

The Origins of Lionel Robbins's *Essay on the Nature and Significance of Economic Science*

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An Essay on the Nature and Significance of Economic Science by Lionel Robbins (1932, 1935, 1984) is often credited with bringing Austrian economic theory and methodology into English economics, as well as providing the still most widely used definition of economics: "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (1932, 15). The footnote attached to this first statement of the definition cites works by Carl Menger, Ludwig von Mises, F. W. Fetter, Richard Strigl, and Hans Mayer. Denis O'Brien (1988, 24) in his intellectual biography of Robbins has pointed out, however, that the sources on which Robbins drew were "threefold: English classical economics, Jevons and Wicksteed, and the Austrians." In his evaluation of Robbins's Austrian connection,

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O'Brien (1990, 155) argued that "the task of disentangling the roots of his *microeconomic* views can never be completely solved, because in this area his primary source was undoubtedly Wicksteed's *Common Sense*, while he drew from the Austrians precisely those elements which coincided most directly with what he had drawn from Wicksteed." In the preface to *Nature and Significance* Robbins (1932, ix) acknowledges "especial indebtedness" to Mises and Wicksteed. The survival of notebooks containing lecture notes and reading notes from the 1920s and early 1930s in the Robbins Papers provides an opportunity to examine again the origin and the nature of his first major work. One notebook contains a set of lecture notes that Robbins labeled "first draft of final form of *N & S*." The contents of a filing box containing correspondence and reviews of the book also throw light on the drafting of the first edition as well as changes made in the second edition.¹ In this article I focus exclusively on the origins of the ideas presented in the first edition.

Because Robbins claimed that the origins of his *Essay* went back to his early years at LSE, I shall first describe his undergraduate education and then his own first attempts at teaching introductory economics at LSE and Oxford before turning to the drafting of the book. His undergraduate experience left him with a set of puzzles as to the scope of economics and the nature of its subject matter, which he then lectured on at Oxford in 1929 and LSE in 1930 and 1931. His lecture notes show he had arrived at his famous definition of economics by the end of 1928. They also show the evolution of his views on the methodology of economics. Comparing them, especially those written in 1930–31, with the published *Essay* makes it clear that the Austrian references in the first edition were late additions, made partly under the influence of Hayek and mainly in order to mention the most recent literature. He made similar updating alterations to the second edition. The first edition had been extensively reviewed, often very critically, and he had received many letters from his friends, English, American, and Austrian, who were also critical as well as complimentary. But the revisions that he made (or did not make) in consequence must be the subject of another paper.

1. The documents are among the papers that have been lent to the present author by Robbins's family for the purpose of writing his official biography; when the biography is complete they will be deposited with the other Robbins Papers in the British Library of Political and Economic Science (BLPES).

The Definition of Economics

According to Robbins (1971, 146),

The beginnings of [the *Essay*] lay some time back in the past. The fundamental textbook on the elements of economics when I was a student at L.S.E. was Cannan's *Wealth*; and the first chapter of this truly excellent work was devoted to elucidations which defined its subject-matter in terms of the causes of material welfare. Shortly after I joined the staff as a teacher, I was put to lecture on a special course for Army officers on the Economics of War and readiness for war; and I had not been long engaged on my preparation for this task before it was borne in upon me that, although what I was going to say leant heavily on economic analysis as I had been taught it, it yet fell completely outside Cannan's definition—indeed he went specially out of his way to deny that war and its accompaniments fell within its scope. This puzzled me very much; and my perplexities increased when I reflected on the number of activities in which I was especially interested, concerts, theatrical performances, not to mention the design of decorative, as distinct from utility, architecture and the like, which had nothing to do with material welfare but which yet certainly had an economic aspect. What then was the common factor to which our technique of thought was applicable? Gradually it dawned on me that the idea of material welfare was an *ignis fatuus* in this connection; that the underlying fact which made so many different activities and relationships susceptible to economic analysis was the scarcity of the means with which they were concerned and not the materiality of the objectives. There was nothing especially original about this conception. I was deep in the study of the marginal utility theory of value at the time, especially in the works of the Austrians and Philip Wicksteed. Even if they did not say in so many words what I was beginning to say to myself, my formula followed naturally from their explanations. What was it all about if not the behaviour of people disposing of goods and services which in the last analysis were in some way limited in supply rather than freely available—in short, conduct influenced by scarcity?

Robbins served as an artillery officer on the western front in 1917–18 and like many young soldiers became a socialist while he was in the army. He registered as a student at the London School of Economics in September 1920, having met Jacques Kahane, who was already a student at LSE, and Basil Bunting, the poet, who persuaded him he should study

there too. The first lecture on economics he heard at LSE, on 8 October 1920, given by Hugh Dalton opened with the matter of the definition of the subject. Dalton mentioned three definitions:

(1) (Cannan) The aim of economics is the explanatⁿ of the general causes on wh. the material welfare of human beings depends.

(2) (Marshall) Economics is the study of man's actions in the ordinary business of life. It enquires how he gets his income & how he uses it.

(3) (Clay) Economics is the study of business in its social aspect, the word "business" being used in its broadest sense to cover all lawful ways of making a living.²

Dalton, a Cambridge-trained economist, criticized Cannan's definition for restricting welfare to material welfare. Robbins was later to reject all three definitions.

