

One Hundred Years From Today

W.J. Ashley. *The Tariff Problem*. London: P.S. King & Son, 1903.

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1 Introduction

William James Ashley (1860-1927) was one of the leading historical economists of his generation and, along with Archdeacon William Cunningham and William Albert Hewins, he was instrumental in harnessing historicist principles to support the corporatist-cum-protectionist movement that grew to prominence in the late-Victorian and Edwardian periods. Ashley's influence on the formation of policy within this movement reached its peak with the publication in 1903 of *The Tariff Problem*, which was issued shortly after the mercurial Joseph Chamberlain launched his political campaign to reintroduce a tariff structure in Great Britain.

Ashley's active participation in this protectionist revival was manifestly the product of the same social, economic and political stimuli that then spurred a number of his contemporaries to turn to protectionist policies. It is now evident that many Britons were willing to consider alternatives to the once sacred policy of free trade because of their loss of confidence in their nation's capacity to maintain its premier position in the world. This loss of self-belief was, amongst other things, driven by the increasing industrial strength of Imperial Germany and the United States; the poor performance of the English army on the veldt of Southern Africa; Britain's declining share of world trade in its chief manufacturing staples of cotton textiles and machine tools; the entrenched poverty and persistent industrial unrest in the face of economic growth; and an expanding chorus of eugenicists asserting that an unworthy under-class would soon drag down the English middle classes. The mood of a number of intellectual elites, ranging from jingoistic imperialists who knew no better and Fabians who should have known better, consequently swung behind Chamberlain's call for immediate national rebirth within an Imperial *Zollverein*. This national renewal entailed rejecting the time-honoured Victorian policies of free trade, Gladstonian finance, Smilesian self-help and a loose federation of loyal colonies for the National Efficiency policies of protection, state capitalism, a welfare state and a self-contained Empire (see Semmel 1960; Amery 1969; Coats 1968, 1992; Searle 1971). Ashley was no less caught up in this mood swing, and designed much of *The Tariff Problem* to supply Chamberlain's tariff-reform movement with some academic credibility.

This rather conventional account of the rise of the tariff reform movement—which is in itself sound and no doubt highlights causal relationships that were merely the outward manifestations of the deeper forces delineated by J.A. Hobson, V. I. Lenin, J. A. Schumpeter and other high theorists—unfortunately fails to capture the more personal, if not singular, experiences that motivated individuals, such as Ashley, to throw their lot in with Chamberlain. It is with these more personal stimuli that I am chiefly concerned in the centenary appraisal of *The Tariff Problem* that follows. It is my contention that Ashley's protectionist manifesto was, just as much as these deeper causal processes, the product of the

vagaries of trade that he witnessed when growing up in the slums of London, the historicist doctrines that he developed while studying within the Oxford History School, and the actions of the large industrial trusts that he observed during his long tenure in North America. Indeed, it is my belief that some passages in this protectionist manifesto cannot be properly understood, or at least do not impart their full resonance, until Ashley's social and intellectual background is brought into the foreground. This historiographical approach merely reflects the obvious but too often underplayed fact that historical actors are driven by more forces than just one or two grand causal processes that can be straight-jacketed into a theoretical framework. There are four sections to the paper. In section two I trace Ashley's extraordinary career prior to the publication of *The Tariff Problem* and emphasise, in particular, those experiences that shaped his views on protection. In section three I review *The Tariff Problem* itself and delineate the way in which many of the ideas contained therein are the direct product of Ashley's experiences in the preceding decades. In section four I provide a brief account of Ashley's equally rich career after the publication of *The Tariff Problem* and conclude the paper.

2 The Trials of an Oxford-educated Parvenu

Ashley became one of the first, if not the first, of the many awkward working-class youths to be subjected to that great New Liberal experiment of 'cherry picking' the best and brightest from the slums for cultural elevation at the two established universities. He was, indeed, a member of the Victorian constituency that the Coleridgian clerisy deemed to be most in need of edifying 'sweetness and light', namely, the majority of the coarse-grained working poor who adhered to one of the Nonconformist faiths. Ashley was raised in respectable poverty by plain-living Baptists in Bermondsey, which was then still the notorious riverside slum in South London that, a generation earlier, had inspired some of Charles Dickens's more disturbing scenes of social and economic deprivation. His father was an honest journeyman hatter, whose living from shaping silk hats by the light from the basement vent was occasionally put at risk by the dislocation caused by the introduction of new machines in this trade, whilst his mother, who was confronted with raising a family in wretched fog-bound streets that were intersected by the malodorous watercourses feeding the Bermondsey tanneries, cared for eight children. These hard years affected Ashley deeply and he often made indirect reference to them in his learned works. There is little doubt, for instance, that the plight of his father's cyclical underemployment influenced his later inclination to distrust the fundamental premises of orthodox economics, such as the mobility of labour, and underpinned his belief that there was too much 'worship of the consumer' within economic discourse. It certainly drove the earnestness with which he portrayed trusts, combines, collective bargaining, centralised arbitration and tariffs as means to ensure reasonable wages, regular employment and social amelioration, rather than as innovations engineered by vested interests to appropriate consumer surplus (see 1890 [1966], pp. 363-76; 1900 [1966], pp. 394-7). As his daughter related: 'Industrial conditions were no abstract study to one who in after years looked at the grating which alone admitted air and daylight to the basement room, "comfortable enough as workshops then went", where his father had worked, and wondered how far it was responsible for the asthma which disturbed his later years' (A. Ashley 1932, p. 17).

