urged a divided cabinet to accept. *The Economist* worried the deal was *too* generous, almost a confession of weakness: “an appreciable reduction in what the United States Government is entitled to ask us to pay...the offer should be accepted not only with good grace but with gratitude.” Prime Minister Bonar Law raged at the proposal. Keynes, reaching him through his private secretary, J. C. C. Davidson, advised him to hold out for better. Britain was not in such a weak position: “It is the debtor who has the last word in these cases,” Keynes assured him presciently.¹⁹ But Bonar Law soon found himself outvoted by his jittery cabinet and the deal passed. Keynes too was displeased but said little in public. The City greeted news of the deal, reported the *Economist*, not with “sighs or gloomy forebodings of disaster,” –

¹⁸ “Beating about the Bush,” *The Economist*, August 12, 1922.

¹⁹ Moggridge, *Maynard Keynes*, 389. France and Italy waited to settle their debts until 1926, obtaining far better terms: 40 cents on the dollar and 26 cents respectively. Ahamed, *Lords of Finance*, 144.

as might be expected from a decision binding Britain to pay over £32 million a year for 64 years – “but by marking up the prices of British Funds.”²⁰

The US was the limiting factor in all major controversies with Keynes from this point on – the return to the gold standard, foreign lending, the policies needed to exit from depression. The very severity of the debt settlement was viewed by the newspaper as a purely instrumental step towards attaining the first of these goals, a currency in which international investors could believe with absolute certainty. Keynes’s *Tract on Monetary Reform* received extensive comment when it appeared in 1923. One leader praised it for addressing the postwar problem of floating currencies but worried that any move to a more flexible, managed system of fixed exchange would amount to an inopportune experiment with a “tabular standard,” based on the value of key commodities. “If the great trading nations of the world did not follow our lead they would not be likely for a long time to recognise that the pound sterling was the most stable unit in the world, and, in the meantime, London would lose her financial pre-eminence.” Gold was not only necessary to compel other nations to “keep their balances in London and do their international financing here.”²¹ It was also safer than placing the power to control credit in the hands of the Treasury or Bank of England, as Keynes was proposing.²² “Monetary dictatorship” could result if central banks ceased to enjoy independence from political and popular pressures.

²⁰ “Funding the American Debt,” *The Economist*, February 3, 1923.

²¹ “Our Monetary Policy,” *The Economist*, December 15, 1923.

²² Keynes enjoyed playing with the imagery of a “monetary revolution” in which gold was demoted from its status as arbitrary ruler or “despot” to that of “constitutional monarch.” It was an historical metaphor in which he hoped to play the role of a Mirabeau or Lafayette, not Robespierre. His goal was to make currencies more flexible, a practice already inaugurated by the New York Federal Reserve during the 1920s, when it kept US note circulation well below the actual quantity of its gold reserves. Keynes was as deeply committed as Bagehot to giving central bankers a free hand. The Bank of England was, he said, “one of our heaven-sent institutions” – even with Montagu Norman as its governor. Skidelsky, *John Maynard Keynes*, vol. 2, 3 vols., 192.

Norman had in mind the same moral imperative when he warned Churchill that gold was “the best ‘Governor’ for a world that is still human rather than divine.” Bagehot was common currency among those holding that central bankers, guided only by the quantity of their gold deposits, were infallible. In a democratic age, retaining control of the money supply was vital.

Keynes own thinking about the best type of managed exchange rate was still evolving. It was only Churchill’s actual decision in 1925 to return to gold at its prewar parity with the dollar, \$4.86, which solidified his opposition. He let his position be known in a series of articles, published first in Beaverbrook’s *Evening Standard* and then as the pamphlet, “The Economic Consequences of Mr. Churchill.” This polemic set him on a collision course with the *Economist* for two reasons. First, he predicted that since the price level remained at least 10 percent higher in Britain than the US, industrial strife would ensue. “The policy can only attain its end,” he wrote of returning at the prewar parity, “by intensifying unemployment without limit, until the workers are ready to accept the necessary reduction of money wages under the pressure of hard facts.”²³ Years of dear money and tight credit had already led to a 50 percent fall in prices between 1920 and 1923, raising the exchange value of the pound along with unemployment. Further rapid deflation was akin to shock therapy with no guarantee of achieving its stated aim: restoring competitiveness to goods faced with a lower cost and lower wage rival, the US.²⁴ The second, more fundamental consideration was not merely to do with economic health but political sovereignty. Keynes had begun to worry that Britain was mortgaging itself to the US as early as

²³ Keynes, “The Economic Consequences of Mr. Churchill,” in *The Collected Writings of John Maynard Keynes*, vol. 9, 30 vols. (London: Macmillan for the Royal Economic Society, 1972), 207-230.

²⁴ This policy would entail breaking the trade unions, which were bound to protest against reductions in the living standards of their members which were not equally spread throughout the population. Keynes suspected Baldwin’s government would shrink from such a showdown, thus rendering the policy of deflation ineffective. This is what happened the following year, in 1926, at the time of the TUC General Strike.

1917. The postwar distribution of gold between the four largest powers made the situation even more delicate, as the recently created US Federal Reserve sucked in almost 75 percent of all gold reserves. “The reinstatement of the gold standard,” under such conditions, Keynes explained, “means, inevitably, that we surrender the regulation of our price level and the handling of the credit cycle to the Federal Reserve Board of the United States.” Americans showed no signs of being proficient or willing managers of the world economy, he continued, implicitly and unfavorably contrasting them with the *noblesse oblige* attitude of the British.²⁵ The Federal Reserve would rhyme its policies to domestic conditions, and that could prove disastrous for any economy linked to gold, including Britain.

The Economist replied immediately, its cordial tone replaced by that of a schoolmaster who has caught a star pupil breaking the rules. “It is much to be deplored,” began a leader entitled “The Economic Inconsequences of Mr. Churchill,” “that certain distinguished economists should disturb the public mind by attributing far too much effect to our monetary policy as a cause of the depression.”²⁶ Industrial output had declined for a variety of unconnected reasons, above all, the slackness of international trade. Other factors included the depreciation of foreign currencies, high production costs due to higher wages and shorter hours, high municipal rates, government services and transport costs, and the decline of the coal industry which, it added, was probably terminal. Workers would have to accept lower living standards and industry the need to rationalize itself: modernize plant, streamline workforces and amalgamate operations to compete in world markets, the sooner the better. When Keynes took to the road to address the Federation of British Industries in Manchester the *Economist* found its usual rhetorical position pulled out

²⁵ Keynes, *The Collected Writings of John Maynard Keynes*, vol. 4, 30 vols., 139-40.

²⁶ “Economic Inconsequences,” *The Economist*, August 8, 1925.

from under it. “The subtle skill with which he shepherded his audience into the pen bearing the flattering label, ‘the sensible school’ (shortly defined as those who think as he does),” complained one leader, “in contrast with the ‘pious’ or ‘strait-laced’ pundits who happen to have controlled our financial policy, could not have been excelled by Mr. Lloyd George himself.” It doubted whether he was doing a public service by fostering the illusion that there could even be “real divergences between ‘finance’ and ‘industry’.” Reginald McKenna, the wartime chancellor under Asquith and a slightly dubious ally of Keynes, was also chastised for his “grudging acceptance of gold...calculated to strengthen the feeling among the less well-informed sections of this country” – those who did not read the *Economist* – “that the operation has been maneuvered by the bankers in their own interests, and that it has been contrary to the interests of British industry.”²⁷ Governments of all persuasions had endorsed a gradual return to the prewar monetary setup contained in the 1918 Cunliffe Report, it correctly pointed out. The Industrial Federation had moreover implored Churchill to take a definite decision just a few short months before, assuming that gold at parity would bring down wage costs along with prices. If bankers were just concerned about their own profits they would have favored a floating exchange rate on whose fluctuations they could have placed bets. No, insisted the newspaper, this was not about class or sectional economic interests, but an overall strengthening of Britain’s global position.

The Depression and the End of Prewar Certainties

Keynes and his more orthodox interlocutors at the *Economist* shared a vision of Britain quickly facing up to lingering economic weakness and new political threats. Debate was confined to a

²⁷ “Finance or Industry,” *The Economist*, October 17, 1925.

narrower channel: whether economic revival – on which all else depended – passed directly through the US or at some significant remove from it. Nowhere was this more apparent than in Keynes’s third round of controversy with the newspaper. One of the points of conceding on the American debt and returning early to gold had been to restart the market for foreign lending as soon as possible. The newspaper scrupulously watched for signs of recovery. “Our Export of Capital,” a leader from early 1928, was typically worrying. It proposed to answer two questions, “the amount we can afford to lend abroad...and whether America is taking our place as a supplier of world capital.” The surplus of income account, by which it measured export of capital, was £181 million in 1913, or £270 million in 1927 prices. Almost ten years after the end of the war the surplus was still less than half this amount, £96 million. Citing the Liberal Industrial Inquiry, on which both Layton and Keynes had served, it even suggested that the prewar heights might never be regained. Its conclusion was thus oddly optimistic. England had not been replaced: “the role of purveyor of capital is now shared by Great Britain with America.” Long-term investments abroad financed by short-term borrowing, a potentially worrying trend, simply “served to fill the gap caused by the temporary disappearance of our available surplus.” “It would be wise to assume,” it finished, avoiding any wistful notes, “that for the present we shall irrigate the world with new capital on a somewhat smaller scale than heretofore.”²⁸

Keynes’s proposal for inter-allied debt forgiveness was always based partly on the fear that enormous annual interest payments to the US would “cripple our foreign development in other parts of the world.”²⁹ If he remained scornful of bankers he was no less interested than the

²⁸ “Our Export of Capital,” *The Economist*, February 11, 1928.

²⁹ John Maynard Keynes, *The Collected Writings of John Maynard Keynes*, ed. Elizabeth Johnson, vol. 16, 30 vols. (London: Macmillan for the Royal Economic Society, 1989), 418.

Economist in maintaining Britain's financial lead – a thread running from his prewar defense of India's monetary system, in which its sterling balances were held in London, to his insistence that the Bank of England continue to pay out gold to its foreign creditors throughout the war. His views changed as overall recovery among the victorious powers failed to materialize in his country alone. One certainty after another began to fall away: that a fixed gold standard was a moral responsibility, that debt write-downs amounted to repudiation, or that foreign lending was always compatible with adequate internal investment. By the late 1920s even his faith in Free Trade was teetering on the edge. Once again the *Economist* dug in its heels but its tone grew increasingly defensive. When Keynes called into question the whole direction of postwar macroeconomics in the *Evening Standard* in August 1928, the *Economist* lashed out. It dismissed his argument as “entirely unjustified,” quoting Keynes to the effect that “it is very possible that the policy of England over this period has reduced the wealth of Great Britain by no less than £500,000,000.”³⁰ Policies, mistaken or otherwise, were irrelevant. Only recovery in international trade, further industrial rationalization, and international agreements to stabilize currencies on a gold basis, it repeated, could boost employment and profitability. Keynes replied immediately. But it was not until February 1929 that he managed to land a series of destabilizing blows.

“A Protectionist Mare's Nest” was meant to refute a letter to the *Times* by Carlyon Bellair, a retired naval officer, former Liberal, current Conservative MP. Bellair had claimed that “free trade theory,” forged in the nineteenth century, no longer applied because capital was now free to move anywhere in the world in search of the best returns while labor could not. Protection was one way of concentrating capital at home instead of sending it abroad to employ foreign labor.

³⁰ “Monetary Policy and Prosperity,” *The Economist*, August 18, 1928.