The BSc(Econ) degree for which Robbins registered was a broad degree in the social sciences, especially in the first year when students had to prepare for examinations in economics, currency and banking, economic history, British politics, geography, and either mathematics or logic and scientific method. Robbins chose the last and took the course offered year after year (1905 to 1941) by Dr. Abraham Wolf. The course covered both formal logic and inductive logic or scientific method. Although there are no notes of the course in the Robbins Papers, its content can be gleaned from Wolf's published works (e.g., Wolf 1930, which incorporates the material in his 1925 and 1926 textbooks). In his second year Robbins attended, by choice, Wolf's lectures on general psychology and on the history of philosophy. His notes of the latter show he stayed the course up to Kant.³

At the end of his first year Robbins chose to specialize in the history of political ideas. Although he had enjoyed Dalton's course and also currency and banking as taught by Theodore Gregory, he wished to follow

2. "Elements of Economics Prof. Dalton," Plant Papers 153, BLPES. Robbins's notes for Dalton's lectures also survive but they have been distributed by subject among several notebooks and are usually not dated. Arnold Plant kept meticulous notes and almost always indicated the dates of the lectures he attended.

3. The LSE *Calendar* for 1920–21 gives a detailed description of Wolf's Logic and Scientific Method course. There are briefer descriptions of the other two courses in the 1921–22 *Calendar*. Besides logic texts, Wolf's reading list for the first-year course included John Neville Keynes's *Scope and Method of Political Economy* (1917), which Robbins certainly read, although perhaps not in his first year at LSE.

his interest in politics and political philosophy that he had acquired during the war, and he would anyway have to take plenty of economics (and currency and banking and history and political science) for his final examinations in 1923. His choice meant he became a student of the left-wing political theorist Harold Laski for two years. Thirty years later he told J. M. Clark:

I started as one of Laski's first pupils and for two years devoted most of my time to extremely intensive reading in history, psychology and political philosophy, at the same time sitting more or less as an outsider in Cannan's honours seminar [in economic theory]. That I eventually crossed over and made Economics my chief interest was due directly to the fact that I felt it threw light on problems of politics I had been studying from the other side. . . . *The Nature and Significance* was always intended to be a sort of preliminary manifesto designed to forestall the criticism that I did not know where the borderline between the different disciplines really lay.⁴

Nearer the time he said that he had "got sick of it [the history of political ideas] because after a point it seemed so futile to go on studying it. . . . economics seems more fruitful in practical results and capable of yielding greater intellectual satisfaction."⁵

In his final year as an undergraduate he wrote some notes on the aims and method of "Political Science" (his quotation marks), which show he was already concerned with the differences between economics and other social sciences. "If anyone were to ask us the objects of economic science," he began, "we should have no difficulty in replying that . . . it investigates the production and distribution of wealth. If however we were asked to provide an account of the objects of Political Science we should be hard put to it I imagine to provide an analogous answer." The problem was that "politics not only attempts to explain *how* certain things are what they are: it also attempts to discover whether certain things are what they ought to be." Furthermore, "owing . . . to their inveterate habit of mixing up questions of what is with questions of what

4. Robbins to J. M. Clark, 1 March 1951, in Robbins Papers. Edwin Cannan, the professor of political economy at LSE, taught the main second- and third-year courses in economics for the BSc(Econ): Principles of Economics, including the History of Economic Theory, a lecture course which extended over the two years; and a class (really a seminar in which the students presented papers) in Economic Theory. In his retirement he wrote his Principles lectures up as *A Review of Economic Theory* (1929).

5. Robbins to Iris Gardiner, 24 June 1924.

ought to be people have confused these two departments of the science, and involved themselves in unutterable confusion.” Hence there arises “the question by what right does this kind of study call itself science at all.” In economics, on the other hand, the positive and the normative could be separated, as indeed they should be, but were not, in “political science.”⁶

There were other sources for Robbins’s interest in this “demarcation problem” at this time. In the winter of 1916–17 while based at the Royal Artillery barracks at Woolwich he had met Nathan Isaacs (Robbins 1971, 42), and although they did not see much of each other during the war, they became lasting friends. After they were both demobilized in 1919 they attended Workers Educational Association lectures on psychology together (and Isaacs subsequently married the instructor who became, as Susan Isaacs, a famous child psychologist). Isaacs “loved argument,” and while Robbins was a student they spent many evenings arguing, especially on matters philosophical; Isaacs maintained his intellectual interests, becoming an active member of the Aristotelian Society, while working in the City of London for a firm of metal merchants (Robbins 1966; Gardner 1969, 50–52; Isaacs 1931, 1933, 1949). They discussed epistemology and methodology as well as political philosophy, disagreeing for instance on the roles of logic and psychology in the social sciences. They were still arguing over this ten years later.⁷

Upon graduation with First Class Honours in the autumn of 1923 Robbins had to find employment, and fairly quickly too, as he wanted to marry his fiancée Iris Gardiner as soon as possible. For six months in 1924 he worked as research assistant to William Beveridge, the director of the School, on the revision of his 1909 book *Unemployment* (Beveridge 1931b). He was then, thanks to Cannan, offered a temporary position at New College Oxford to teach economics while the regular economics fellow was away for a year. While he was there Hugh Dalton came up to Oxford to offer him his first “tenure track” appointment, an assistant lectureship at LSE. Robbins lectured at LSE for two years before accepting a permanent fellowship at New College in 1927.