Ashley miraculously escaped the near-choicelless world of his youth through academic precocity and, ultimately, by winning the 1878 Brackenbury History scholarship to Balliol College, which was then steered by New Liberal principles under the mastership of the legendary Benjamin Jowett. Ashley himself recalled Jowett preaching that one of the ideals of the work and office of the university was to provide a bridge that might unite the different classes and religions of society, and hence to assist able men from poor social backgrounds who were handicapped by the vices of shyness, awkwardness, self-consciousness and bad manners (1897 [1966], p. 445). Ashley, however, regrettably had to admit that Jowett's new-fangled policy to make the college undergraduate body more composite in origin—'from the earl down, or up, to the clever son of the artisan'—was something of a failure, since no quantity of college songs or tutorial 'tea and toast' could make headway against the 'centrifugal forces' acting against class interaction (*ibid.*). His social isolation from the public-school-dominated sets at Balliol was doubtlessly magnified, and his life almost certainly made miserable, by a slight speech impediment, crippling shyness and a non-athletic disposition. Ashley nonetheless took account of his unique opportunity for social and intellectual advancement. He soaked up the high moral tone that permeated Oxford at this time and, in particular, embraced the noble ideal promoted by charismatic figures such as Jowett and T.H. Green (and executed with a neo-mercantilist twist by the famous Balliol diasporas, from Lord Milner to Leo Amery) that it was the mission of every capable university man to administrate a just Empire in which individuals had the greatest scope for self-advancement and self-fulfilment. Ashley also studiously devoted long hours to mastering the historiographical principles of the Oxford Historical School. The great constitutional historian and natural leader of this school, William Stubbs, taught him that historical research should entail an objective assessment of the development of institutions, rather than a picturesque depiction of the lives of Kings and Queens, while the beatific economic historian, Arnold Toynbee, inspired him to employ this institutionally-driven historicism in the field of political economy. This historical training, in turn, made Ashley amenable to the ideas that were then being promoted within the German historical schools, especially by Gustav Schmoller, who was rapidly becoming one of the leading apologists for the protectionist policies of Imperial Germany. Ashley later wrote that his early views were formed 'under the converging influence of three very different men—Stubbs, Toynbee, and Schmoller' (1913, p. 165).

Ashley bore the trials of these undergraduate years stoically and seemed destined for a college fellowship after obtaining a first in modern history in 1881, winning the prestigious Lothian prize in 1882 for a history of two fourteenth-century Flemish statesmen (which he published in 1883) and, following the early demise of Toynbee from 'brain fever', polishing his and a fellow student's notes of Toynbee's famous Saturday lectures on economic progress for publication as *The Industrial Revolution* (1884). The shy and retiring Ashley was, for all this, still perceived as the typical *parvenu* and he was forced to sit five fellowship examinations, and wait four years, before being admitted to the club of gentlemanly academics. In the case of one college, All Souls, the electors declined to accept any of the applicants, and Ashley himself believed that his failure was due to his lack of 'social graces', while in the case of another college, the name of which Ashley wished to keep anonymous, rumours circulated that the dons rejected the recommendation of the external examiners because they 'did not think him the sort of man they wanted for their type of student' (A. Ashley 1932, p. 23). He was

finally (and mercifully) elected to a fellowship at Lincoln in 1885, after favourable examination reports from Stubbs and Arthur Johnson. The sad fact was, however, that a number of scholars probably never accepted Ashley as a fit member of the academic clerisy. Some thought him rather common and even the most open-hearted of the Cambridge economists, Henry Sidgwick, deemed Ashley's speech impediment to be sufficiently severe to make him an 'unsafe' experiment as the inaugural lecturer of the Toynbee Trust in 1884 (see Whitaker 1996, Volume 1, p. 174n1). The other Cambridge economists were fortunately more willing to focus on Ashley's noble character and obvious talents as an historical economist: John Neville Keynes recorded in his diary in 1885 that he disagreed with Ashley on the subject of economic method, but 'liked the man—especially his frankness and straightforwardness', and when Ashley was residing in North America in the early 1890s Alfred Marshall wrote to Frank W. Taussig that 'I can sooner forgive you for winning the American Cup, than for stealing him' (Keynes's Diary, 7 September 1885, ADD 7834; Marshall to Taussig 13 October 1893, in Whitaker 1996, Volume 2. p. 99). Ashley also luckily found some acceptance amongst the postgraduates and young lecturers at Oxford, especially at the Oxford Economic Society, which was founded in 1886 and was constituted by young scholars, such as Langford Price and Arthur Ball, who were, like Ashley, disposed to the use of the historical method in economics (see Ashley to J.K. Ingram, 26 November 1887, Ingram Papers, which contains a full account of the Oxford Economic Society, and Kadish 1982).

