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978-0-521-19786-1 - No Wealth but Life: Welfare Economics and the Welfare State in Britain, 1880-1945

Edited by Roger E. Backhouse and Tamotsu Nishizawa

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No Wealth but Life

This book re-examines early-twentieth-century British welfare economics in the context of the emergence of the welfare state. There are fresh views of the well-known Cambridge School of Sidgwick, Marshall, Pigou, and Keynes, by Peter Groenewegen, Steven G. Medema, and Martin Daunton. This is placed against a less-well-known Oxford approach to welfare: Yuichi Shionoya explores its foundations in the idealist philosophy of T. H. Green; Roger E. Backhouse considers the work of its leading exponent, J. A. Hobson; and Tamotsu Nishizawa discusses the spread of this approach abroad. Finally, the book covers welfare economics in the policy arena: Richard Toye points to the possible influence of H. G. Wells on Churchill and Lloyd George, and Maria Cristina Marcuzzo and Atsushi Komine discuss Keynes and Beveridge. A substantial introduction frames the discussion, and a postscript relates these ideas to the work of Robbins and subsequent developments in welfare economics.

Roger E. Backhouse was a lecturer at University College London and at the University of Keele, before moving to the University of Birmingham in 1980, where he has been Professor of the History and Philosophy of Economics since 1996. In 2009 he took a part-time position at Erasmus University Rotterdam. After writing two textbooks on macroeconomics, he moved into the history of economics and methodology, on which he has published many articles in the leading journals, including *History of Political Economy*, *Journal of the History of Economic Thought*, and *European Journal of the History of Economic Thought*. His books include *A History of Modern Economic Analysis* (1985), *Economists and the Economy* (1994), *Truth and Progress in Economic Knowledge* (1997), and *The Penguin History of Economics* (2002) (published in North America as *The Ordinary Business of Life* [2002]). Books he has edited include *The Cambridge Companion to Keynes* (with Bradley W. Bateman). He has been review editor of the *Economic Journal*, editor of the *Journal of Economic Methodology*, and associate editor of the *Journal of the History of Economic Thought*.

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*Welfare Economics and the Welfare
State in Britain, 1880–1945*

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Preface

Starting in 2002, Hitotsubashi University in Tokyo acted as host to a series of workshops, generously funded by the Japan Society for the Promotion of Science and the Ministry of Education, on the Cambridge School of Economics. One of the themes that emerged was welfare economics, and in 2005 and 2006, workshops were held on the theme of ‘welfare economics and the welfare state’. We soon realised that if Cambridge welfare economics was to be placed in its proper context, the discussion needed to be broadened to permit a comparison of developments at Cambridge with those at Oxford and the London School of Economics.

Our starting point, partly symbolic as elements of the story go further back, is the 1880s, when Alfred Marshall was writing his *Principles of Economics*, first published in 1890. This was the decade when the demonstrations in the East End of London brought the problem of poverty to the fore. Though Bismarck’s Germany, an example with which Marshall would have been very familiar, had introduced welfare reforms earlier, the moves towards the British welfare state took place only over the ensuing decades, the heyday of Cambridge welfare economics. Though historians are well aware of Marshall’s concern with the problem of poverty, the development of Cambridge welfare economics has generally been considered not against this background but against that of theoretical developments internal to the discipline of economics.

By the 1940s, both the welfare state and welfare economics had entered a different era. The Second World War, the Beveridge Report, and the election of the first Labour government to have a working majority in the House of Commons led to the creation of a welfare state that went

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beyond anything that was feasible in previous decades. At the same time, academic welfare economics became more technical, dealing with abstract questions concerning the measurement of welfare. Though they might be applied to problems relating to the welfare state, these techniques were independent, developed by economists whose attitudes had become very different from those of their nineteenth-century counterparts. The result was that when economists turned to write the history of welfare economics, they focused on developments within economic theory, divorcing the story from that of the emergence of the welfare state. Our contention is that the conventional history of welfare economics, focusing on the contrast between Pigovian and Paretian welfare economics, is a stylized account based on selective memory that needs to be questioned.

A concomitant of placing welfare economics in this broader context was the need to turn to discussions of welfare (whether or not it should be called welfare economics is a matter for debate) outside Cambridge, for the drivers of welfare reform (including Beatrice and Sidney Webb, Bernard Bosanquet, Llewellyn Smith, William Beveridge, and John A. Hobson) were connected not with Cambridge, but with Oxford and the fledgling London School of Economics. They are absent from conventional histories of welfare economics, with their focus on Pigovian versus Paretian methods, because they are not seen as significant economic theorists. What we came to realise is that, whilst this may have been the view at Cambridge, it was not the view of contemporaries. Moreover, when the story was broadened to include them, a different history began to emerge, in which legitimate ways to analyse welfare were contested in ways that went beyond the very narrow concerns about the measurability of utility that dominate traditional accounts. This revised history has dramatic consequences for the way we should see the developments, associated with Lionel Robbins and the New Welfare Economics, out of which modern welfare economics emerged.

The essays in this book are based on presentations at these workshops in 2005–6. They do not offer a complete history of the development of British thought on welfare economics during this period: far from it – the gaps are too obvious even to need listing. As we have come to realise, the history of welfare economics is, in the manner of much intellectual history, a story in which economics is entangled with philosophy, politics, and that amorphous concept, public opinion, during a time of dramatic transformation in British society, the institutions of government, and the university system. A comprehensive study cannot yet be written. However, we believe that the essays brought together in this volume shed

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fresh light on important parts of that history and help establish what is currently known: though they do not provide a comprehensive history of welfare economics, we believe that they not only establish that the history of welfare economics needs to be rewritten but they also provide some of the blocks out of which a new history will have to be built.

R. E. B.

T. N.