The Economist retort was unintentionally revealing. “Has the bottom fallen out of the Christian doctrine,” it asked incredulously, “because circumstances changed since the days when the Gospels were written?” Further down it began a nervous recitation of the catechism. “Whenever we are confronted with the new Protectionist argument, in whatever clothes it may be wrapped up against the frost of economic fact, let us remember a few leading points.” First: “There is no evidence that shortage of local capital is even a contributory factor in the troubles of our distressed industries.” Even more importantly: “capital exports stimulate commodity exports – a statement which will be supported by all, only with a variety of emphasis and qualification.”³¹

Keynes zeroed in on this last statement as though he was calling an especially daring bluff. He posed his question to the editors as a humble point of clarification, asking them to explain in greater detail by what “train of causation” capital exports and commodity exports were linked. The railway loans of the mid-nineteenth century, subscribed in London for the purpose of buying British goods, were an obvious example, but similar transactions today probably accounted for no more than twenty percent of all loans. What about the other eighty percent? *The Economist* replied that foreign loans increased the supply of sterling for sale on world exchanges, which made pounds cheaper.³² British exports, their prices expressed in pounds sterling, were thus given a fillip. Keynes had set a trap, however, and over the next four weeks gave the impression he was toying with his prey. Greater supplies of sterling would lower its exchange value, he amiably agreed, but only if that value was not hitched to another metal which prevented it depreciating. “Your argument does not make sense,” he taunted, “unless your meaning is that foreign investment stimulates exports by driving us off the gold standard.” Since this was

³¹ “A Protectionist’s Mare’s Nest,” *The Economist*, February 23, 1929.

³² “The Effects of Foreign Lending,” *The Economist*, March 9, 1929.

probably not what the editors had in mind, “I still await an answer to my question.”³³ *The Economist* switched tacks, arguing that foreign lending encouraged gold outflows, raising the discount rate. A higher rate lowered domestic prices until they were more competitive.³⁴ Keynes pretended to be surprised. “I think that exporters (who have not been as grateful as, on your theory, they should have been) would like to have it explained in what way a higher Bank rate improves their competitive position in foreign markets.” Keynes finally deigned to “decipher” the newspaper’s own editorial muddle. Either high interest rates increased exports by compelling manufacturers, out of despair, to sell their goods at a loss; or, more likely, it was meant to bring down costs of production by curtailing credit and raising unemployment. “Have I rightly interpreted your meaning?,” he asked:

If the next time you applaud the tendency of foreign lending to stimulate exports, you will add the explanatory words ‘because it will make the maintenance of full employment impossible at the present level of wages, so that unemployment will continue until British wages are reduced, which will enhance our competitive power in foreign markets’, then I will promise to write you no more letters!³⁵

A few weeks was all it took to recapitulate the entire trajectory of postwar economic thought. Keynes was concerned to show not only that he had been right all along, but also the way each question had led logically into the next: from the terms of the peace settlement to the persistence of unemployment. What made him a formidable and infuriating rhetorician was not that he played by different rules – those of the Cambridge Apostles or the aesthetes of Bloomsbury – but the very same ones as the bankers and officials who read and wrote for the *Economist*.

³³ “The Effect of Foreign Loans,” *The Economist*, March 16, 1929.

³⁴ “The Effect of Foreign Loans,” *The Economist*, March 23, 1929.

³⁵ Keynes, *The Collected Writings of John Maynard Keynes*, ed. Donald Moggridge, vol. 19, 30 vols. (London: Macmillan for the Royal Economic Society, 1981), 801.

If Keynes had gotten the better of the newspaper on this occasion, events would soon catch up to both of them. Keynes lost a small fortune between 1928 and 1929. Having bet heavily on commodity prices rising he was forced to sell off most of his holdings to meet margin requirements when the market for rubber and other primary products collapsed instead. *The Economist* was more prudent than Keynes and his animal spirits. It rarely cheered particular stocks or allowed itself to predict market fluctuations; its common cause was with finance writ large. Contrary to its assurances the City *was* seriously overextended, using short-term deposits, mainly “hot American money,” to finance its long-term lending. This practice left it vulnerable to the kind of banking crisis which swept through Europe and South America in the summer of 1931. The Macmillan Report, released on 13 July, revealed the extent of short-term liabilities even as a wave of bank defaults began to raise fears about the City’s exposure to bad loans. Investors rushed to withdraw their money. The Bank of England was forced to raise interest rates by two percentage points as almost half its gold reserves vanished in two weeks. A line of credit from the gold-besotted Federal Reserve and Bank of France came and went. *The Economist* likened this chain of events to the critical days of August 1914. But far from seeing in the Macmillan Report an augury of doom, it cited the document to show that net short-term liabilities had actually decreased in the last two years, to £254 from £302 million in 1928. Long-term investments, meanwhile, estimated by the newspaper at roughly £4 billion, would cushion Britain against any “sudden or prolonged call” (though not, as actually occurred, if these assets were temporarily frozen abroad). Had London “deliberately placed itself in too vulnerable a position”? “The answer to any such criticism is that banking is one of our staple and most remunerative industries...it is London’s business to encourage the influx of foreign money.”³⁶

³⁶ “The Exchange Crisis,” *The Economist*, August 8, 1931.

The Economist appeared ready to go down with the ship. Montagu Norman was less sanguine. He boarded a cruise liner to Canada the next week, “feeling queer.” Keynes had written to the prime minister, Ramsay MacDonald, almost a month earlier telling him the game was nearly up. MacDonald ignored these signs. He looked to secure yet another loan to back the currency, this time from the American bankers J.P. Morgan & Co., to whom he also secretly submitted his proposed budget for approval in August. The budget, based on May Report recommendations, slashed unemployment benefits, instituted pay cuts for public employees and raised taxes. When sailors affected by the pay cuts mutinied at Invergordon, the stock market and sterling exchange collapsed along with – it seemed – the physical force uniting the empire, the Royal Navy. Five days after the mutiny subsided on 16 September, Britain was off the gold standard.

The steps necessary to inspire confidence internationally around the time of Invergordon were reaching their brittle climax at home. So much the better, argued the *Economist*, which went out to meet the onrushing wave by hardening its positions in line with strictest Treasury orthodoxy. Britain was like a millionaire without enough change to pay his taxi fare, ran next week’s leader; once it showed the world it had the political will to balance its budget, anyone would be happy to lend it some pocket money. Fireworks were needed. Gold convertibility must be maintained, whatever the cost; budgets must be balanced with the “traditional rectitude” not for one or two years but forever; and “extravagances,” not only the dole, but prices, salaries and wages must be clamped.³⁷ The newspaper had praised the May Report for achieving “the main object of their endeavor in arousing the whole country.” Only the report’s concluding question had been poorly

³⁷ “The British ‘Crisis’,” *The Economist*, August 22, 1931.

put. For it was less important to ask if democracy would be “shipwrecked on the hard rock of finance” than if “sound finance” was to be scuppered by obeisance to democratic forms.³⁸ It greeted the new National Government as the correct answer to this question, a salvational “Union Sacrée to ‘apply swift, decisive and effective action.’” MacDonald “deserved well of his country” for casting aside those in his own Labour Party, and among the Conservatives, who objected to the May Report. But after having declared the crisis of confidence over repeatedly for months the newspaper appeared to have run out of ideas. For the *Economist* it was the “stability of sterling” and “the maintenance of credit abroad” which threatened “Britain’s centuries old position as a Great Power.”³⁹ Invergordon, which should have worried it far more on this score, was not even mentioned by name.

“The End of an Epoch,” was announced in the issue of 26 September. And yet, as the *Economist* admitted, the apocalypse had not arrived. Going off gold produced no bank runs, no riots, no stock market crash. The next two years saw every major policy it had advocated since 1918 reversed, disproving all its doomy forecasts. Devaluation immediately lowered the value of the pound, increasing exports, while a drop in interest rates to two percent stimulated consumer spending and business investment. Prices and employment began to tick upwards. The 1932 Ottawa Agreements introduced protection, realizing the system of imperial preference dreamt of by Joseph Chamberlain, implemented by his son Neville, and bitterly opposed by every editor from Wilson to Layton.

Keynes, Lost in the City?

³⁸ “Democracy and Economy,” *The Economist*, August 15, 1931.

³⁹ “The Government and its Tasks,” *The Economist*, August 29, 1931.

The Economist had not simply stood still while the world changed; its editorial point of view had in many ways transformed since the turn of the century. Hirst had espoused sound money at the same time as an expanding state. During the 1920s Layton was obliged to convert sound money into the fetish of permanent austerity without any corresponding vision for social reform. The reason for this dramatic shift is to be found in the particular forces pushing against liberalism. Keynes and Layton are overlays onto this broader development, their clashes in and outside the *Economist* due more to placement than philosophical differences. That Keynes showed greater willingness to reconsider classical liberal economics in the face of practical experience is hardly surprising. For one, he was an individual, not an institution, and though occasionally mistaken for a banker in his style of dress, was not obliged to propitiate a group of weekly readers whose ranks swelled with the men most committed to financial orthodoxy – at the Treasury, the Bank of England and the great City counting houses. Keynes, of course, knew these figures well. He served at the Treasury during both wars and routinely met and clashed with Bank Governors, first Lord Cunliffe, then Montagu Norman. He even served the venerable National Mutual Life Assurance Company board alongside Layton. But he owed them no bond of professional faith, and could retire to refuges at Kings College, Cambridge or Bloomsbury whenever he grew weary of Whitehall or the City. He took moneymaking seriously enough to get rich but never ceased to view forays into finance as a probabilistic game of roulette. Such capricious detachment was not desired in the editor of the *Economist*, a lesson Layton took to heart when he left the life of Cambridge behind for more worldly pursuits.

Professional responsibilities help explain some of their disagreement over economic policy, or the sallies about dimwitted bankers and “euthanizing” rentiers in which Keynes liked to indulge. The fact remains that *political* differences with Layton’s *Economist* were both more difficult to define and more acute. Domestically, neither was ever particularly attracted to New Liberalism. Both were more interested in good management than compelling politics, and their work together at Liberal summer schools and inquiries was to provide a common set of policies for electoral renewal under Lloyd George. Mapping their political coordinates is, however, impossible without taking into account the *dégringolade* from gold in 1931, which inspired in them mirror reactions. Far from lamenting the end of an epoch, Keynes celebrated it. On 21 September Graham Hutton, assistant editor of the *Economist*, remembered him bursting into a *New Statesman and Nation* luncheon direct from the Treasury, “rubbing his hands and chuckling like a boy who has just exploded a firework underneath someone he doesn’t like.” “At one stroke, Britain has resumed the financial hegemony of the world!” Keynes jubilantly informed the gathered journalists.⁴⁰ The fact that twenty-five countries had followed Britain off the gold standard was, he wrote in a report to the Treasury shortly afterwards, “an exceptional opportunity for uniting the whole Empire on a reformed sterling standard...managed by the Bank of England and pivoted on London.”⁴¹ His stress on imperial leadership at the moment of its apparent collapse is remarkable, especially as he admitted the “great advantage in purely national currencies managed solely in the interests of domestic stability and social peace.” Great Britain had a different destiny, however, and much to gain practically from a wide currency union. A sterling standard based on 1929 wholesale prices would raise what imperial countries could

⁴⁰ C. H Rolph, *Kingsley: The Life, Letters and Diaries of Kingsley Martin*, (London: Gollancz, 1973), 164.