Ashley, having finally reached this first rung of the academic greasy pole, quickly discovered that he drew little satisfaction from the insular world of Oxford. Like most English working-class scholars cursed with shyness and confronted with class prejudice, he ultimately sought happiness by embracing married life and accepting positions in the less custom-bound New World, first as professor of Political Economy and Constitutional History at the University of Toronto in 1888 and then, after some half-hearted negotiations with the University of Sydney, as the inaugural Professor of Economic History at Harvard in 1892. Ashley rewarded the administrators of the North American universities for their foresight in hiring him by publishing his *magnum opus*, *An Introduction to English Economic History and Theory*, the first part of which appeared in 1888 and the second in 1893. This publication grew out of the lectures Ashley had delivered at Oxford between 1885 and 1888 and the lectures themselves were, as one would expect from a graduate of the Oxford Historical School, designed to demonstrate that the activities and thought of the medieval economic agent were a function of England's evolving institutional environment. The *Introduction* is, however, not the pioneering economic history it is sometimes thought to be and, to some extent, Ashley simply confined himself to dexterous dovetailing of existing German historical scholarship, which was then still little known in England, with the primary sources discovered and described by Stubbs, Cunningham and Frederic Seebohm. Ashley was, of course, the first to acknowledge his debts to his forerunners, and the derivative nature of the work was readily recognised by his reviewers, peers and obituarists (see Ashley 1891, p. 152; 1907, p. 482; Gras 1927, p. 20; Scott 1928, p. 319; MacDonald 1942, p. 27; Harte 1971). These commentators instead waxed lyrical about his capacity to maintain narrative style without sacrificing objectivity and applauded the skill with which he used this narrative to exemplify the principles of the English historical school of economics. The latter of these qualities was particularly important, since, unlike most other English historical economists,

Ashley not only sermonised on the value of the key historicist principles of Baconian induction, historical dynamics and doctrinal relativism, but also strove to construct concrete generalisations guided by these prescriptions. It was the best response to those critics of historical economics, such as John Sheilds Nicholson, who were thoroughly sick of ‘inquisitions on method’ by historical economists and demanded less boastful methodological ‘talk’ and more theoretical ‘action’ (Keynes’s Diary, 2 June 1885, ADD 7834). Ashley was particularly effective in providing accounts of the dynamic laws of historical development, which, because of their importance to Ashley’s later support for tariff reform, deserve more detailed comment.

Ashley insisted that the construction of laws that govern the economic evolution of a society should take priority over the construction of static laws (such as the theories of neoclassical economics) that govern economic exchanges within a given society. He maintained, with obvious reference to the neoclassical position of the Marshallian camp at Cambridge, that the purpose of historical inquiry was not to construct generalisations that were ‘mere corrections or amplifications of current economic doctrines’, but rather to build generalisations that would reveal the ‘character and sequence of the stages of economic development’ (1893 [1966], p. 7). These stadial laws, moreover, should be collectivist and institutional in character, rather than individualistic and psychological, and trace the life and evolution through time of specific industries, classes, civic formations and other institutional structures (*ibid.*, p. 16; 1899a [1966], p. 24; 1914 [1949], pp. 1-2). Ashley was therefore effectively rejecting the grand historicist approach associated with Karl Marx and Auguste Comte, in which history is partitioned by taking successive cross-sections of the entire social organism, in favour of the less ambitious historicist approach embraced by the German historical economists, in which history is partitioned by taking successive cross-sections of specific institutions that each constitute only a part of the social organism. The latter method, which mirrored the proto-institutionalist approach championed by Schmoller, and which Thorstein Veblen called ‘post-Darwinistic causal theory’, allows the historian to assemble the historical details drawn from careful readings of original manuscripts to construct the various longitudinal strands that, eventually, may be woven together to provide a faint outline of the larger evolving social organism (see also Lane 1956, p. 15; Veblen 1902 [1919], p. 264). This proto-institutionalist approach thereby ends where the Marxist-cum-Comtist approach is purported to begin and hence, ultimately, leaves the historian with a conception of the way in which the evolving social organism shapes the actions and theories of the economic agents. Such historicism sat well with the other precepts important to the English and German historical schools, such as the empiricism of bastardised Baconianism and doctrinal relativism, since the longitudinal strands were to be constructed by cautious, incremental inductions (read tedious Teutonic scholarship), and economic doctrines were deemed to be applicable only to those partitioned stages of economic development in which they were created.