While working for Beveridge, Robbins immersed himself in trade cycle literature, which he found “intensely interesting” as well as of

6. “The objects of ‘Political science,’” “The Objects of Political Science II,” and “‘Political Science,’” pink notebook labeled “Politics,” Robbins Papers (emphasis in original).

7. Letter to Isaacs dated “Sometime about Jan. 1922” in Robbins Papers.

immediate practical relevance.⁸ During those six months and during his temporary appointment at New College he was also writing regularly for a political weekly (the *Outlook*) and reviewing books for the *Economist*. When he started teaching at LSE, however, he was given a light teaching load and lectured only on the Elements of Currency, Banking, and International Exchange in the Lent and Summer Terms of 1926. The following academic year, when Edwin Cannan had retired and his successor had not yet been appointed, Robbins took on Dalton's lectures on the Elements of Economics to the first-year students as well as the first-year lectures on currency and banking, while Dalton lectured on the Principles of Economic Analysis to the second- and third-year students. Robbins also lectured on The Economic Problems of War and a (largely historical) course on Comparative Economic Theory.

The syllabus for the introductory economics course Robbins took from Dalton. It was to cover the "scope of economics and methods of economic enquiry. Criteria of economic welfare. Production of wealth and organisation of production. Causes of differences in productiveness of different communities. Theory of population. Dependence of economic organisation on various social institutions. Economic provision for the future. Theory of value and its application to wages, rate of interest and rent. Distribution of income between economic categories and between persons. Relation between income and economic welfare."⁹

According to his notes, written up in a notebook labeled "Lectures, Long Course on Elements I," Robbins devoted "two or three hours" at the beginning of the course to the subject matter of economics and its methods of enquiry, concluding at the end of the first hour:

If therefore at this stage you want a precise definition of the subject matter of economics you are perhaps justified in saying that it is the study of the general causes on which the material wellbeing or satisfaction of mankind depends. I do not pretend it is an ideal definition. . . . But as a first approximation to the truth it is probably as good as any other and for our purposes this morning that is all that I want it to be.

8. Letter to Iris Gardiner, 10 April 1924; notebook labeled "Cyclical Fluctuations—Theories," Robbins Papers; Beveridge Papers III 15, BLPES.

9. LSE *Calendar* for 1926–27. Dalton's reading list included Cannan's *Wealth and Money*, Henderson's *Supply and Demand*, Robertson's *Control of Industry*, and Taussig's *Principles of Economics*, to which Robbins added A. L. Bowley's *Measurement of Social Phenomena*, Ostwald, *Vorträge über Wirtschaftlich Grundbegriffe*, and Landry, *Manuel d'Economique*.

In the margin beside the last sentence Robbins later wrote “*No No.*”

As for method, economics was a *science* (“the science of material satisfactions,” he was prepared to call it at that time). Its aim was “the establishment of generalizations about the behaviour of economic phenomena” (he gave as one of his examples the quantity theory of money: “If the quantity of money is diminished other things being equal the value of money tends to rise”) and its procedures those common to all sciences: induction and deduction. His description of scientific method closely resembled that which he had heard from Abraham Wolf, which was quite conventional for the time.

There are two main methods of scientific procedure.

1) Firstly there is what is known as the inductive method. This consists in the deduction of general statements from the examination of particular instances. You make an exhaustive study of the habits let us say of pigs and you say pigs only reach certain proportions within certain parallels of latitude. . . .¹⁰

2) Secondly there is what is known as the deductive method. Starting from certain proved generalizations or certain hypotheses which you think are valid you deduce what must happen if the forces described in these generalizations are combined in isolation. You do this in physics when you deduce the behaviour of projectiles on the assumption which is never true in fact that influences like wind and imperfections in the shell are absent. You do the same thing sometimes in economics when you imagine e.g. what would be the effect upon wages or interest rates of a certain kind of invention. It is a method which comes in useful when actual experiment with natural forces is out of the question. On these lines the theory of money was thought out—in the main—so that when the great modern experiments—if you can dignify [wartime and postwar] inflation by such a name—came economists were able to predict the results with almost quantitative certainty. . . .

Now both these methods are equally legitimate.¹¹

10. The son of a farmer, Robbins was fond of agricultural examples.

11. Cf. Wolf 1930, 151–52: “Inference . . . has two chief types, namely, *Induction and Deduction*. Inductive inference is the process of ascertaining some kind of order (class-character, law, or system) among the phenomena observed and studied. Deductive inference is the process of applying either inductive conclusions or hypothetical concepts, laws, or regularities to suitable cases or classes of such cases. In the scientific study of natural phenomena, inductive inference plays the most important role, although deductive reasoning also contributes its share.”

Robbins took pains to stress this last point. "So long as they assist us to arrive at true statements—statements which are capable of being verified—any method of scientific enquiry is valid. The one test is capacity to yield useful results. It is stupid to say that one science is a deductive science and another is purely inductive." All sciences use both methods, and there would not be any need to point that out if it were not for the claims of some economists, notably those of the German historical school, that economics could be purely inductive.