⁴¹ Keynes, *The Collected Writings of John Maynard Keynes*, ed. D. E Moggridge, vol. 21, 30 vols. (London: Macmillan for the Royal Economic Society, 1982), 17.

charge for food and raw materials, increasing both their power to consume British exports and Britain's own income from equities held abroad.⁴² 1931 was a watershed year for Keynes. But it was based on a vision for the restoration, as much political as economic, of the nineteenth century Manchester system – albeit with Imperial Preference, no longer Free Trade, to back it up. The question remains: how could Keynes have seen the flight from gold as heralding the return to the very arrangement whose passing the *Economist* seemed bitterly to mourn?

Keynes had initially shared a certain idealized vision of the postwar division of economic power in which US industrial power would be complemented by British direction of global finance. In fact, this never ceased to be his preference. His running dispute with the *Economist* was ultimately over the best means to balance US power. That financial leadership and imperial independence were linked outcomes, and desirable in themselves, was generally agreed upon by all mainstream political currents. But whereas the *Economist* endorsed restoring financial confidence at the initial expense of all else, Keynes was beset by strong doubts. These were confirmed by the problem of long-term unemployment but preceded them: having to beg for dollars to finance Britain's war effort from 1916 on alerted him early to the dangers of relying too heavily on Americans. The miserly debt deal and return to a gold standard run from the New York Federal Reserve only made the problem worse. Keynes soon came to believe that financial recovery would have to pass through the real economy first, not the other way round, which is why he greeted Britain's "repudiation" in 1931 as the overdue blessing of a devaluing angel. The only secure basis for the export of capital was to acquire more of it, not by fiddling with balance sheets, but the old-fashioned way – by exporting more goods than were imported. Empire was

⁴² Ibid., 24-26.

the most powerful lever available for achieving financial revival on the back of a trade surplus and thereby balancing US power. So vital was this larger objective that Keynes was willing to mold his most basic positions around it; sensing an opening in March 1931 – the US economy flailing and its reputation besmirched by the Smoot-Hawley Tariff – he temporarily argued for a modest revenue tariff and for the gold exchange to be “relentlessly defended, that we may resume the vacant financial leadership of the world, which no one else has the experience or public spirit to occupy.”⁴³ It was the same hope which led him to the opposite conclusion just five months later, when he toasted devaluation and the end of gold. *The Economist* found this inconstancy disturbing. So did policy makers like Snowden and MacDonald. When Keynes proposed the revenue tariff it balked at the effects on the cost of food for the working class. “Crocodile tears,” Keynes jeered about the *Economist*’s sudden solicitude, justly pointing out that it was only his methods which had changed, not his goal or his arguments.

A seemingly technical debate about means thus carried major consequences as to ends. Keynes’s elucubration in favor of a renewed global role for the City in 1931 placed him, for once, well behind the *Economist* in anticipating the winds of change. Until 1918 the relationship between empire and finance on weekly display in the newspaper was symbiotic and supportive. Hirst did register criticisms between 1907 and 1916, but this was meant to rebalance the relationship, not abolish it. By the end of the war there were signs of unraveling. The Great War Hirst spent much energy denouncing finally achieved the cuts to military spending he had advocated – by pushing them to their limit. The 1918-19 naval budget was £334 million. Churchill slashed this to £54 million by 1923-4. Military planning was now based on the expectation that Britain was not to

⁴³ Keynes, *Essays in Persuasion*, 276.

fight another major war for ten years. The choice between social reform and imperial upkeep was no longer mutually exclusive. But the ambient prosperity underlying the entire bargain, as Hirst understood it, had disappeared too. Mass unemployment was the most visible evidence of this new postwar equilibrium. But the focus of the *Economist* was on invisible symptoms: the shortage of capital for export, the weak currency, the troubled balance of payments, and the liquidation of the most valuable dollar securities, of which, by its own estimate, barely one tenth remained in 1931. Until that year official policy chimed with the prescriptions of the *Economist*, which considered international confidence in sterling the guiding spirit of government policy.

That the *Economist* referred only once to the Invergordon Mutiny, almost two weeks after it took place, “as reports of insubordination in the Navy,” is suggestive. Likewise its strong backing, ten years earlier, for the Washington Naval Agreements, which conceded to the US the claim to naval superiority Britain had just gone to war to maintain against Germany. Terms also included the scrapping of the alliance with Japan, exposing Britain’s Asian and Oceanic empire to attack and dismemberment from the East. This was the first subject Layton wrote on as editor, claiming that in it “the tone of international politics was set for the seventeen years of my editorship.”⁴⁴ Layton took great pains to tune the *Economist* to the temperature of the City. Had its eminence already grown used to the idea of handing off the imperial baton to the US, provided, of course, it got to keep control of global financial markets? There are many indications that such a transition in thought was taking place.

⁴⁴ Memoirs, pp. 25, Box 147, Layton Papers, Trinity College, Cambridge.

Empire continued to be written about as a profitable investment. Indeed, its relative economic importance had grown since the end of the war. Foreign investment as a percentage of national income may have fallen from 8 percent in 1913 to 2.5 percent in 1925. But what capital did flow from London now went primarily to the Empire, in the first place to India.⁴⁵ The sterling area, created by going off gold in 1931, along with the 1933 Ottawa Agreements, only increased incentives to inter-imperial investment. Decolonization for India, or anywhere else, had yet to be openly avowed or even secretly contemplated. But the policy of favoring finance did consistently come at the expense not only of industrial production but also the means for the territorial reproduction of empire. This trend towards subordinating imperial claims to financial ones, and both to preserving comity with its transatlantic partner, foreshadowed the decades following the Second World War. Keynes was far less cosmopolitan, his liberalism framed more by national interest and less by classical notions of comparative advantage, than Layton and the *Economist*. The economic collapse from 1929 to 1931 consummated a long breakdown in economic thought. The way was now cleared for reassessment, first in politics, a domain in which Layton showed himself capable of surprising.

Layton on Liberalism and the Liberal Party

The Economist stumbled through the 1920s unable to extricate itself from the economic nostrums of the nineteenth century. But this fustiness was less true of politics, a domain in which interwar liberals were pushed towards greater flexibility. In a sense, the reason for stagnation was located between these two points: return to gold a liberal economic diktat to restore competitive

⁴⁵ £500 million or 12 percent of total overseas investment was still located in India by 1930. Atkin, *British Overseas Investment*, 13-16.

economic conditions by forcing down wages, reluctance to force down wages a liberal refusal to engage the unions in what was termed class warfare. So long as the economic situation teetered without falling over the edge the *Economist* could pivot between these contradictory demands – both to revive market confidence and respect certain democratic acquisitions.

One general strike and five general elections set the tone for its political coverage. The May 1926 TUC strike was “unconstitutional” and threatened a “dictatorship of the trade unions.” Workers and union leaders were attacked in the usual terms, the former for not knowing enough, the latter for knowing better. Layton nevertheless blamed the impasse on the government, which broke off negotiations at the last second, dismissed suggestions it was costing £10 million a day as “clearly ridiculous,” and urged that nothing be allowed to delay work resuming, including employer threats to penalize sympathy strikers. Compromise, not confrontation, was the dominant note.⁴⁶

Over the course of the decade elections gradually became occasions for the *Economist* to push liberal ideas onto slightly dubious parties, especially when actual Liberals were not available following the split between Asquith and Lloyd George. Labour was never endorsed outright but in 1923, 1924, 1929 and 1931 the party was warmly preferred to the Conservatives. Only in the first postwar election, 1922, did the newspaper give tepid backing to Bonar Law ‘based on his support in the business world’. Free Trade was its focus in every electoral cycle and even in 1922 it worried over Law’s campaign speeches, which ominously claimed trade within the empire to be “four and three-quarter times greater than to those demoralised countries of Europe.” Less

⁴⁶ “How the Strike Came About,” *The Economist*, May 8, 1926. “Cost of the Strike,” *The Economist*, May 8, 1926; “Restoring Peace,” *The Economist*, May 15, 1926.

than twice as much was closer the mark, corrected the *Economist*. In December 1923 it backed the formation of a Labour government with Liberal support as an “absolute guarantee against revolutionary measures,” defining these as the use of capital levies or spending to expand the dole or nationalize industries. October 1924 was muddled, an unnecessary election called in haste, which in the absence of any major issue was likely to be fought along the “most deplorable lines of class struggle.” MacDonald was blamed for handing government to Baldwin, “lacking grip and imagination,” at the expense of Liberals, who lost 118 seats. Five years later, in May 1929, it cried out for electoral reform to make representation proportional and minority government less onerous in the “now permanent three-party system.” These issues, not the recent extension of the franchise to women, was what “ruffled its serenity.” Sensing disappointment for Lloyd George Liberals – a group with whom Layton, unlike Keynes, had never fallen out, and which both had expected to do better – it predicted that “Liberal influence will exceed that which is symbolised by their representation in the House.” Layton thought MacDonald and Labour not only more likely “to do something liberal” about unemployment but also foreign policy – another “Anglo-American agreement, a new reparations settlement, disarmament.”⁴⁷

The 1931 run on sterling brought to an end the precarious balancing act of upholding the dual tradition of liberal politics and liberal economics. *The Economist* threw its weight behind the National Government with greater passion than it had any other political combine during or since the war. A crisis was no time for “expansionist experiments.” Lloyd George’s public works campaign, which Layton was partly responsible for drafting, was a dead letter – pushed aside in

⁴⁷ “Policies and Interpretations,” *The Economist*, November 11, 1922; “The New Parliament,” *The Economist*, November 18, 1922; “The Election and After,” *The Economist*, December 15, 1923; “The Riddle of the Political Triangle,” *The Economist*, October 18, 1924; “The Verdict of the Country,” *The Economist*, November 1, 1924; “The Electorate and the Election,” May 25, 1929; “The Election and After,” *The Economist*, June 1, 1929.

favor of the May Report's draconian spending cuts. Liberals remained the only individual party on which Layton's newspaper hung positive hopes, though its reasons for doing so changed with political season. Through 1931 these were three: as a viable and urgent alternative to both Conservatives and Labour, "the party of progressive democratic anti-Socialism"; as a steadying, market-soothing partner in Labour governments; and, as a last resort, Labour's intellectual tutor. Liberals were spectacularly unsuccessful in the first two roles.

Only their intellectual powers proved truly formidable. Indeed, Prime Minister MacDonald and his Chancellor of the Exchequer Philip Snowden were so ensorcelled they quit Labour in August. "Bolshevism run mad," Snowden fulminated about his former party not two weeks after it responded by expelling him. British credit was inviolate, bound up with national honor, explained MacDonald. In October, a month after being forced off the gold standard, he asked the British public for the National Government's "Doctor's Mandate," which entailed balancing the budget to restore confidence in the pound by slashing spending and unemployment benefits in the midst of the Depression. 1931 was thus the dawn of a novel arrangement: the subservience of an ascendant party, Labour, which two years before had won the most seats in the Commons for the first time in its history, to the principles of the party it was in effect replacing. In this transition the *Economist* played a leading role.