Ashley delineated four of these stadial laws in the *Introduction*: an agricultural sequence loosely based on the work of Wilhelm Roscher (a progression of open-field, enclosed-convertible-husbandry and rotation-of-the-crops systems); an industrial organisation sequence based on the work of Adolph Held and others (a progression of family, guild, domestic and factory systems of production); a means-of-exchange sequence based on the work of Bruno Hildebrand and others (a progression of barter, money and credit systems); and a corporate-entity

sequence based on the work of Schmoller (a progression of village, town, territory, national corporate-structures) (Ashley 1888-1893 [1906], Volume 1, pp. 43, 65; Volume 2, pp. 5, 8, 219ff, 251, 262; see also 1914 [1949], pp. 35-6). Surprisingly, however, Ashley made no reference to Frederic List's stadial sequence—so popular amongst protectionists—in which tariffs are considered appropriate in certain stages of the evolution of the national economy. It is also important to note that Ashley's implicit methodology protects these stadial laws from a number (but definitely not all) of the criticisms later levelled at historicism by Karl Popper, Friedrich von Hayek and Alexander Gerschenkron. Ashley was not, for example, a simple-minded historical determinist and, indeed, he suggested that an inventory of 'necessary and sufficient' causes needed to be in place before a stadial development took place. This meant that if a necessary cause was absent, or an alternative set of causes present, the stadial transition would not take place (see, for example, Ashley's denial that Schmoller's corporate sequence was strictly applicable in England (1888-1893 [1906], Volume 2, pp. 8-10). Ashley also anticipated Gerschenkron by arguing that only the pioneering industry or institution need traverse each stage of the stadial formula, since it was possible for the backward entity to imitate the leading entity (*ibid.*, pp. 221, 262; 1914 [1949], p. 34). Finally, Ashley insisted that stage demarcations should not be treated as rigidly distinct, since any number of intermediate arrangements was both possible and to be found, and because each historically specific stage was only a 'convenient expression', the defining characteristics of which could be found in earlier or later stages. In this regard, Ashley laid particular stress on survivals—an idea which had recently been popularised by E.B. Tylor (Ashley 1888-1893 [1906], Volume 2, pp. 43, 200-1).

Ashley used this historicist methodology to interpret the transformation of industry that took place towards the end of the Victorian age. Drawing upon his eyewitness accounts of North American industry, he wrote numerous learned monographs in the 1890s on the rise of a new stage of economic development that was dominated by capital-intensive trusts. He maintained that the world was no longer governed by atomistic consumers, labourers, entrepreneurs and rentiers trading within a competitive framework of atomistic firms, but was instead driven by trade unions, company managers and bureaucrats struggling for supremacy within an oligopolistic framework of capital-intensive corporations. Ashley therefore argued that it was imperative that the state adopt a corporatist outlook and, instead of relying on the competitive price mechanism, cooperate with capital and labour to allocate resources efficiently. These papers—which contained the superstructure for his growing (but then guarded) support for protection, arbitration boards, the municipal ownership of key services, and social insurance schemes—were collected together in *Surveys: Historic and Economic* (1900 [1966]). This publication also included a series of historical monographs and several articles and addresses that defended the historicist principles in the face of the Cambridge campaign, led by Sidgwick, Keynes and Marshall, to reinterpret historicism in a way that would make it compatible with the Marshallian version of the neoclassical framework (see Moore 2003). Ashley recognised that his Cambridge contemporaries were attempting to be conciliatory, and he understood that most of the heated exchanges that defined the debates over method at this time were needlessly destructive, but he nonetheless felt obliged, coolly and politely, to hold his ground. He particularly took issue with the Cambridge economists' canonical, rather than relativist, interpretation of the history of economic doctrine. In an article for the *Economic Journal* entitled 'The Rehabilitation of Ricardo' (1891), which is

now strangely Ashley's best-known article, he challenged Marshall's attempt to reinterpret Ricardo's labour theory of value as an early version of the modern value theory rather than as a distinct doctrine that reflected the conditions of the age in which it was written. Indeed, once again confirming that most modern controversies are merely old wines in new bottles, Ashley concluded that the exegeses offered by Karl Marx and Johann Rodbertus were more accurate accounts of the Ricardian doctrines than those offered by the members of the Marshallian School.

Ashley's refusal to bow to the Cambridge juggernaut must have rankled with Marshall, and the latter did in fact write a reply to Ashley's article on the interpretation of Ricardo, but, following his usual policy of avoiding controversy at all costs, he declined to publish it (see Groenewegen 1995, p. 418). Marshall, whose attitudes towards both ideas and colleagues were always vexingly complex, nonetheless continued to place Ashley's historical scholarship well above the mean and he subsequently chose to support Ashley over the perennially passed-over Herbert S. Foxwell during the election that determined the inaugural head of the Faculty of Commerce at the University of Birmingham, the first such faculty in a British University and the second (to Adelaide University) in the Empire (see Letters 625, 649, 650, 780 from Marshall to various correspondents in Whitaker 1996). Ashley returned from North America to take up the Birmingham chair in 1901 and deliberately sought, from the very start, to provide a curriculum that would be more empirical, historical and vocational than that provided by Marshall at Cambridge (see Muirhead 1932; Kadish 1991). Ashley believed that a technical education in the field of commerce would help counter the growing competitive advantage of Britain's trade rivals, produce high-minded captains of industry who would have one eye on the public weal and the other on profits, and turn out an army of competent middle managers who could run the Empire along efficient, scientific lines. It was from Birmingham University that Ashley wrote *The Tariff Problem* and readily joined Chamberlain, who was a Brummagem and instrumental in the foundation of Birmingham University, in his campaign to re-introduce a tariff structure in Britain.