In the 1920s Robbins kept notebooks in which he jotted down notes prompted by reading on subjects that particularly interested him. One of the most interesting of the notebooks (especially for my present purposes) is labeled "Method etc. Early floundering 1923—."¹² In his many entries headed "Definitions" or "Subject Matter" he carefully recorded other economists' definitions of economics, with the longest entries from Wicksteed's *Common Sense* (1910) and Pigou's *Economics of Welfare* (1924). The few entries on "Method" also quote from Pigou; for instance:

Economics must be a realistic science.

That is it must rest on facts.

But "Science is built up of facts as a house is built up of stones: but an accumulation of facts is no more a science than a heap of stones is a house."¹³ Owing to the complexity of the subject matter, quantitative analysis is difficult. The fundamental things in the economic world—the schedules expressing the desires or aversions of groups of people for different sorts of commodities and services—are not simple and uniform. We are in the position in which the physicist would be if tin attracted iron in the inverse ratio of the cube of its distance[,] lead in that of the square of its distance and copper in some other ratio.¹⁴

Moreover experiment is difficult.¹⁵

He also noted Pigou's *Economics of Welfare* (1924) on the absence of quantitative precision in economic laws and John Neville Keynes's *Scope and Method of Political Economy* (1917) on the use of statistics.

12. Most of the entries are later than 1923, since they refer to books or articles published later, such as Pigou 1924 and Hawtrey 1926.

13. "Poincaré Sc. & Hyp. p. 141" (Robbins's footnote). This reference to Poincaré's *Science and Hypothesis* (1905) is the only reference to a work by a philosopher of science in the notebooks, but even this is only a quotation from Pigou's *Economics of Welfare* (1924, 7).

14. "Pigou E. of W. pp. 8–9" (Robbins's footnote).

15. "Currency" (Robbins's footnote).

He wrote a lengthy note on “My Difficulties. Writing Elements Lectures Autumn 1926,” which began with four questions:

- (1) What meaning should be assigned to the term wealth? Should it have an objective or a subjective classification? A difference with Cannan.
- (2) Must Economics include Ethics? (See Hawtrey’s [1926] objection to Pigou) If not can it be urged that Economic Welfare has an ethical connotation. If so what can be substituted.
- (3) What is the best description of the subject matter of economics.
- (4) If this can be discovered how does it affect the traditional classification of subject. Production Distribution etc.

The first was a “minor question—*just* a question of words,” although he now (early 1927) did not agree with his old teacher Cannan. On the second he answered, “No decidedly not. It is most inconvenient to mix up questions of what should be with a discussion of what is”—a point he elaborated in a review article of Hawtrey 1926 for *Economica* (1927). He had not yet found answers to questions 3 and 4.

In his autobiography Robbins claimed that it was in the years 1925–27 that he read widely in economic theory, including some of the Austrian literature. His notebooks and other sources confirm this. In 1925, as preparation for his 1926 lectures on currency and banking, he read Ludwig von Mises’s *Theorie des Geldes und der Umlaufsmittel*, whose second edition had appeared in 1924. He had already read Mises’s *Die Gemeinwirtschaft* (and in 1925 he began a translation of part 2 which he hoped to publish under the title of “Economics of Socialism” but never completed).¹⁶ In his “Method” notebook he noted Mises’s concept of the “Economic” in *Die Gemeinwirtschaft* (Mises [1922] 1936, 107–8). For his lectures on the Economic Problems of War in 1926–27 his recommended readings were Mises’s *Nation, Staat, und Wirtschaft* (1919) and Pigou’s *The Political Economy of War* (1921). He had read Wicksteed’s *Common Sense* as an undergraduate; in the Lent Term 1927 he learned that one of his first-year students was a grandson of Wicksteed, to whom he then wrote a fan letter: “It would be difficult for me to find words adequate to express the admiration I feel for your ‘Common Sense of Political Economy.’ There are certain chapters in it from which I feel I have learnt as much as from any other chapters in the whole of economic

16. Robbins 1926, 93; Robbins to Arnold Plant, 7 February 1926, Plant Papers 448, BLPES.

literature. I shall never forget the thrill with which as a student I first read the masterly chapter on the universal applicability of the rent analysis. It is an experience I seek to introduce to all my students here.”¹⁷

At Oxford, in Michaelmas Term 1927, he had to lecture on the Elements of Economics in only one term. His “Short Course on Elements” (as he labeled his notebook) began with a lecture on “the aim of economics, . . . something of the scope and method of its study and . . . a word or two on the utility of economics.” “Our aim is,” he said, “the explanation of the general causes on which the wealth or material welfare of human beings depends’ [i.e., Cannan’s definition] and anything which affects the wealth or material welfare is part of the subject matter of economics.” Criticizing Clay’s definition, he concluded: “The scope of Economics then is the whole sphere of human action which affects human welfare.” On method he emphasized that economics is a science rather than an art, concerned with what is rather than what ought to be, but did not say anything about methodology as such. His second lecture, on “Definitions,” concentrated on the definition of wealth, as material welfare rather than money or the things that are purchased with money.