The Economist may have closed ranks with the National Government. But the flight from gold was also a kind of liberation. Suddenly the pressure to "uphold market confidence" was less intense. London had struggled valiantly, bleeding itself of almost half its foreign claims before turning off the spigot on 21 September 1931. British bankers deserved sympathy. Even Keynes,

who cheered the advent of a floating pound, joined the *Economist* in congratulating the City and Bank of England on conduct befitting gentlemen. “Out of the ashes the City of London will rise with undiminished honour,” he told *Sunday Express* readers. “For she has played the game up to the limits of quixotry, even at the risk of driving British trade almost to a standstill. No banker could do more.”⁴⁸ Confidence as the ultimate goal of policy was devalued along with the currency; as a result, new ideas for mitigating the depression were no longer required to pass the difficult test of spooking markets and driving off gold deposits. This, coupled with the rise of Fascism in Europe, gave a new tenor to political debates throughout the nation and in the *Economist*. Layton experienced these changes firsthand as an increasingly influential editor, adding chairman of the *News Chronicle* to his list of titles in 1930, and financial diplomat in Europe. He was a knight errant for liberalism, tilting at finance ministers and heads of state from nameless editorials and committees, designed to convince them it was wrong to discard what was still relevant from this tradition along with the stale sections.

Layton Leads the Liberal Press

Layton intended to use his influence for liberal ends; that does not mean he was always very clear what these were in the 1930s. Confusion was a symptom of wider political drift as well as personality. Descriptions of him tend towards that form of malice reserved for good yet simple people. Observers sketched a painfully hesitant, upright character in wool grey suits emitting muffled sounds. Sometimes the effect was comic. “Slow, academic and indecisive,” remembered financial journalist Nicholas Davenport; but in every realm, so that once on a trip to Strasbourg

⁴⁸ Keynes, “The End of the Gold Standard,” (1931) in *Essays in Persuasion*, 289. The article originally appeared in the *Sunday Express*, 27 September 1931, under the title, “The Future of the World.”

Layton stood crippled in the hotel lobby, unable to decide between a room with a lavatory or a foyer. Davenport chose for him, fearing the effects of local seafood.⁴⁹ His sudden silences could last up to three minutes. Questions often received nothing in reply but the sound of shuffling paper. Dorothy Osmaston was the first to hesitate before these voids when Layton, her lecturer at Cambridge, came courting. After she relented, others followed, all in some way unnerved. Lady Violet Bonham Carter once described him at a party as the “handsomest little grey mind in Europe.” She was his friend. Another so kindly disposed was the future *Economist* editor, then a young member of staff, Geoffrey Crowther. He claimed he could take editorial decisions based on nuances in Layton’s pregnant pauses.

Douglas Jay joined the newspaper at the same time as Crowther. He remembered the problem differently. If Layton felt leaders were too emphatic late on Thursday, “he used to simply add the words at the end, ‘Time alone will show.’” Subordinates recalled with particular frustration his cautious attitude towards appeasement – a policy of which he came to disapprove without, however, wishing to embarrass the Chamberlain Government. Jay continued: “‘Will Hitler desist from further aggression?’ we would ask. ‘Time alone will show,’ added Layton altering the entire tone of the article.”⁵⁰ A ‘knitted woolen statue coming unraveled,’ was the *Daily Express* verdict on a vacillating Layton. At the *News Chronicle* the consequences were more dramatic. Layton could not make up his mind what to publish as edition after edition went to press on the night of Munich – even though the newspaper had been opposing further concessions to Hitler up through September. Editor Gerald Berry later complained of a watered down leader, ready by 3:30 AM. Vernon Bartlett, the correspondent whose article Layton had modified, was more

⁴⁹ Nicholas Davenport, *Memoirs of a City Radical* (London: Weidenfeld and Nicolson, 1974), 44.

⁵⁰ Douglas Jay, *Change and Fortune: a Political Record* (London: Hutchinson, 1980), 50.

direct. After putting the paper to bed in London, Layton called him at his hotel in Prague to chat. “Fuck you,” Bartlett shouted into the receiver and hung up.⁵¹

Layton as an unraveling spool of yarn is an image which risks being overdone, however. As actuary, if not editor, he could be decisive, and this tells us something about the gap between his political instincts and his will. Layton signed on with Keynes and others to buy the *Nation* from the Rowntrees in 1922, initially viewing it as a mouthpiece for Liberal Summer Schools. Around the same time he conceived a plan to buy the *Economist*. Layton wanted complete editorial freedom; already he complained of pressure to tow the line on gold. More importantly, he saw the newspaper as hamstrung by the practice of “distributing profits up to the hilt to the many family beneficiaries.” By 1927 he had convinced them to start exploring options for selling, preferably to him. “The need to plough back profits and expand the staff,” he later recorded, “led me to approach some of my friends with a view to buying the paper and turning it into a private company.”⁵² Investors included eminent liberals such as Ernest Simon, Laurence Cadbury, Henry Strakosch, John Simon and Walter Runciman. Layton dithered until a more lubricious contender entered the ring in 1928.

This was twenty-seven year old Brenden Bracken, tall and lanky with thick spectacles and a crinkle of red hair, who was buying up business titles for the publisher Eyre and Spottiswoode. A congenital fabulist and social climber, Bracken affected to be both an orphan from Australia (his mother was alive, in Ireland) and the illegitimate son of his political mentor, Winston Churchill. He once treated friends to a fine weekend at his countryseat – only the house belonged to

⁵¹ Hubback, *No Ordinary Press Baron*, 163.

⁵² Memoirs, Box 147, pp. 206, Layton Papers, Trinity College, Cambridge; 8 September 1955, Box 82.116.

someone else who Bracken had forgotten to inform about his visit. Upon acquiring his own home servants were instructed to interrupt dinner parties with imaginary messages, “the prime minister is on the phone, sir.”⁵³ He made his name in publishing as only an immigrant could, converting the staid *Illustrated News* into *English Life* – an unending pageant devoted to foxes, hounds, horses, inherited titles, stately homes, public schools, Anglicanism and Empire.⁵⁴ His admiration for aristocrats soon led him to take an interest in the hallowed institution which managed their wealth, the City– starting the *Banker* in 1926, buying the *Financial News* in early 1928, bidding on the *Economist* in April and acquiring the *Investors Chronicle* in July. In 1945 the *Financial Times* was added to the roster.

Bracken made his initial soundings about the *Economist* at a party with society hostess Sybil Colefax, great-granddaughter of James Wilson. “I suppose you are sentimentally attached to your holding,” he remarked. “Oh, no,” she replied. “I find it a very dull paper and feel no attachment to it at all.”⁵⁵ Layton was appalled. Not only was Bracken a colonial hobbledohoy: if he did have political principles, these were almost grotesquely Tory. Layton appealed to Strakosch, liberal statesman, amateur economist and head of the South African Union Corporation, to help him set in motion a rival bid. *The Economist*’s tradition of independent liberalism risked being diverted into partisan politics by unscrupulous owners, he warned. But when bidding rose from £50,000

⁵³ Charles Lysaght, *Brendan Bracken* (London: Allen Lane, 1979), 82, 62.

⁵⁴ Evelyn Waugh satirized Bracken in *Brideshead Revisited* (1945) as the Canadian wheeler-dealer Rex Mottram. “His seniors thought him a pushful cad,” but Lady Julia, observes the narrator, “recognized the unmistakable chic – the flavour of ‘Max’ and ‘F.E.’ and the Prince of Wales, of the big table in the Sporting Club, the second magnum and the fourth cigar, of the chauffeur kept waiting hour after hour without compunction.” She later confesses, “He wasn’t a complete human being at all He was a tiny bit of one unnaturally developed; something in a bottle, an organ kept alive in a laboratory. I thought he was a sort of primitive savage, but he was something absolutely modern and up-to-date that only this ghastly age could produce.” Evelyn Waugh, *Brideshead Revisited: The Sacred & Profane Memories of Captain Charles Ryder: a Novel*, rev. ed. (1945; repr., London: Chapman & Hall, 1960), 162, 177.

⁵⁵ Lysaght, *Brendan Bracket*, 99.

to £100,000 for a paper yielding no more than £4,000 in annual profits Layton balked. He approached Bracken to work out a compromise, arguing, as he had with Strakosch, that broad political and business independence were the *Economist's* main asset. Bracken affably suggested they put in a joint bid of £50,000 each. Layton obtained three out of five director seats in the new company, including the chair and deputy chair of the board. Bracken became managing director. The constitution created a board of four trustees that went further than either of the trusts set up by the *Times* or the *Spectator* – giving them a say in the appointment or dismissal of the editor, chairman of the board, as well as share transfers. The original trustees were lords to a man: Sir Lionel Halsey, Sir William Beveridge, Sir Josiah Stamp and Sir Alan Anderson. Strakosch was the first chairman. The other board members included Runciman, Layton and Major Guy Payan Dawnay, hero of Gallipoli and investment banker. Bracken was sufficiently larger than life to take up both seats allotted to his Financial News Ltd.

One year later Layton made another politically meaningful investment, becoming chairman of the *News Chronicle*, formed from a merger of the three leading liberal dailies.⁵⁶ With the *Economist* deal finalized in 1929 he seized his chance to mark politics on a vast new scale, leaping from control of a weekly whose readership, though on the rise, was minuscule compared to a daily paper with circulation of 1,400,000. Layton intended a revamped *News Chronicle* to challenge more conservative mass tabloids like Rothermere's *Daily Mail* and Beaverbrook's *Daily Express*. But this was a question of market share more than ideology. As at the *Economist* real aim was taken at the edification of the Labour Party intellectually so that Liberals might be

⁵⁶ Layton negotiated the deal as financial advisor to the Cadbury's Daily News Trust, a position he filled from 1927. Laurence Cadbury, an admiring pupil from Cambridge, urged him to play a bigger role but Layton refused until the *Economist* was safely under new management, officially becoming a private trust in January 1929.

reconciled to their status of junior partner electorally. The City required one tonal arrangement, middle class broadsheets another.

In contrast to the *Economist*, however, the *Chronicle* would boldly direct its readers towards a somewhat dreary version of the French Popular Front. As usual Layton spoke loudest as editorial prospector, not policy proponent. He chose Aylmer Vallance as editor in 1933 and Gerald Berry in 1935, both openly sympathetic to Labour. Oswald Mosley and the Union of British Fascists were bitterly attacked beginning in 1933. A year later Layton and Vallance hatched a plan to join forces with the Labour-backed *Daily Herald* on “an advanced progressive policy.” Lloyd George agreed to invest in the new group, dismissing the Liberal Party over dinner with Layton as a “complete washout,” which “ran away at the last election, surrendering everything.”⁵⁷ The newspaper campaigned for the Peace Ballot, designed to give teeth to collective security through the League of Nations, in 1935. Between 1936 and 1939 extensive coverage was given to the Spanish Civil War, with William Forest and Arthur Koestler, then Communists, filing reports hostile to Franco. Popular Front politics prevailed in spirit only, however. After 1936 Layton instructed Barry to avoid the leftwing handle and use “Peace Alliance” instead.⁵⁸ Closing ranks with the Communist Left was never seriously considered.

How did this spate of deal making on Fleet Street affect the *Economist*? Layton turned out to be wrong in assuming that eminence would insulate him from editorial pressures. His hand in the *News Chronicle* brought criticism from the *Economist* directors, while his role at the *Economist* exposed him to jibes in the popular press. Some Daily News trustees were displeased with

⁵⁷ Frances Louise Stevenson, *Lloyd George: a Diary* (London: Hutchinson of London, 1971), 260.

⁵⁸ Hubback, *No Ordinary Press Baron*, 155.

changes in the political tone of the *Chronicle*. When Liberal Lord Philip Lothian turned down a board seat on political grounds in April 1934, Clive Pearson wrote to Layton asking for a statement of the official editorial line on Labour. “Sympathy and support in matters where they are in agreement with Liberal ideas,” Layton replied, but no endorsement for the “party as it at present exists.” Surely the *Chronicle* would take a stand against nationalization of industry? “The line between state ownership and control or unfettered private enterprise is a matter of expediency rather than principle,” Layton wrote, echoing the middle course charted in the *Liberal Yellow Book* of 1929. Beaverbrook’s *Evening Standard* pointed out the oddity of Layton’s position.