3 The Tariff Problem

The precise mechanics of the wider tariff reform campaign are beyond the limited compass of this centenary article and, in any event, the whole Byzantine affair has already been analysed far more competently by the numerous historians of note cited in the introduction to this paper. It is sufficient here to stress only that Ashley and a number of other historical economists lent support to this campaign at a time when the majority of orthodox economists were casting the pall of 'voodoo economics' over the case for tariff reform. Ashley was already in the process of putting material together for a book on the subject of protection in May 1903 when, like the rest of the public, he was surprised by Chamberlain's political gamble to support tariff reform (Amery 1969, p. 289). He immediately wrote to Chamberlain of his projected book and Chamberlain, realising that he needed a modicum of scientific authority to underpin his political programme, wrote back enthusiastically to encourage Ashley's research. Ashley, in turn, put everything aside to accelerate the progress of his book, which became even more important for the success of Chamberlain's campaign when, in August 1903, fourteen of the leading economists in England, including Marshall, submitted the now infamous letter to *The Times*

stating that economic theory underpinned the policy of free trade (see Coats 1964, 1968). A number of economists with historicist sympathies, such as Ashley, Foxwell and Hewins, issued counter letters in September of that year, but the status of these authors hardly matched the authority provided by the phalanx of the fourteen economists who had signed *The Times* manifesto. A solid scholarly tome was therefore needed to provide the tariff reform movement with academic credentials, and hence Ashley's *The Tariff Problem* appeared at a strategic point in time. The conservative parliamentarian and future prime minister, Andrew Bonar Law, certainly believed that scientific authority was the key to the success of the campaign, writing to Ashley in December 1904: 'There is one point, however, which, if you agree with me as to its importance, I wish you would bring to the notice of Mr. Chamberlain. There is nothing, I think, which tells more against us than the idea that *scientific* authority is against us' (letter reprinted in A. Ashley 1925, p. 135). Joseph Chamberlain was equally grateful for Ashley's contribution, stating that Ashley's monograph was 'the best manual we have from the economic point of view' (letter reprinted in A. Ashley 1932, p. 127). Ashley himself, however, was concerned that his book would lose its scientific authority if it was seen as yet another piece of propaganda issued by the Chamberlain camp. He was therefore ever ready to emphasise that the construction of the book was underway before Chamberlain had embarked upon his campaign; that both he and Chamberlain had formed their views on protection independently from one another; that neither he nor Chamberlain was responsible for what the other wrote or said; and that it was a mere accident that Ashley had become professor of the university that Chamberlain, the leading father of Birmingham, was instrumental in creating (see Ashley to J. Morley, 9 February 1904, reprinted in Coats 1968, pp. 222-3). Few doubted Ashley's sincerity, and *The Tariff Problem* went through four editions: the first two in 1903, a third (with a lengthy introduction) in 1911, and a fourth in 1920. The book has also subsequently been reprinted twice: in 1968 within the Augustus M. Kelley economic text series, and in 1998 within a Routledge/Thommes Press series entitled *The Ideals of Empire*.

Ashley's *The Tariff Problem* opens with an extended history of the theoretical arguments advanced in favour of protection. The literature on international commerce is assiduously surveyed to delineate very nearly every pro-protection argument considered since David Hume. Thus each qualification made by Adam Smith, each concession granted by John Stuart Mill, and each special case admitted by countless other notable free traders from the Classical age, are duly noted and discussed. This approach was clearly designed to challenge the authority of the academic free-traders who had signed *The Times* manifesto (a document to which Ashley does not expressly make reference) and their implied contention that the 'science' of economics somehow endorsed free trade policies. Ashley does not, of course, reject the main free trade argument that protective duties tend to divert resources from more to less advantageous material ends and hence to induce consumers to pay higher exchange values for commodities produced domestically that were once imported less expensively from abroad. He merely argues that this is no more than a tendency and that, once other considerations are taken into account, the movement towards higher exchange values may either be offset by stronger countervailing tendencies or be a price worth incurring to gain other non-material advantages. Ashley argued, for example, that the tariff-induced increase in *present* exchangeable values may be more than offset by a fall in *future* exchangeable values caused by an increase in the productive power within the protected

industries (the infant industry argument); that tariffs may prevent the hardships caused by the sudden destruction of a domestic industry, particularly if, because of the lack of labour mobility, the workers from this industry are thrown out of work for a considerable period of time (the 'friction' argument); that tariffs may act as a useful bargaining tool to derive commercial concessions from trade competitors, especially those competitors who practise dumping (the retaliatory tariff argument); and that tariffs and other protective measures, such as the famous Navigation Laws, may protect those industries that are essential for the defence or health of the nation (Smith's national security argument). Ashley therefore insisted that the case for free trade or protection is an issue that should be decided by an empirical study of the relative causal processes and non-material considerations and should in no way turn on a single, *a priori* theoretical argument. It is in this context that he invoked the orthodox authorities of Henry Sidgwick (1885) and William Stanley Jevons (1882), both of whom had argued, at least in relation to domestic commerce, that there are grounds for interfering with the freedom of trade if the 'empirical certainty' of a situation outweighs the theoretical probability that individuals are best served by allowing them to pursue their own interests. This admission was the end product of many decades of debate over method between the historical and orthodox economists and was, Ashley argued, just as relevant to international commerce as it was to domestic commerce.