The following academic year Robbins offered eight lectures in Hilary Term on Unsettled Problems in Theoretical Economics.¹⁸ His notes for these lectures survive in his papers: those on “The subject matter of economics” are filed with a slightly later set of lectures on *The Nature & Significance of Economic Science*; others on “Variation of hours [of labour]” are in a notebook labeled “Wages.” In the former many of the points he made in his “Method” notebook reappear. After pointing out the wide variety of definitions of economics given by Marshall, Cannan, and others, he classified them into four groups: “sociological definitions” like Clay’s; those “which turn on the fact of exchange & money measurement,” such as those of Pigou and Mises and Schumpeter; those which envisaged economics as the study of material welfare, most notably Cannan’s; and a fourth class that emphasized scarcity and economizing, for instance those of Cassel and to some extent Schumpeter. The first type of

17. I am very grateful to Richard Freeman for a copy of a typed copy of this letter, which survives in the Foxwell Papers along with a letter from H. R. Beeton to Foxwell, 11 November 1930, commenting that Robbins’s letter “reached Wicksteed on the day of his death but which he never read.” Wicksteed died on 18 March 1927.

18. His other lecturing at Oxford in 1927–28 and 1928–29 was in the history of economic thought, specifically Adam Smith and Ricardo; he was also lecturing one day a week at LSE in two terms of each year, giving his historical Comparative Economic Theory course (information from *Oxford University Gazette* and *LSE Calendar*).

definition was too vague, the second too narrow. The third was “at first blush at any rate . . . extremely plausible.” “Clearly there is a sense in which economic is used as equivalent to material. . . . and when the case for defining the science of economics in these terms is urged as cautiously & as subtly as it is by Professor Cannan in Chap I 1st ed *Wealth* the argument in its favour seems very weighty.”

“But is it really?” he asked. “I confess that long reflection about this matter has forced me to the conclusion that it is not. Indeed though at one time I myself used the definition in question I am compelled to say that at the present time I regard it as in the highest degree misleading & confusing.” He now had several objections to it: (1) the word *welfare* was suspect as having ethical implications; (2) if it were replaced with a colorless word like *satisfactions* there was still a division into material and nonmaterial satisfactions, which seemed to him “very questionable”;¹⁹ and (3) it did not accurately cover the subject matter of economics. As so often in his lectures, he posed the issues in terms of homely examples.

Take for instance the wages of dons—surely a legitimate part of economic material—

I am paid wages for lecturing on economics.

Now some people might say that this was indirectly conducive to material welfare either because it helped in business (which would be wrong) or because it was conducive to more sensible notions of production in general (which I hope would be right).

But suppose I lectured on philosophy surely economics would not cease to be useful as an instrument of explanation [of the determination of wages].

Well & good it may be said but this [is] not because what you produce is conducive to material well being by others but because it is conducive to the material well being of yourself.

19. He gave two reasons. “(a) In the first place the word material seems to be misplaced. It is not the satisfactions which are material but the means of satisfaction. . . . (b) tenable though the distinction may be in extreme cases it does not seem to me to be a useful one so far as the majority of the satisfactions of daily life are concerned. These seem to me to lie in a middle area where the distinction is much less useful. I eat a plate of porridge. Perhaps that is a material satisfaction. As the bottom of the plate emerges I enjoy the pattern of the porcelain. Is that material or immaterial and supposing the latter—then is the production of plain plates the concern of economics & the production of ornamental the concern of some other study.”

Again this may be true. I may spend my earnings on bread. But I may give them to some "poor invalid" or I may spend them on the Russian Ballet.

He then described the way his doubts had begun:

I started teaching economics by lecturing on principles.

True to tradition I gave a lecture on scope & method which reproduced the definition I am discussing.

The next set of lectures I had to give was a series of lectures on the Political Economy of War. I have it now. It covers some three hundred sides of my notepaper.

Shortly after this I returned to lecture on principles and looking over my old notes I was struck by the fact that although according to my definition the discussion of the organization of war was outside the scope of economics . . . yet I had been able to stand on my hind legs for fifteen hours or so talking what seemed to me to be very tolerable sense on such matters enlightened as it seemed by the instruments of analysis which had been said to be inapplicable.

Surely I felt there is an economic problem in wartime, even if as D^f Cannan says sensible people do not regard war as a particularly rational way of living.

He had noticed a similar problem when he lectured on Adam Smith and his doctrine of productive and unproductive labor.

After further criticizing Cannan for equating economic with material welfare he concluded:

Using the terms economic & non economic in his sense D^f Cannan may say that the wealth of society will be greater the more time it devotes to material as opposed to unmaterial ends. *True, but it is surely true also that using the word in a perfectly normal sense, there remains an economic problem* in the choice between these two lines of activity—the problem of how given certain valuations of say product & leisure, the time at ones disposal is to be divided between them.

It is considerations of this sort which lead me to the belief that if we are satisfactorily to define the subject matter of our investigations we must turn away altogether from the materialist definitions and look for the solution in some completely different connection.

His “new approach” was to look for

not a definition of economic which classifies out a certain set of activities which it labels economic but one which indicates what aspects of human activity in general are significant to the economist.

Now if we think of human activity in general there are two features which seem to have significance from our point of view.

In the first place the ends are various.

Secondly the means of attaining them are often very limited & are capable of alternative uses.

And thus he arrives at his definition: “It is in this aspect of human activity—activity as condition[ed] by the fact of scarcity that I think the economist is interested. He is interested in the way people individuals and societies economize—that is dispose of the things which are scarce & how changes in the scarcity of these things (whether coming from the demand side or the supply side) affect their activities.”