If Sir Walter Layton has taken the decision that the ‘News Chronicle’ shall turn Socialist, then his own position becomes extremely interesting, for he is also editor of the ‘Economist.’ The ‘Economist’ is owned half by Financial Newspaper Proprietors Limited, and half by leading financiers....There can be, therefore, no prospect of the ‘Economist’ turning Socialist, so Sir Walter Layton will have to ride two horses. It is a feat to which he is accustomed.⁵⁹

Fleet Street rivals were not the only ones who noticed and worried about these contortions. Strakosch put paid to the idea that the *Economist*’s new constitution would release its editor from meddling.⁶⁰ Strakosch was so concerned he asked Vallance to take up the post as early as November 1932. By his account, Layton was not only an absentee editor; his moonlighting at the *Chronicle* risked twisting the *Economist* into an arm of the Liberal Party. Vallance declined the offer and copied his reply to Layton. *The Economist* rose along with the profile of its editor, Vallance claimed, the paper having ceased to be “a staid and colorless City weekly but a very

⁵⁹ Hubback, *No Ordinary Press Baron*, 137.

⁶⁰ The family members had been concerned with an adequate return and, in extremis, their good name; the new board members had all the opinions to which they felt their titles entitled them. Strakosch had already distinguished himself as one of the fiercest defenders of orthodoxy during his polemic with Keynes on the gold standard, which took place in the *Times* just after the appearance of Keynes’s “The Consequences of Mr. Churchill” in 1925.

definite organ of opinion associated throughout the world with the name of an editor who is not so much a journalist as an international public man.” Vallance pointed out the inability of a now defunct political party to slant either publication: “*The Economist* is known as a ‘liberal’ journal and ‘Liberalism’ is now so indeterminate, unattached a thing that – to say nothing of the fact that Layton and I are both very jealous of the traditions of the *Economist* – I can see little danger of the *News Chronicle* being ever regarded as a party organ.”⁶¹ Like many opinionated and rather conservative businessmen Strakosch feared the intrusion of party politics as such; otherwise his preference for Vallance made little sense – after all, the *Economist*’s boozy, philandering and well-liked assistant editor was fired from the *Chronicle* for being too leftwing in 1935, and later served under Kingsley Martin at the *New Statesman and Nation*. Strakosch need not have worried. For both Layton and Vallance the *Economist* occupied an intellectual space apart. The relationship between it and the *News Chronicle* reflected the antinomies internal to interwar liberalism; economic virtue embodied in the former, political flexibility by the latter. In this capacity the *News Chronicle* acted less as medium of transmission than *cordon sanitaire*.

Europe Comes Courting the English Money Markets

Though Layton may have neglected his *Economist* duties after 1930 it remained the publication from which his editorial prestige ultimately derived. When he personally interviewed Mussolini and Hitler in 1932 and 1933 it was not the *News Chronicle*, but the *Economist*, with which the two dictators and their advisors wished to curry favor. Their encounters frame a double vantage

⁶¹ Aylmer Vallance to Henry Strakosch, 27 December 1932, Box 81.16., Layton Papers, Trinity College, Cambridge.

point – that of an English Liberal on German and Italian Fascism, and Fascism’s deference to the London capital markets. Mussolini was squat and flirtatious in Rome:

On reflection, however, there is a doubt which of us did the interviewing. Mussolini started the conversation by asking me what I thought of ‘the crisis’. I naturally asked to which of the many current crises (the devaluation of the pound, the reparations moratorium, disarmament, the Manchurian deadlock) he referred. So he made his question more specific and asked whether the *Economist* (of which he claimed to have been a regular reader) would support the disarmament plan which Signor Grandi had laid before the Disarmament Conference in Geneva two or three days previously. It was an interesting opening gambit which represented Mussolini himself as Europe’s number one peace-loving statesman. The pose was a caricature, though our long talk was both frank and friendly.⁶²

The Economist did applaud Signor Grandi’s speech, which, by calling for the abolition not only of submarines and chemical and biological warfare but also all heavy artillery and tanks, “rightly gave his country the moral initiative at Geneva.”⁶³ *The Economist* was even more sanguine about Mussolini’s financial probity, praising him for balancing budgets and abolishing bread subsidies, reestablishing the independence of the Banca d’Italia and unleashing the “Battle of the Lira” to halt the depreciation of the national currency in 1926. Industrial securities rose ten percent on average the week after stabilization, disproving critics who said it overvalued the currency. Wages, prices and costs promised to fall together. The free press, political parties, fair elections, independent civil service, judges, lawyers – all were being suppressed by Fascism, “deplorable methods...for none of them were needed to achieve the great results which admittedly have been accomplished since the new *régime* took office.”⁶⁴ Illiberal means, perhaps, but on economic policy, “not much new to say,” was the *Economist* verdict. This of course ignored that Mussolini was able to restore gold convertibility at 92.46 lira to the pound – arranged at a secret conclave

⁶² Layton, *Dorothy*, 90.

⁶³ “The Disarmament Conference,” *The Economist*, February 13, 1932.

⁶⁴ “Italy Under Fascism,” *The Economist*, September 25, 1926.

in London with Norman, Strong and “Signor Banaldo Stringher, the doyen of Governors of Central Banks, having held his office for 26 years” – by physically crushing union resistance and coercing nervous employers.⁶⁵ Comparisons were obvious and unspoken: in England liberal sentiment barred the route to both corporatism or the kind of Fascist class confrontation which could have made the policy of deflation effective.

Layton was invited to Berlin to meet Hitler one month after the Reichstag Fire in March 1933. Less jovial than Mussolini he was just as concerned to make a favorable impression on the *Economist* editor. To this end, the former Reichsbank President, retained by Hitler to reassure foreign creditors and domestic capitalists, whose good opinion and funds were needed to rearm, was also present. Quite possibly the most arrogant man in the room, Hjalmar Schacht knew Layton from a string of reparations conferences. Schacht’s tantrums at these gatherings, displays of defiance, delay and anti-inflationary discipline, earned him an oddly glowing reputation in and outside Germany. He was less than reliable as a translator. Layton considered Hitler physically unimpressive albeit possessed of a “fine and resonant voice,”

Short, thickset and clad in a russet-coloured suit, his face had lost the sharpness of outline which is noticeable in his early photographs; but the famous forelock was in its place...I came away feeling that I had not discovered the source of his power. He rarely looked straight at me but closely followed Schacht who was on his left and doing most of the interpreting...I asked him questions under three heads: 1) economic questions and the Nazi idea of autarchy, 2) the boycott and internal repression, 3) international affairs. On the first he refused to be drawn: I was given to understand that I might refer to Schacht, though whether Schacht interpolated or whether Hitler actually said it, I do not know.

On the boycott Hitler, in effect, politely warned me off with the statement that it was an internal matter for Germany. He claimed – with justice – that the Nazi forces were well

⁶⁵ “The Stabilisation of the Lira,” *The Economist*, December 31, 1927; Roland Sarti, “Mussolini and the Italian Industrial Leadership in the Battle of the Lira 1925-1927,” *Past & Present* no. 47 (May 1, 1970): 97–112, doi:10.2307/650450.

under control. This conclusion was prefaced by a short lecture on the history of the Nazi movement, and the struggle between two Germanys, one which had knuckled under the peace treaties, the other determined to uphold her pride. But the Nazi fight was not merely a German fight, it was also a war against communism. It was therefore a battle for other countries, England included. If we understood the true meaning of the communist movement we would be whole-heartedly supporting him.⁶⁶

Schacht flattered Layton by assuring him that his interview had “gone better than any of the others,” and that “Hitler always had difficulty in finding common ground with people familiar with international affairs and took refuge in his speeches.” But did Hitler truly understand financial matters, Layton asked Schacht privately? “Yes, certainly. He has at least one idea and a very good one. It is to leave it to Schacht.” When Schacht heard that Layton had repeated this story to other dignitaries during his trip to Berlin – among them Goebbels, ex-Chancellor Brüning, and ‘Liberal’ Generals von Schleicher and von Hammerstein – he wrote to ask him to kindly please stop. “My answer was and certainly meant that he would do, what I would do. That is to say, that he has as sound ideas about finance as I pretend to have.”⁶⁷

Left Liberal Recruits Join the *Economist*

The Economist's singular identity was confirmed by the dawn of the 1930s, stronger than any one board member, shareholder or editor. Debates between these figures were not, as at other press organs, over the correct political line as such, but rather the one most in keeping with precedent. Party affiliation was held in relative contempt; *ideas* were the backbone of a publication engrossed by its own traditions. It is no coincidence that this recursive vision of the newspaper coalesced as its actual ownership passed from family control to corporative trust, and

⁶⁶ Hubback, *No Ordinary Press Baron*, 142-143.

⁶⁷ *Ibid.*

its editor looked increasingly to Labour, not the Liberals, as a party of government. But the *Economist* was also undergoing changes in the 1930s, even if these were outwardly less dramatic than at the *News Chronicle*. As elsewhere the most remarkable indicator was the influx of new people with new political ideas. Douglas Jay, Graham Hutton and Geoffrey Crowther were hired between 1932 and 1933, all three “self-confessed radicals” below the age of thirty. Together they wrote and assembled much of each issue, with Layton and Vallance presiding over Monday meetings and looking in on Wednesdays and Thursdays to sign off on leaders and correct proofs.

The first and most obvious change was also the most important: this generation of editors had a qualitatively different view of the relationship between Labour and liberalism. For them it was no longer a question of exerting influence from a safe distance, the fallback option Layton and Keynes had advocated at Liberal Summer Schools in the 1920s. Jay, then a recent economics graduate from Oxford, underwent a political awakening while on staff. On Hutton’s suggestion Harold Laski recruited him to serve on finance and trade committees for Labour’s National Executive. So began a career that led from the *Economist* to the City desk of the *Daily Herald* to Battersea, a seat Jay held for Labour from 1946 to 1983. Hutton, the foreign editor, was a former student of Laski’s at the London School of Economics (LSE), and *New Statesman and Nation* editor Kingsley Martin’s roommate. Even Crowther, most politically sedate of the neophytes, had studied under Keynes at Cambridge.

Parties hosted by Hutton at Mecklenburgh Square were a mill for new and old contributors, including a contingent of leftish Hungarians, both future economic advisors to Labour governments: Thomas Balogh, who kept Keynes supplied with City gossip, and Nicholas Kaldor,

converted by Keynes's *General Theory* while still at LSE. Another so-called City Radical swept into this social mix was Nicholas Davenport, broker and financial columnist for the *New Statesman and Nation* and, with Hargreaves Parkinson, the *Economist* stock exchange section. Historian Arnold Toynbee was the most frequent outside contributor on international politics and already a windy eminence at weekly meetings. Though he stood outside the circuit running between Oxbridge, the City and Labour, Toynbee capped this motley editorial crew. Jay remembered his "hand-written manuscript, perfectly legible, which required the amendment of no syllable or comma," and Davenport that "once started on his monologue he would never stop until he reached some dead end like the Falkland Islands. We listened to him spellbound."⁶⁸

Should it come as a surprise that so many young radicals now worked for the *Economist*? The answer to this question lies in the peculiar meaning of socialism for intellectuals in Great Britain. Jay may have published *The Socialist Case* in 1937 but he chose the title to "emphasize the extent to which Marx was a revisionist, whose dogmatism and stridency were not shared by earlier socialists such as Robert Owen."⁶⁹ Davenport fussed about sacrificing his beliefs at the "gates of Mammon" but during the 1926 General Strike saw no problem in joining other stockbrokers in unloading docks and running buses and trains, offering his own services as chauffeur to the local police. "My personal sympathies were with the miners who were having a raw deal, but as a responsible Keynesian and financial writer I could not support revolutionary action which might upset the economy and throw up a huge deficit on the balance of

⁶⁸ Jay, *Change and Fortune*, 52; Davenport, *Memoirs of a City Radical*, 111.