The rest of the book is given over to proving that the 'empirical certainty' of the situation in Edwardian Britain dictated that protection, preferably in the form of reciprocal tariff agreements with the dominions of the Empire, was the preferred trade policy. The precise means by which Ashley makes this case were, I believe, manifestly driven by the evolutionary vision and doctrinal relativism that he had embraced while he was a student at Oxford and which I have delineated in the previous section. Specifically, Ashley buttresses the four aforementioned protectionist arguments, which he readily admits were generally regarded as unimportant special cases at the time in which they were articulated, by contending that these 'qualifications' have become more, not less, relevant to the modern industrial world of Great Britain and her Empire. This is because, through the passage of time, the economies of Britain and her competitors had ascended to a new stage of economic development in which the protectionist special case had become the general case. Thus, although Ashley believed that the commercial policy of free trade in the early nineteenth century had probably been taken too far, it was, he argued, the product of the industrial realities (and philosophical principles) of that time and was therefore conducive to economic growth in that age rather than the Edwardian age. The main industrial development to which he attributed the new industrial realities of the modern age was the growth of the capital-intensive trusts, strategically located next to cheap natural-resource deposits, in the United States, Imperial Germany and, to a far lesser extent, in Great Britain itself. Indeed, Ashley anticipated the next generation of Cambridge economists, and patently drew upon his first-hand observation of the rise of trusts during his prolonged stay in the United States, to argue that these capital-intensive conglomerates bore no relation to the small commercial firms upon which Adam Smith had based his theories, and that it was therefore necessary to undertake a 'complete revision of the ordinary doctrine of exchange value' (1903, p. 87).

Ashley focused, in particular, on the way in which the new capital-intensive industries of the United States and Imperial Germany employed dumping policies at strategic points in the business cycle, and hence on the need for Britain

to introduce defensive and retaliatory tariffs. The trusts of the United States were particularly dangerous because of their ability to concentrate massive amounts of capital to service a vast domestic market protected by a tariff wall. Ashley drew upon a myriad of US business reports and a fascinating study by Arthur Twining Hadley on railway rates, entitled *Railroad Transportation: Its History and Laws* (1888), to argue that such capital-intensive industries are more inclined to undertake dumping policies during cyclical downturns. Specifically, Ashley advanced the now common account of the need for capital-intensive industries to continue producing while incurring a loss during periods of low prices; namely, the situation in which the price per unit falls to a point where the revenue derived covers variable costs, but not total costs, so that a portion of the fixed costs may be serviced and the loss from closing down is greater than the loss from remaining open. Ashley believed that this situation encouraged dumping because, instead of closing down, the capital-intensive firms desperately attempt to exploit foreign markets in order to utilise their idle industrial capacity to gain the revenue needed to break even. Dumping, in short, was due to the 'inexorable needs of fixed capital' (1903, p. 91). Ashley added that the ability of the US firms to disperse the massive fixed costs over a large volume of output, and to exploit economies of scale, induces managers to use dumping as a means by which to derive larger profits through price discrimination (although he did not use this term). In his words: 'a foreign sale at a very low price added to a home sale at a higher price may produce a greater net profit than the home sale alone at the high price, since its cost of production would then be relatively higher' (1903, p. 92). The tariff wall would, moreover, enable the trust to depress the export price relative to the domestic price by a magnitude greater than the cost of re-transportation. Ashley, in short, did not feel that he had to spell out the obvious threat of permanent lower prices from the capital-intensive trusts, and instead dwelt on the threat of cyclical dumping. He believed that the industrial mills of the modern age had to keep running at high volumes, and this was, contrary to the Classical vision of the market economy (in which crises induce immediate retrenchment), even more important when the mills were confronted with losses during cyclical downturns.

The cyclical dumping exercised by the over-capitalised trusts would also have serious consequences for labour conditions in a world in which the orthodox postulate of perfect labour mobility was implausible. As shown in the previous section, Ashley was preoccupied with the dangers of the irregular employment that he had witnessed when he was growing up in the slums of Bermondsey. He believed that unemployment resulting from labour immobility becomes more, not less, of a problem with the increased prevalence of highly specialised skills. In his own highly personal words: 'My own impression, based on some little observation, is that in the more highly skilled crafts there is exceedingly little fluidity—that men cling to customary occupation, in which they have a special skill, with a pathetic (or, if you please, a stupid) persistency' (1903, p. 35). He implied that this skill-induced immobility gave rise to labour compartmentalisation, or what a later generation of economists would, with a little more theoretical sophistication, call dual labour markets and an earlier generation would call non-competing groups. Ashley added that this was less of a problem in earlier stages of historical development. Citing the work of his undergraduate hero, Arnold Toynbee, he argued that the assumption of perfect labour mobility was more relevant in the days of Adam Smith because of the extent to which labourers of that age retained close links to alternative forms of employment (especially agricultural employment)