The remainder of the lecture notes on “The subject matter of economics” expatiates on the virtues of this definition over Cannan’s. Some of his arguments echo book 1, chapter 5, of Wicksteed’s *Common Sense* ([1910] 1933), to which Robbins makes reference more than once. (It was this same chapter that was noted at such length in the “Method” notebook.) The only other economist mentioned, with approval, was Schumpeter, both of whose major books (*Das Wesen und der Hauptinhalt der theoretischen Nationalökonomie* [1908] and *Die Theorie der wirtschaftlichen Entwicklung* [1911]) Robbins had been studying intently the previous summer.²⁰

My conclusion to this point is that by the end of 1928 Robbins had found his definition of the subject matter of economics, after brooding about it for some years. It owed most to Wicksteed and there was nothing particularly “Austrian” about it. There is no indication that he was thinking of writing a book on the subject at this time, only “a paper or two,”²¹ which were not high on his list of priorities. When he drew up a list of topics on which he was planning to write papers, “Definition of Economics” was ninth in the list of twelve topics, which included Schumpeter, J. B. Clark, internal and external economies, the optimum population, and the stationary state.²² He was endeavoring to start publishing in the

20. Robbins to Allyn Young, 26 September 1928, Static States file, Robbins Papers.

21. Robbins to Graham Wallas, 5 January 1929, Wallas Papers 1/84, BLPES.

22. “Papers for the near future,” Economics Misc. Theory file, Robbins Papers, which includes letters from Hawtrey and Dalton commenting on what became Robbins 1928 and 1929a.

journals and had written his famous paper “The Representative Firm” (1928) and two others (Robbins 1929a, 1929b).

Nature and Significance

Cannan's successor as professor of political economy at LSE, the American Allyn Abbott Young, died suddenly in March 1929. A couple of months later Robbins was asked if he would be prepared to return to LSE as a junior professor of economics; although the University of London continued to search for an occupant of the senior chair, it was never filled, and Robbins became and remained the head of the department. In his first term back at the School he took on the introductory Elements course (Dalton was now a junior minister in the second Labour government); in the second term, he offered the General Principles of Economic Analysis, which he followed with a short course in the Summer Term on The Nature of Economics and Its Significance in Relation to the Kindred Social Sciences. On the cover of the notebook in which the notes for the last survive Robbins later wrote: “Notes of a Course of lectures delivered in 1929–30 which were first draft of final form of *N. & S.*”²³ His opening lecture in the Elements course reflected his new view of the definition of economics: he began by pointing out that economics is a study of social phenomena, one of the social sciences. What distinguished economics from, for example, social psychology, anthropology, and sociology, is that economic phenomena—such as prices, production, and rent—are all associated in some way with *scarcity*. Human beings cannot do all they want, because time is scarce and things are scarce. “It is obvious therefore that human behaviour is conditioned on all sides by this ubiquitous fact of scarcity.”²⁴

The syllabus for the course on “The Nature & Significance of Economic Science” (as Robbins headed his lecture notes) was described in the *Calendar* for 1929–30 as “The Scope of Economics. The nature of its methods and assumptions. Brief view of certain methodological controversies. Relation of Economics and Ethics. Significance of Economic

Robbins's thoughts on Schumpeter, Clark, and the stationary state appear in his “On a Certain Ambiguity in the Conception of Stationary Equilibrium” (1930b).

23. He also offered ten lectures on Schools of Economic Theory in the Michaelmas Term and eight on The Theory of Capital and Interest in the Summer Term and ran a seminar in economic theory that had been introduced by Allyn Young.

24. Notebook labeled “Elements 1929,” introduction.

Analysis for General Political Theory.” The books recommended included Keynes’s *Scope and Method of Political Economy* (1917), Cannan’s *Wealth* (1914), Sidgwick’s *Principles of Political Economy* (1901), Pigou’s *Economics of Welfare* (1924), Schumpeter’s *Das Wesen und der Hauptinhalt der theoretischen Nationalökonomie* (1908), Cassel’s *Theory of Social Economy* (1923), Hawtrey’s *Economic Problem* (1926), and Hobson’s *Work and Wealth* (1914), in that order. From the outset he was more concerned with methodology than he was in the “Unsettled Problems” notes he had written in Oxford. In justifying the lecture course he gave positive as well as negative reasons (such as correcting misapprehensions), concluding: “As Mill & others have pointed out, the problems involved in economic speculations raise some of the most difficult point of the general problem of induction. To discover in what way Economists have succeeded in arriving at results which appear to be significant may throw some light upon the nature of scientific knowledge.”

The discussion of “Definitions” followed that in the “Unsettled Problems” notes very closely; indeed, it comprised the same arguments and examples written out in more complete sentences.²⁵ In the next section on “Economics and Ethics” he began by emphasizing “the first thing . . . about [his] definition” was that “*it is entirely neutral as between ends.*” On the meaning of phrases such as “economic relationships” he used, as he did in “Unsettled Problems,” arguments similar to those of Wicksteed (1910). He also amplified earlier allusive remarks on economic history.

Economic history is a younger branch of knowledge than Economic theory. It has grown up under the history of Political historians (who for the most part are notoriously unreflecting & prejudiced people) and I do not think Economic historians have all yet arrived at proper conception of what the right sphere of economic history is.

In his own view,

Economic Science—or Economic Theory—studies the general uniformities in that aspect of human behaviour I have designated as its legitimate field.