⁶⁹ Its object was to counter the "flood of quasi-Marxist volumes pouring forth from Gollancz's Left Book Club." Jay, *Change and Fortune*, 62-63.

payments.”⁷⁰ Davenport’s entry point to socialism was his father, a pious high churchman who gave up a profitable brewing business to preach to the downtrodden of Leicestershire. Hutton emerged from LSE an early market fundamentalist without however renouncing the socialism of his teenage years. After the war he and Crowther published an homage to American capitalism entitled *We Too Can Prosper* (1953).

Keynes was just as parochial as his disciples when it came to social utopias. Austrian economist Joseph Schumpeter was no Marxist, but his continental sensibilities cringed at Keynes’ ranking local tinkerer C. H. Douglas alongside Marx in Chapter 22 of the *General Theory*.⁷¹ Many of the young financial journalists now at the *Economist* were former pupils, or simply admirers who met their maestro at board and editorial meetings, clubs and dinner parties. On the rare occasions when Keynes came in for their censure it was not on theoretical grounds, but for his distinctly un-Fabian chilliness towards the lower classes and their anointed party. *Daily Herald* Editor Francis Williams recalled meeting Keynes in 1937 when the Cambridge Don was lobbying Labour to adopt the main points of the *General Theory*. Williams invited Jay (recently poached from the *Economist* to fill Williams’s old post as *Herald* City Editor), hoping he might convince Keynes of the tactical need to make compromises with politicians and trade union leaders – an hour-long encounter which proved fruitless. “‘I never appreciated until today,’ said Jay when he had left, ‘how much Keynes thinks like a rich man.’” Williams agreed: “not, of course, in his economic thinking...but in his attitude to the uneducated working classes among whom he was

⁷⁰ Jay liked Kingsley Martin when he was dropping marbles down Deborah Kerr’s bosom but could not understand how he could think Britain suited to “centralised communist economy” without it resorting to “concentration camps or lunatic asylums of which he would be the first inmate.” Davenport, *Memoirs of a City Radical*, 30, 109.

⁷¹ Skidelsky, *John Maynard Keynes: Economist as Savior, 1920-1937*, vol. 2, 3 vols. (London: Macmillan, 1992), 569.

prepared to go slumming if need be but to whom he found it virtually impossible to make any concession of understanding.”⁷² *The Economist* was infected with the sentimental socialism of stockbrokers.

What the new recruits shared was a belief in demand management, which could blunt the edge of economic cycles and benefit the working class – nearly 3 million of whom were unemployed in the peak year of 1933, when many of them joined. The expansionist proposals of their genial yet arrogant hero had trickled down well before they were given a theoretical gloss in the *General Theory*. Keynes himself remained more chary than Layton of the Liberal drift towards Labour. His objections had not changed much since his Liberal Summer School speech in 1925. “Above all, I do not believe that the intellectual elements in the Labour Party will ever exercise adequate control,” he said, after declaring his allegiance to the educated bourgeoisie, if it came to that, “too much will always be decided by those who do not know *at all* what they are talking about.”⁷³

By the 1930s, however, the situation had altered dramatically; not even its most vigorous intellects or political dynamos felt there was hope, in the near term at least, for resuscitating the Liberal Party. A new generation of financial experts had thus begun to work from within the Labour Party – assuming that, after the embarrassment of 1931, adequate control could and should be obtained. Indeed, Labour was eager for their assistance. The XYZ club, a group of journalists and bankers, *Economist* writers and readers, began to meet as its informal advisors on finance in 1932. The initial thrust behind the club was given by Vaughan Berry, a bill-broker for

⁷² Francis Williams, *Nothing So Strange: An Autobiography* (London: Cassell, 1970), 109-110.

⁷³ John Maynard Keynes, “Am I a Liberal?,” (1925) in *Essays in Persuasion*, 324.

the Union Discount Company. He was looking for a place where, in the words of its other founding spirit, “City men could meet the Labour leaders and instruct them in the mysteries of City finance so they would not make a hash of it when they came to power.”⁷⁴ Dinners were held above the Lamb, a pub on Mitre Street in the City, and included Williams, Davenport, Jay and *Guardian* City Editor Cecil Sprigge; bankers, stock brokers and company directors C. F. Chance, John Wilmot, Charles Latham, Bill Piercy, Jimmy Lawrie, George Wansborough and George Strauss; and economists Hugh Quigley and Evan Durbin. Hugh Gaitskell was secretary; Hugh Dalton, Clement Atlee, Stafford Cripps, F.W. Pethwick-Lawrence and Herbert Morrison were among the other Labour leaders then in regular attendance. A measure of the club’s success is provided by its address change in 1945, when it moved to the House of Commons, and by its impact on policy. Proposals to nationalize the Bank of England and set up a National Investment Board and Industrial Finance Corporation were eventually implemented by the governments of Atlee and Wilson, themselves denizens of XYZ.

The memoirs left behind by its journalist participants are strikingly consistent. Davenport called all the politicians he met, except Cripps, “sublimely ignorant of the City and suspicious of its institutions, especially the Stock Exchange which they regarded as a casino.”⁷⁵ 1931 and its aftershocks rippled in all directions. Jay called XYZ “an effort to re-educate the Labour Party out of its 1931 failures.” Berry and Williams were convinced by “the events of 1931” that a different approach to financial affairs was needed – Labour, though “badly winded by the results of the 1931 General Election” and “woefully short on expert knowledge,” was “passionately anxious to find a respectable alternative both to the economics of scarcity practiced by the National

⁷⁴ Davenport, *Memoirs of a City Radical*, 76.

⁷⁵ *Ibid.*, 77.

Government and Marxism.”⁷⁶ The embrace seemed mutually beneficial. Labour would once again glow with political respectability, while the City was ensured its say in future economic reforms.

Yet if 1931 was on everyone’s mind, its meaning remained ambiguous – endlessly described as a failure, mistake, debacle or rout but never explained in terms of mistaken policies let alone blamed on the mythical “bankers ramp.” This was partly because MacDonald was irreproachable in his respect for liberal principals, chief among them the sanctity of British Credit and Free Trade. The problem was the nature of his and his deputies’ commitment, based on defensiveness and ignorance, which pushed them to extremes of self-flagellation. City intellectuals grouped around a few key publications, with the participation of a handful of businessmen, could solve for this apparent impasse – one of men and minds more than politics or ideology. Their expertise and professional moorings inside the Square Mile gave them greater elbowroom, symbolized by their early and unruffled embrace of Keynesianism. Labour would integrate finance into a mixed economy while protecting its private character and its ability to create and invest the national wealth. This was the intellectual and political nexus in which the *Economist* was written after 1933.

The European Crisis Gathers Force

If the atmosphere in and around the *Economist* pulsed with new energy, how was this reflected in its actual political content? Here too the newspaper was swept leftwards by events. The Russian

⁷⁶ Jay, *Change and Fortune*, 60; Williams, *Nothing So Strange*, 112-113.

Revolution, which received scant attention during its early days, was a source of disquiet as well as fascination for Layton. Early on the *Economist* urged recognition of the Bolsheviks for reasons of economic expediency; the resumption of grain exports and acknowledgement of its external liabilities to Britain, incurred during and before the war.⁷⁷ Most Labour voters couldn't even pronounce Bolshevik, scoffed at a piece dismissing their supposed links. "The theory of Bolshevism may be good or bad, but in fairness to Lenin and Trotsky it ought to be said that it has no more to do with murder and other atrocities than the British Constitution has with the exploits of the 'Black and Tans'."⁷⁸ Soviet intransigence on debt repayment, reports of economic prevarication and intrigue among its leaders, political compulsion and the atmosphere induced by the General Strike, hardened its line through the 1920s, but the overall tone remained one of inquisitiveness rather than condemnation. On 19 March 1927 Layton published a fifteen page supplement on economic conditions in Russia, praised by Ivan Maisky, the future Soviet Ambassador who helped him put it together, as "objective material as possible...an act of civic courage and political far-sightedness."⁷⁹ On 1 November 1930 the *Economist* included "An Impression of Russia," later issued as a pamphlet, in which the USSR figured as a "remarkable experiment," its drive to rapidly industrialize without borrowing capital from abroad virtually unprecedented.

Then, as now, supplements were guides to investors about the potential return on capital given certain political and economic risks. The Soviet Union was a special case. Not only were there vast opportunities for productive investment, eyed with as much apprehension as greed in the

⁷⁷ "The Russian Trade Agreement," *The Economist*, October 9, 1920.

⁷⁸ "Labour and Communism," *The Economist*, July 30, 1921.

⁷⁹ "Russian Supplement," *The Economist*, March 19, 1927; Hubback, *No Ordinary Press Baron*, 86.

recently jilted capitals of London and Paris.⁸⁰ But as the first country to renounce the old modes of capitalist production, Soviet progress was keenly watched by the oldest and most sluggish of capitalist economies, especially with the onset of global depression in the 1930s. “Human nature being what it is,” began the 1930 supplement, “we have still to discover whether an attempt to create a completely new order of society based on a curious blend of Americanised hustle, idealistic propaganda and methods reminiscent of those of the tyrants of Syracuse, can be crowned with ultimate success.” The report hinged on three detailed assessments of agricultural planning: the “daring and fateful moving of the wheat belt up to the confines of Asia,” collective farming, and village communism.⁸¹ Layton scribbled speaking notes on a pamphlet version at the Society of Cultural Relations Between the Peoples of the British Commonwealth and the USSR in 1931, where he was asked to keep his talk apolitical. He was introducing Mr. Gourevitch, a member of the Supreme Economic Council, whose presentation was entitled “The Third Year of the Five Year Plan.”⁸² Neutral and informative reports continued to stream from Russia throughout the 1930s. One from Kharkov in 1933 observed the “cruel drain on energies and resources” and “an acute shortage of nearly all consumer goods,” including bread, but also impressive accomplishments – “new offices, new shops, new schools, new institutes, new hospitals, new crèches, new workers flats...a new theatre to rival Moscow’s.” Most importantly, there were new factories, such as the massive Kharkov Tractor Works. “The Soviets boast that

⁸⁰ France and Britain had invested most heavily in pre-revolutionary Russia and lost the most. Improving trading ties was another important factor. As the *Economist* pointed out, by 1928 trade with the Soviet Union was second only to Germany and not by much: in 1927-8, it amounted to £150 million as compared to £186.2 million with Germany; in 1928-9, the figure was £192.5 million compared to £208.5 million with Germany.

⁸¹ “An Impression of Russia,” 17 November 1931, Box 81.10., Layton Papers, Trinity College, Cambridge.