when they worked within the then dominant domestic system of the production (which was the third stage in the industrial organisation stadial law described in the previous section) (1903, p. 35). He also believed that it was far better to have a stable industry than one that lurched ceaselessly from prosperity to depression and back again. In his words: 'All observers of working-class life will agree that a period of low wages and of partial or complete unemployment has a negative and degrading effect, far greater than the positive elevating effect of a period of high wages and overtime' (1903, p. 116). The temporary gains to the consumers from low-priced goods, dumped on Britain's shores from abroad, consequently could not compensate for the losses caused by the associated dislocation in the labour market. Again in his words: 'The death of a great staple industry, which has let down its roots so deeply, will try to the utmost our reliance on the "transferability of labour"'. If only from the motives of "humanity" which even Adam Smith recognised, we shall be almost compelled to ease the transition by temporary measures of defence' (1903, p. 117).

Ashley, for all this, accepted the traditional free trade argument that dislocated resources are ultimately reallocated and that there is a long-run tendency for each nation to pay for its imports with exported goods and services. He therefore did not accept that the immobility of labour would permanently hinder the growth of the new industries that were needed to replace the declining industries, and he certainly did not, in Hobsonian fashion, accept that there could be a permanent malaise in aggregate domestic production because of a declining export sector. Ashley did, however, raise the serious issue of the nature of the new export industries that would replace the old staples. In other words, his over-riding interest in the long term was less in the aggregate amount of trade and more with the kind of trade undertaken by Britain in the future. He argued that, with the decline in coal reserves and goods produced by capital-intensive means, the new export industries emerging to fund the required imports were demonstrably of the sort that exploited cheap labour in the slums of London. Britain, he argued, was being transformed into a nation of under-skilled, undernourished slum dwellers. He did not invoke H.G. Wells's futuristic world of subterranean trolls, which was a vision commonly enough articulated in Edwardian times, nor did he explicitly make reference to the New Liberal ideals he had embraced as an undergraduate that made it requisite upon a Balliol man to help men look beyond this base and brutal world. His fear that individuals would not have the freedom to develop their own characters to achieve their true ends in life because of grinding material poverty was nonetheless palpable. Ashley, of course, over-stated the British trend towards the slavery of slum employment, and indeed his depressing vision of a future land of cheap labour obviously spurred his excessive zeal in making vocational education succeed at Birmingham University. But although he may have miscalculated in absolute terms, he was obviously accurate in relative terms. This is because nations such as the United States were clearly outpacing Britain in the creation of industries that provided high-skilled, capital-intensive, high-wage employment. Ashley added, moreover, that the new low-wage industries emerging in the cities of Britain were not the sort required for national defence. Ashley concurred with Smith that defence is more important than opulence (1903, p. 118), and hence although shipbuilders, engineering firms and labourers would prosper in the short term from cut-price steel and cheap wheat dumped on Britain's shores, the long-term consequences would be an over-reliance on vital imports in times of war. Britain, at worst, would ultimately be enslaved in more ways than one and, at best, become an

economic and social backwater. How close these statements approached the truth was ultimately made apparent in the desperate wars Britain fought against the various totalitarian states during the century that followed.

It is clear, in short, that Ashley's Heraclitean vision of continuous industrial change induced him to look forward to the emerging stage of corporate capitalism rather than backwards to the fading stage of atomistic capitalism; that his prolonged residency in North America allowed him to witness the growth of this new stage of capitalism from its infancy; that his early observations of underemployment in the slums of Bermondsey led him to focus on the labour dislocation that would emerge from the dumping practised by this new stage of capitalism; and that his New Liberal beliefs made him dwell on the emergence of low-wage industries as Britain failed to embrace this sort of capitalism. He earnestly believed that protection and other forms of state interference were appropriate policy tools for the industrial stage in which he lived. It is therefore not surprising that Ashley carried on the fight against the free traders after the publication of *The Tariff Problem*. In 1904 he wrote a summary of his protectionist position for the *Economic Journal* and, again at Chamberlain's request, he published what amounted to a sequel to *The Tariff Problem*, entitled *The Progress of the German Working Classes*. Ashley employed this latter work to show that the protectionist policies of Imperial Germany had induced an improvement in the conditions of the German working class, partly because of the expansion of production that took place behind the tariff wall and partly because of the social welfare policies that were financed by the tariff revenue. His correspondence, lectures and less policy-oriented publications were also littered with references to the protectionist issue.

The tariff reform movement, even with these contributions from Ashley, ultimately failed to win the hearts and minds of Britain. The defeat of this movement may be attributable to complex historical forces that are largely outside the control of the supporters of protection, such as Ashley and Hewins, and well beyond the scope of this centenary essay. It is nonetheless the case that Ashley, despite providing the protectionist movement with some much-needed academic credentials, failed to employ the sort of rhetorical tools that were needed to persuade the undecided reader to follow the protectionist banner. The impact of *The Tariff Problem* was, in the final analysis, hampered by Ashley's own erudition. The work is replete with table upon table of trade statistics, divagations on American railroad practices and endless references to the sort of tedious facts found in blue books. These wanton displays of empirical evidence, so favoured by the historical economists, may have impressed some Edwardian academics, but they also broke up Ashley's much-praised prose style and did not make for easy reading. Indeed, the very protectionist arguments that have been delineated in this section were only extracted from Ashley's wider work after employing exegetical skills that one usually expects to use only when striving to comprehend far older, more arcane texts. I very much doubt that many of the non-economists who took a keen interest in the protectionist debate at this time, and there were many, would have had the patience to read the manifesto from cover to cover.