Economic History studies the sequence & relationships of particular acts and relationships in so far as they have this economic aspect.

25. One small change is that there are now five types of definitions but only because Pigou is separated from those who concentrate on material welfare (rather than economic welfare).

That is to say Economic Theory studies the form, economic history the substance of economic phenomena.

That is the only distinction necessary in our field. The distinction between analytical & descriptive economics is a distinction of exactly the same kind. Descriptive economics is simply the economic history of what we call the present. Economic history is simply the descriptive economics of the past.

In his "Unsettled Problems" notes he referred his listeners to his 1927 review of Hawtrey's *Economic Problem* for his view that economics should not be a normative science. In the "Nature & Significance" notes he criticized Hawtrey and J. A. Hobson at some length; he concedes that many economists from Adam Smith onward have mixed ethical considerations with economics but, he argues, "surely it is necessary in the interest of clearness of thought to keep such inquiries separate. The method of inquiry must be different. The criteria of rightness are different. The propositions of science are in the last resort capable of being proved by experiment. We cannot perhaps actually carry out the experiment but we can conceive the thing being done. If the propositions of Ethics are to be proved appeal must be made to metaphysical standards in relation to which experiment is unthinkable. You could *show* the effect of hours on output. How could you show whether increased output was a good or a bad thing?"²⁶

Since Robbins gave his "Nature & Significance" lectures three times (in 1930, 1931, and 1932), there are, as one would expect, revisions of parts of the notes and some reordering. A section whose original title, "Statistics Technology & History," he later changed to "The Relativity of Ec. Quantities" began by pointing out that since economics studies the influence of a scarcity of means on the attainment of given ends, it follows "that *there are no absolute economic quantities*. The quantities we contemplate—wealth productive power etc. are relative to human valuations." His illustration was the immediate loss of value of war material and hence of wealth at the hour of the Armistice on 11 November 1918. He pointed out the related difficulties of interpreting statistical measurements, especially economic aggregates such as national income estimates and price indices.

In the "Unsettled Problems" notes there was nothing about method as such. In the "Nature & Significance" notes there were two lectures on

26. He added a footnote: "Only on [G. E.] Moores Theory of the Objective Good."

the topic: the first “deal[t] positively with the methods of economics,” the second “with certain criticisms and historical controversies concerning the methods employed by the main body of scientific economists.” I shall outline his argument, mostly in his own words.

“The business of theory or abstract science is to make generalizations—to lay down propositions which transcend the particular and describe general uniformities. Such generalizations are sometimes described as laws and our business as I conceive it is to enquire into the nature of these generalizations and the logical justification of which they are capable.” Economic generalizations, like those of other sciences, are both hypothetical and vary in their applicability (the more general being the more widely applicable). To illustrate, he took “a very simple generalization concerning demand[:] If price rises demand diminishes” and pointed out that this is just an implication of the definition of the demand function. “So long as we assume that the conditions of demand exhibit a negative connection with price the thing is *given* in our initial assumption.” He then made a strong claim: “Now all *exact* generalizations of Economics are of this nature. They are merely the explanation of the logical consequences of your initial assumptions. Given the assumptions and assuming a correct logic they are unassailable.” Hence “the *truth or falsehood* of the laws is merely a matter of logical consistency” and “in a sense, pure economic analysis is simply a matter of exercises in logic, a matter of squeezing the utmost drop of implication out of assumptions which are given.”²⁷

Turning to the assumptions, he argued against any dependence on the concept of economic man (using Wicksteed’s arguments as he had in his earlier lectures). However, “Economic man is perhaps becoming a discredited aunt sally. It is more fashionable nowadays to accuse economists of building upon the assumption of psychological hedonism.” This claim was equally ill founded: “where we do make psychological assumptions it is not psychological hedonism that we invoke”; indeed, “we do not invoke any particular psychological doctrines. Our psychological assumptions are not drawn from the text books of psychology. I doubt whether anything which has yet been written by psychologists has the slightest value for the economist.”²⁸

27. In a footnote he referred explicitly to Keynes 1917.

28. His remarks echo comments on psychology and economics in his “Method” notebook and his long-running dispute with Nathan Isaacs. Later in his “Nature & Significance” lectures he dismisses the social psychology of William McDougall (1918), whose work he had first encountered in the psychology lectures he had attended with Isaacs.

Moving on in the second lecture to the problem of induction, he started from the implication of his discussion in his previous lecture:

It follows I think from what I was saying last time that the functions of such [empirical] studies are twofold:

(a) Firstly it is in this way that we are enabled to select our assumptions.

(b) Secondly it is in this way that we test the suitability of our theories.

He did admit, though, that in selecting assumptions “we *never* approach facts with perfect passivity. . . . The facts suggest assumptions only to attention that is theoretically active.”

On (b) it is easy to agree with Robbins on the non-testability of the so-called “optimum theory of population,” but it is harder to agree when he goes on to claim that when we are considering, for instance, the theory of capital exports or the quantity theory of money, “we are not testing the *truth* of the theory—the accuracy of the deductions. We are testing its adequacy to explain certain situations. We are asking whether the assumptions are suitable. We are finding out how to *use* the theory.” The difficulty is not so much what he says by way of example²⁹ but that he appears to rule out the devising of more serious tests.