⁸² On the last two points – collective farming and village communism – it saw immense but not insurmountable difficulties. Collectivization would depend on building enough machines and inducing the peasants to use them; establishing communism in the villages was more daunting and “cannot take place as the result of sheer relentless compulsion...[still] the idea of a new life has been awakened among the active members of the younger generation.”

no loyal Soviet citizen need go idle is not an empty one, and it is true that the unemployment problems as we know it is non-existent in Russia.”⁸³

The “Soviet experiment” was treated with more open-mindedness than the rise of Nazi Germany. Several months after the Reichstag Fire in February 1933 the *Economist* obtained a copy of *The Brown Book on the Hitler Terror*, published in England by Victor Gollancz of the Left Book Club. Jay was startled by its central claim, that the Nazis had started the blaze to lay hold of power and purge their Communist opponents.⁸⁴ But he accepted its conclusions and used Layton’s vacation to Cornwall at the end of August, with only Hutton and Crowther in the office, to publish an unfiltered leader about the book on 2 September 1933. Previous coverage had been fairly sedate, scorning Hitler as an enigmatic roughneck but probably nothing more than the pawn of the great landowners in Germany. Now his regime was an “orgy of barbarism and brutality,” the *Brown Book* an indictment of “Cicernonian vigour and realism,” valuable chiefly as a detailed refutation of the Nazis’ case against the alleged arsonists. But Jay’s leader ended up going further, noting that concentration camps, anti-Semitic violence and book burning were “not mere sporadic outbreaks but the direct consequence of incitement by Nazi leaders...bound to produce a shock of revulsion and horror throughout the civilized world.”⁸⁵ An indignant letter arrived a few days later from a devoted reader, Germany’s Finance Minister, Count Schwerin Von Krosigk. He demanded a public apology. “As you know, for many years I have had the

⁸³ “Russia Revisited I,” *The Economist*, June 3, 1933. In many ways the *Economist* under Layton provided more neutral and detailed coverage of Russia than Keynes, as an individual, or as an editor with his own press organs: at the *New Statesman* or in the *Guardian*. See, for example, “A Short View of Russia,” (1925) in *Essays in Persuasion*.

⁸⁴ Jay mentions only that Einstein was the president of the committee who sponsored the pamphlet. But it was also full of sexual accusations against the Nazis, written largely by Communist exiles in Paris, whose huge propaganda success angered Hitler.

⁸⁵ “The Hitler Terror,” *The Economist*, September 2, 1933.

highest admiration for you and your journal,” he wrote, addressing himself directly to Layton. “It is therefore the more to be regretted that you have now thought fit to publish a one-sided judgment of the situation in Germany.” Rushing down from Cornwall Layton tried to assure Von Krosigk his newspaper was neither pro-Communist nor anti-German. “The attitude of the *Economist* in commenting on matters affecting Germany such as reparations, the war guilt question and disarmament, during the ten years of my editorship is, I hope, a sufficient guarantee that I would not willingly misinterpret the German situation.” Instead of an apology, though, Layton offered “a full and unbiased report of the case for the prosecution at the forthcoming Leipzig trial.”⁸⁶ No *Economist* journalist would be let through the door, replied Von Krosigk. Layton asked Jay to write a weekly column on the trial anyway, which continued until Christmas.

Courting political controversy was nevertheless the exception at the newspaper, not the rule. City readers might be nudged in certain directions but never directly confronted; in the late 1930s, with still tenuous signs of national recovery, this meant continuous appeals to stability and peace. A rare trip to the beach allowed the *Brown Book* article to slip through, though Layton nervily declined to repudiate it once it had. Jay had gone as far as to ask “whether the right to equality of status among the nations” could be claimed by Nazi Germany, hinting that force might be justified against a “government which revenged itself on its own fellow-countrymen.” But even this open-ended formulation was not repeated. The only legitimate route to rearmament, insisted the *Economist*, passed through the League of Nations.⁸⁷ Given the inveterate weakness of this

⁸⁶ Layton to Schwerin Von Krosigk, 23 September 1933, Box 81.17., Layton Papers, Trinity College, Cambridge.

⁸⁷ Another piece written by Jay on 2 December 1933 entitled “Pacifism” was a forceful but abstract reiteration of this notion: honoring treaty obligations meant being willing to use force when these were violated.

institution, it urged a mixture of dialogue, collective security initiatives, verbal warnings and appeasement as one crisis after another crashed over Europe. It condemned the Hoare-Laval Pact in December 1935 as a “polite way of cloaking virtual annexation” and confessed to “being completely at a loss to understand” why the government, returned to power five weeks before on a pledge to uphold the League Covenant, had “led the other League Powers on,” only to back off at the last moment. Yet it looked to popular outrage, channeled through the League, to protect Abyssinia – as if this were possible without the support of its most powerful members, France and England.⁸⁸ The remilitarization of the Rhineland in March 1936 was a clear violation of the Locarno Treaty. “Yet to send German troops into the German Rhineland amid the acclamations of a German population is,” it allowed, “an act which has nothing at all in common with Signor Mussolini’s invasion of a foreign country [Abyssinia, and] a member of the League.”

Contemplating but rejecting war it asked Hitler to consider temporarily withdrawing his troops, “in exchange for an understanding that they shall be allowed to return again as soon as a new European settlement has been negotiated on the terms which Herr Hitler himself has put forward.”⁸⁹ Austria’s annexation in March 1938 brought clear visions of a German-dominated *Mittleuropa*, “Italy and Poland on a finely upholstered top floor...Czechoslovakia in a cellar in the basement,” united by the anti-Semitism of the lower middle classes, the anti-communist land hunger of the peasants, and common resentments at being deprived a share of overseas colonies; a “vast totalitarian Empire” undermining French democracy and strangling its economy; and the naval encirclement of the British Isles from Scandinavia until it became “one gigantic rock of

⁸⁸ “The Paris Blunder,” *The Economist*, December 14, 1935; “The Triumph of Public Opinion,” “Back to the League,” *The Economist*, December 21, 1935.

⁸⁹ “Peace on the Razor’s Edge,” *The Economist*, March 14, 1936.

Gibraltar.” “We must do what Mr. Churchill is calling for,” it suddenly declared, uphold the Covenant, build alliances around Great Britain and France, “inscribe our first ‘No’ on the face of Spain.” Yet the best to be hoped for from united action at this point was – two years before Munich – “to compel Herr Hitler to give Czechoslovakia not intolerable terms.”⁹⁰ Crowther, placed in charge just in time for the Munich Agreement, uttered a “prayer of thanksgiving” for being spared the “hell of totalitarian war” and, despite past and “no doubt future disagreements,” to the “magnificent perseverance and tenacity” of Neville Chamberlain.⁹¹ Heartfelt sympathies and offers of aid were extended to President Benes and the Czech people.

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In practice, then, there were very substantial breaks on the dynamism of the *Economist*'s political liberalism during the interwar period. Unlike previous conjunctures this was not so much between domestic and international priorities, for example, social reform and imperial defense. In fact, liberalism was almost uniquely internationalized during the 1930s as the rise of Fascism, especially in Germany, made political alliances across a broad spectrum of the Left increasingly common. In contrast to France, however, the Popular Front policies espoused by most British Liberals were not to include Communists. A “refained front” is how the *Daily Worker* lampooned the *News Chronicle* position in 1936.⁹² Reluctance to shake hands with Communists reflected a basic ambivalence about where exactly to locate the most pressing existential threat to liberal democratic regimes; an ambivalence common to the European ruling classes but

⁹⁰ “The Shadow of the Sword,” *The Economist*, March 19, 1938.

⁹¹ “Eleventh-Hour Reprieve,” *The Economist*, October 1, 1938. When Germany invaded the Soviet Union almost three years later in June 1941, the *Economist* stated that while “Russians must bear responsibility for a neutrality that has left them standing alone...now they are fighting Germany they will receive all the aid that Britain can give.” The West would have to resist the ‘Anti-communist’ propaganda Hitler had used to divide it from Moscow – while making it clear that it did not support ‘communistic atheism’. “Right About Turn,” *The Economist*, June 28 1941.

⁹² Hubback, *No Ordinary Press Baron*, 155.

amplified in the City which seemed, on the face of it, to have more to fear from Bolshevism than Nazism. *Economist* reaction to the Nazi-Soviet Pact in 1939 could therefore affect to be that of a disillusioned fellow traveller while really belonging to the confirmed skeptic. “An act of perfidy, infamy and criminal irresponsibility beyond calculation,” it fumed, “there will be no safeguard for the ordinary decencies of international life so long as any dictatorship, of whatever superficial ideological hue, is allowed to remain.”⁹³ For their part, neither Hitler nor Stalin retained many illusions about the parliamentary democracies after Munich. Hitler derided Chamberlain as a ridiculous old man, erect, pinstriped, bushy-eyebrowed and clutching feebly at his umbrella. Stalin pronounced France a *chien crevé*.

Free Trade and the *General Theory* in the Shadow of War

If the constraints on its politics were reinforced by its indissoluble connection with London’s Square Mile, so too were *Economist* economics. Layton was proud of his obstinacy on Free Trade. Among the most baleful effects of the Treaty of Versailles had been its sop to economic nationalism, carving up Austria-Hungary and “creating 10,000 miles of new customs barriers in Europe.”⁹⁴ During the crisis which followed the proposed Austro-German Customs Union in 1931, Layton pushed an alternative plan for a European Customs Union – quashed when Labour was replaced by the National Government in October. The Ottawa Agreements were a dark smudge on the national honor in 1932. The newspaper found “nauseating the symphony of Imperial wind instruments braying ‘triumphal success’” for an accord as little likely to benefit Canadian farmers (wheat preference “a mere piece of pettifogging political hoodwinking”) as

⁹³ “Double Cross Roads,” *The Economist*, August 26, 1939.

⁹⁴ Layton, *Dorothy*, 88-89.

British bread buyers.⁹⁵ Liberal ministers were encouraged to resign from the National Government and form a friendly opposition.⁹⁶

Layton withdrew from the committee planning the 1933 London Economic Conference after Ottawa on the grounds that it would now be prohibited from negotiating lower tariffs. To MacDonald he dispatched an eight-page letter explaining the principles of Free Trade.⁹⁷ He received support from former editor Francis Hirst who, as head of the Free Trade Defense Committee, denounced in much stronger terms, “the Tariff of Abominations, the worst since Waterloo...it is now the turn of the colonies to control the mother country’s taxes!”⁹⁸ In 1937 the *Economist* was calling for imperial “economic disarmament.” The idea was to blunt German demands for its own colonies, and US pressure for access to imperial markets by revising the terms of Ottawa to allow for intermediate tariffs with foreign blocs.⁹⁹ Free Trade was much more than the emotional centerpiece of liberalism at the *Economist*. As one leader after another argued, it was the ideological distinction of the British Empire. Open borders and free exchange wherever the flag flew – without these, hegemony evaporated, turning into coercion and exclusion, and so justifying the worst behavior of the “have not” powers.

Despite the presence on staff of so many confident young Keynesians, the *Economist* remained an extremely cautious convert. There is not much evidence to back up Jay’s claim that the

⁹⁵ “The Harvest of Ottawa” *The Economist*, August 27, 1932; “Ottawa and the Loaf,” *The Economist*, 17 September 17.

⁹⁶ “Liberal Ministers,” *The Economist*, September 17, 1932.

⁹⁷ Layton to Ramsay MacDonald, 27 September 1933, Layton Papers, Trinity College, Cambridge.

⁹⁸ Frank Trentmann, *Free Trade Nation* (Oxford: Oxford University Press, 2008), 331-332.