Ashley's rhetoric was also certainly not sufficient to shake the contemporary orthodox economists from their free trade beliefs. The orthodox reviewers nonetheless paid grudging respect to Ashley's *The Tariff Problem* and, indeed, they accepted this publication as easily the best account of the protectionist position. It is this last quality, of course, which has made the book of lasting

interest. F.Y. Edgeworth, who made no secret of his commitment to the orthodox position on methodology, theory and policy issues, opens his review in the *Economic Journal* with the statement that Ashley 'seems to deserve the distinction of having produced the best book on the Protectionist side of the controversy now running' (1903, p. 572). Edgeworth himself, of course, was not convinced by Ashley's arguments and he could not hide a mocking tone, declaring at one stage that these arguments were not wrong in the 'grossest sense of the term' (*ibid.*). Still, his opening endorsement of Ashley as the most sophisticated of the protectionists rings in one's ears. A far more unusual reviewer was a youngish Bertrand Russell, who at this time was a very vocal expositor of free trade doctrines and whose opinion may be taken as that of a representative Edwardian liberal who had a good working knowledge of economics. Russell gave at least thirteen public speeches in defence of free trade in 1903 and he had very publicly withdrawn from the Fabian Society in the previous year partly because of that Society's guarded support for Chamberlain (see Rempel *et al.* 1985, pp. 181ff). It was over this period that Russell wrote a polite review of *The Tariff Problem* for the *Independent Review* (1904a) and a harsher (and anonymous!) review for the *Edinburgh Review* (1904b). Like Edgeworth, Russell declared that the book was the 'best presentation in existence of the case for Protection and Imperial Preference', before proceeding to criticise the arguments contained therein (1904a, p. 186). He particularly took issue with Ashley's claim that, under a regime of free trade, certain undesirable industries were prospering in the slums of Britain. This strange mix of respect and scorn was also reflected in Russell's private correspondence, in which he declared that Ashley's book was both 'perhaps the ablest statement of the case' and 'dishonest' (6 December 1903, quoted in Rempel *et al.* 1985, p. 185). In fact, these sorts of double-edged assessments, whether they be by Edgeworth or Russell, neatly capture Ashley's failure to convert his contemporaries to the protectionist faith: the free traders had effectively announced that his manifesto was 'the best of a bad lot' and then asked of the protectionists in general, 'is this really the best that you have got?'

4 Conclusion

Ashley continued to return to the themes he raised in *The Tariff Problem* in the years that followed, but he was not a man of one idea. He continued to pioneer the commerce degree at Birmingham, and his enormously successful history text for undergraduates in which he pushed his corporatist vision of society, entitled *The Economic Organisation of England* (1914), was derived from a decade of lectures he delivered at Birmingham. Unfortunately, however, Ashley's shy, over-cautious delivery meant that he was respected rather than popular amongst the Birmingham undergraduate body and it is reported that his awkwardness made 'tea-parties under his hospitable roof sometimes somewhat of an ordeal to the younger men' (Muirhead 1932, p. 102). Ashley also continued to pursue his interest in the history of economic thought and in 1909 published a *variorum* edition of John Stuart Mill's *Principles of Political Economy*, which contained detailed accounts of the changes in the successive editions of Mill's work and which was sufficiently authoritative that some modern historians of economic thought continue to prefer it to the more recent Toronto edition. Similar industry was applied to his youthful interest in the controversies surrounding method, as reflected in his 1907 article for the *Economic Journal* entitled 'The Present Position of Political Economy', as well as in sound

scholarship within the field of economic history. The latter interest manifested itself in the posthumous publication of his research on the dietary habits of pre-modern England, entitled *The Bread of our Forefathers* (1928), and his role in founding the Economic History Society in the 1920s. Ashley took an entirely new career path in his later years only in matters relating to public administration. He readily became involved in various municipal bodies in Birmingham and served on countless government boards during the Great War. The most historically significant of these contributions was perhaps the work he did for the Board of Trade, which included a memorandum on the effects of war indemnities that he co-authored with J.M. Keynes. He was knighted for his services to the government in 1917, and his final years were defined by an increasing sense of satisfaction with having overcome adversity to build a successful and varied career. As his daughter recalled: 'There is no doubt that he found a pleasant zest and amusement in the thought that he, the Bermondsey boy, the shy and awkward undergraduate, should meet and have intellectual companionship of so varied and intellectual company. His enjoyment was all the greater in that during his youth he had been shut into himself by his temperament, and in fact all his life he had no small talk and his links with his fellows were mainly intellectual' (A. Ashley 1932, pp. 75-6).

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