⁹⁹ “The Empire and the World,” *The Economist*, May 1, 1937.

newspaper favored an expansionist policy between 1933-35 – other than its support for keeping lower interest rates, which fueled a rise in stock and housing prices and provided a cushion during the worst of the global depression. When Harold Macmillan’s *Reconstruction* appeared in 1934 the *Economist* attacked it on both theoretical and practical grounds. Overproduction was impossible, according to Say’s Law, while “Macmillan’s schemes, stripped of their verbal embellishments, amount in fact to Protection plus Monopoly!”¹⁰⁰ Lancashire cotton and coal might require forcible reorganization but these industries were exceptional, proving that “economic forces born of intelligent self-interest” needed strengthening, not interference. Nodding selectively at Keynes it pointed to the disequilibrium between savings and investment: adjusting for monetary demand was the market-friendly solution for low growth. Keynes, however, had already moved beyond a purely monetary explanation for long-term downturns in unemployment and output. At this point the *Economist* had trouble following. *The General Theory of Employment, Interest and Money* appeared in 1936, marking a return to the economic controversies of the previous decade. The book was so explosive that Layton abandoned the practice of anonymity and asked Austin Robinson, one of Keynes’s students and colleagues, to write a review and sign it. Robinson recalled just how unusual this was in a letter to Layton’s biographer:

He was so able and in a way one of the early creators of quantitative economics. But he was at the same time curiously anti-intellectual. One of my most vivid memories of crossing swords with him over the review in the *Economist* of Keynes’s *General Theory*. He and Geoffrey Crowther (who was potentially more able but in practice very obstinate and anti-intellectual) were terrified of seeming to praise the *General Theory* or to say that it was important. They not only made me sign the review when the *Economist* normally published unsigned reviews. They also cut out, without my agreement, the final paragraph in which I summed up the book. I never quite forgave Geoffrey Crowther, and

¹⁰⁰ “Planning,” *The Economist*, January 13, 1934. See Macmillan’s reply in the following issue, 10 March 1934.

I still think that Layton ought to have had a little more perception and courage. He was a great man but he had rather severe limitations.¹⁰¹

The General Theory partly recapitulated a dispute between Keynes and the Treasury over Lloyd George's electoral program, which had sought to conquer unemployment through public works. In 1929 Treasury officials had argued that state spending, financed from borrowing, would merely 'crowd out' private investment, with no cumulative benefit. At the time Keynes had no theoretical reply for why monetary policy might be unable to restart the economy on its own. *The General Theory* provided one, though City leaders remained just as fearful of its effect on inflation; nor was Keynes stated wish to "socialize investment" designed to reassure them. Crowther and Layton decided to hedge their bets, censoring the section of Robinson's review which referred to the need to supplement monetary policies with fiscal action. During periods of pessimism, in which the marginal efficiency of capital was low, Keynes now argued, it might be impossible to achieve a rate of interest sufficiently high to induce lenders to lend or low enough to get borrowers to borrow and invest. In such cases Keynes "would wish to supplement private investment by public investment, or to increase the propensity to consume by social services or redistribution."¹⁰² Robinson was allowed a glance in this direction, but not enough to frighten anyone. Layton was just as careful about his own views thirty years later. Looking back on the interwar period in his memoirs, he bestowed upon Keynes an ambivalent honor: the belated endorsement of an obsolete program. "Since 1945 full employment and Keynesian policies have been an assumption of our public life, at times to a damaging degree," Layton wrote. "The

¹⁰¹ Hubback, *No Ordinary Press Baron*, 95-96.

¹⁰² "Mr. Keynes on Money," *The Economist*, February 29, 1936.

tragedy was that they won acceptance twenty years too late. Unemployment and slump left scars on the British working population that still cramp our ability to face the future.”¹⁰³

Economic malaise at home and the gathering threat of war, drawing Britain and the Empire into a conflict abroad, made even the most modest and uneven changes to the *Economist's* economic and political tone increasingly worrisome in City circles. Even the decision to redesign the front page seemed fraught with special risks. What should the typography be? Until 1934 the title ran in Victorian Gothic, the table of contents sagging down alongside bank and insurance ads towards a minuscule half column on the money market. A new neoclassical design arrived thirteen years into Layton's editorship (twelve years after a similar revamp at the *Nation*), banishing to the back all but the contents and leader, and greatly upsetting Bank of England Governor Montagu Norman. In May 1938 Strakosch renewed his calls for Layton to quit – an action which, according to his biographer, likewise emanated from an increasingly edgy City. “An undue amount of space has been devoted to foreign politics,” wrote Strakosch, “and the tendency has been to present these subjects in a manner which savours far too much of party politics.”

Layton responded with seventeen pages, including a breakdown of articles by theme. Taking 1935 as an example he estimated 58 percent were economic and only 42 political; of the latter 24 were domestic, 14 foreign. His self-defense – that businessmen approved of his approach – partly resembled the one Hirst had given two decades earlier. Then, as now, it was not incompetent management but political volume which put pressure on an editor to leave. Circulation figures

¹⁰³ Memoirs, Box 147, pp. 250, Layton Papers, Trinity College, Cambridge.

had risen sharply between 1931 and 1938, from about 6,000 to just above 10,000. The style was livelier. Most importantly, half of readers were now based abroad, mainly in Europe, the Empire and the US. As a result *Economist* influence extended not only to the foreign press but also to statesmen – precisely because of its foreign political coverage, Layton pointed out. “Next to the *Times* it is more widely quoted by important American papers (e.g. *New York Times*, *Chicago Tribune*), than any English Newspaper.” “A thousand words of summary are cabled every week by the American Embassy to the State Department,” he continued, “and its readers include Roosevelt, Mussolini, Azana and Brüning (when Chancellor).”¹⁰⁴

This time Strakosch did not demure, however, calling on other board members for support, demanding greater say in setting policy, and soliciting interest from Toynbee, Hutton, Parkinson and Crowther. In his letter of resignation Layton backed Parkinson; a dour accountant by training and temperament, LSE graduate, “short, stocky, still speaking broad Lancashire,” who had favored temporary industrial tariffs in the economic straits of 1931-32.¹⁰⁵ But it was the more traditional and lower profile Crowther whom the board chose in July. Layton’s valedictory appeared on 22 October. “The first article I wrote after my appointment,” he remembered, “was one recording the success of Lord Balfour at the Washington Naval Conference. My editorship closes with the Agreement of Munich.” The road leading between the two was defined by the failure to pursue disarmament through the League of Nations and the flight from economic reason, Free Trade. He begged pardon for skipping over the business world, not because it was

¹⁰⁴ Layton to Strakosch, May-July 1938, Box 81.62., Layton Papers, Trinity College, Cambridge.

¹⁰⁵ Memoirs, Box 147, pp. 208, Layton Papers, Trinity College, Cambridge. For Parkinson’s views, set down in an internal memo during the lobbying to replace Layton, see Memo, 26 May 1938, Box 81.62. “*The Economist*’s devotion to liberal principles has been unquestioned for 95 years,” Parkinson wrote. “But uncompromising opposition to the introduction of a general tariff for British industry appropriate in 1923, had ceased to be possible in the changed conditions of 1931-32.”

unimportant, “but because it is today so clearly dominated by political events.”¹⁰⁶ Layton’s external political commitments may have proved too numerous to avoid becoming a target. But in this closing remark he at least demonstrated a perfect grasp of the modern *Economist*, political talisman to economic fortune. Under Geoffrey Crowther the newspaper would stumble between ideological footholds, but the dominance of political over purely economic reportage only grew.

Conclusion: Extreme Center, Looking Forward to a New Deal for Britain and the Empire

The elevation of Crowther to the editor’s chair was the advent of the *Economist* much as readers know it today. Two shifts, one in perspective, the other in audience, set the others in motion. So began the turn towards the United States, no longer a vast and irritable investment prospect or hypocritical rival, but an inspiration and friend. At the same time, readership took off, ascending from 10,000 in 1938 to 55,000 when Crowther stepped down eighteen years later. City influence reached new heights, in framing both the national and international priorities of government, with the *Economist* acting as a circuit between these poles. Meanwhile, the financial structure of the world economy, shaped in the mid-nineteenth century by men like Wilson and Bagehot, was about to be reworked by another Englishman connected to the *Economist*. What did City opinion make of the broad acceptance of Keynesian goals at home, including that of full employment, and abroad, with the advent of Bretton Woods? Neither question, as argued above, was ever purely economic. Keynes could not envision a return to British national prosperity in a world without the Empire, and the benefits to industry, trade, currency stability, investment and

¹⁰⁶ “From Washington to Munich,” *The Economist*, October 22, 1938. Layton’s valedictory repeatedly blamed France – for the failure of the League based on France’s animus towards Germany, for devaluing the Franc against the Pound (and rendering the return to gold unworkable), for vetoing the Austro-German Customs Union, etc.

political prestige it brought. In its absence, a postwar Britain famished for dollars would be continually at the beck and call of the Americans.

The parameters of these debates only became clear gradually, however, between 1938 and 1945. War was a time of maximum cohesion for editorial policy – within the empire and at home, between economic sectors, social classes and political parties, especially after Germany invaded the Soviet Union in 1941. At home the *Economist* fulminated against the minimalism and amateurism of the liberal state bequeathed by the Victorians for its pettiness and waste. “Nowhere in the world is a scorched earth policy more necessary than in Whitehall,” ran a leader after the fall of Singapore to the Japanese in 1942. Wartime expectations that collective sacrifices would be rewarded with positive and sweeping changes to postwar British society was given expression in the Beveridge Report. “One of the most remarkable state documents ever drafted,” it went further than any previous plan for state intervention in markets.¹⁰⁷

If national harmony finally promised a land fit for heroes, imperial sacrifice meant renewing ties and political reform at the periphery. Hardship and shared purpose would earn the crown colonies, as opposed to the colonies of settlement, their first steps towards responsible government, while the behavior of the Dominions, already possessed of official legislative autonomy *before* the outbreak of war, was a reassuring precedent. Independence was not only consonant with British world power, it was proof of its fundamental liberality – voluntary,

¹⁰⁷ *The Economist* had a striking take on the possible effects of the Beveridge Plan. It was difficult to say, in 1942, whether the social claims established by Beveridge would “represent an overstrain on postwar resources.” But the threat was minimal, it argued, because the plan would create “a greater class of rentiers than ever before.” Even assuming that prices in 1945 rose to 25 percent above their 1938 level, the plan would “give the whole community a vested interest in the stability of the currency.”

tolerant, based on free cooperation within a new Commonwealth of Nations.¹⁰⁸ The rout at Singapore induced soul searching. But it also underscored how crucial the empire was to survival, especially in India, which was hastily promised Dominion status. Liberal reform proposals were meant to shore up, not wind down, imperial commitments, with the City now seen as a means for making good these professions of faith by dispersing capital for economic development to the colonies once the war was over. To redeem these liberal promises in the postwar, however, when enthusiasm for development became the latest liberal “critique” of empire, more capital than ever would be needed, something postwar Britain would be constrained to provide.

Crowther, one of the bright young disciples hired in 1933, looked set to inaugurate a veritable Keynesian moment at the *Economist*. For the duration of the war and its immediate aftermath he did. Yet Crowther was also the editor who would best show the limited purchase of the so-called postwar consensus within the City. In the 1950s the *Economist* lurched away from state intervention and from Labour to the Tories; interwar internationalism gave way to Cold War realignment; and decolonization formed an obsessional, though not always positive, axis to its coverage. *Economist* journalists may have played a key role in educating Labour about the City in the 1930s – but it was the City, not Labour, which turned out to need convincing.

¹⁰⁸ The Delhi Conference in October 1940 encouraged further integration, the setting up of a single “Economic War Council...such a body is probably far more needed than the looser Imperial War Cabinet so often asked for; and its institution would be another landmark in the development of free cooperation within the Commonwealth.” “Imperial War Economy,” *The Economist*, November 2, 1940.

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