Be that as it may, on induction he concluded:

It suggests assumptions. It provides a means of testing & reexamining assumptions when these have been combined in suitable permutations.

But now is it not possible that induction may carry us further. May we not hope to discover by its aid laws which enable us to predict not merely the form but also the content of economic relationships?

29. “Take for instance the theory of money.

“We may start e.g. with a very crude formulation of the quantity theory.

“If the quantity of money increases the value of money falls.

“We examine a period during which the quantity of money has been increasing and we find that the value of money has risen.

“The theory is not wrong. Other things have not been equal. It is not sufficient.

“We examine other things. We find that the work for money to do has increased.

“We reformulate. If the quantity of money increases faster than the amount of work which money has to do—the volume of trade [—] then the value of money will fall.

“We take other cases. We find that velocity of circulation is important. We introduce assumptions taking account of this.

“Then we find that the term value of money is ambiguous. Which price level do we mean. One mode of measurement gives one result another another.

“We discover that the whole theory needs recasting to take account of this. And so on.”

He then launched into a spirited attack on (American) institutionalism, the basis of his attack the standard philosophical argument about the validity of inductive (including statistical) inference.

His final lecture was somewhat misleadingly headed "Economics & Political Theory." In the first half of the lecture he concentrated on the notion of "economic justification" of certain policies such as income redistribution, attacking arguments that had been used by both Dalton and Cannan. The law of diminishing marginal utility could not be used to justify a more equal distribution of income, for two reasons. The first was, of course, that it involved interpersonal comparisons of utility; the second, that even if one was prepared to make such comparisons and to claim that a certain policy maximized satisfaction, economics could not tell us that we should maximize satisfaction. "That is a verdict which surely comes from elsewhere. There is nothing within economic science as such which warrants us in changing the 'is' into 'ought' here or anywhere else." The most we could mean by an "economic justification" of a policy would be a demonstration that ends are achieved without waste of means. He gave several examples, some of which he was to use again in his book.

In the second half of the lecture he focused on the doctrine of *laissez-faire* and pointed out its limitations. Not only was there need for public goods in the areas of justice, defense, education, and health, but another "very grave deficiency" of *laissez-faire* was that the free play of individual purchases (of detached houses, for example) could sometimes lead to overall results (urban sprawl) that individuals did not desire. He ended his lectures with an exhortation to his students:

One final word. I have tried to explain to you the nature of economic analysis. I have discussed its method and its political implications and I have urged you in the interests of clarity of thought to keep its conclusions free from judgements of value. Economics deals with dispositions of means. It does not in itself deal with the value of ends.

But I have not urged you to *ignore* such considerations. I have not recommend[ed] you to be merely economists. On the contrary I would suggest that the whole drift of my discussion goes to show that the economist who is to make most use of his materials must be prepared to be more than an economist, to transcend his subject. Unless he is prepared to go beyond the technique of his subject, to live widely & intensely, to steep himself in the intellectual atmosphere of his time

he will not be in a position to apply the machinery at his disposal—he will not be alive to the ends which he will be asked to take account of.

When Robbins gave his “Nature & Significance” lectures again in 1931, the months since he had last given them had been particularly eventful. The summer vacation of 1930 had begun quietly and Robbins, on holiday with his wife and children, had read a lot, especially recent work on trade cycle theory.³⁰ He wrote a chapter on Wicksteed’s economics for the biography being prepared by C. H. Herford (Robbins 1930a, 1931). In September and October, however, he had clashed with John Maynard Keynes over protection and public works as possible policy measures to deal with the slump in the Committee of Economists of the second Labour government’s Economic Advisory Council. After that he was engaged with Beveridge and other LSE colleagues in writing their manifesto against protection (Beveridge 1931a). Jacob Viner, whom Robbins had first met in Oxford in 1927, had visited twice, the second time in December to lecture on international trade. In January 1931 Robbins had met Friedrich Hayek, when Hayek came to give four public lectures at LSE. Although Robbins, impressed by what he had read of Hayek’s work, had suggested the invitation to Beveridge, he did not meet Hayek until the door of Robbins’s office “open[ed] to admit the tall, powerful, reserved figure which announced itself quietly and firmly as ‘Hayek’” (Hayek 1994, 75–78; Robbins 1971, 127). As is well known, the lectures, on “Prices and Production,” were so successful that Hayek was offered a visiting professorship at LSE for 1931–32; after his brief visit at the beginning of the year he returned to London in late September.

In the spring and summer of 1931 Robbins concentrated on turning his “Nature & Significance” lectures into a book. Judging by the draft outlines of the book that survive in his papers, he changed his mind several times on what to include, at one point envisaging chapters on utilitarianism, nationalism, and protectionism, but he always intended to begin with the definition of economics. In May 1931 he caught chicken pox;³¹ confined at home in bed he read a paper that Nathan Isaacs gave to the Aristotelian Society (Isaacs 1931). He commented on it at some length,

30. Robbins described his holiday in a letter to his father, while the content of his reading can be inferred from comments he made in a letter to Nathan Isaacs in June 1931 on what he had learned during the previous year.

31. Keynes to Robbins, 29 May 1931, Robbins Papers.

his friend responded at even greater length, and Robbins was able to reply before he returned to the School; he kept the correspondence along with an outline of a chapter, “The Place of Induction,” which did not appear in the published book.³²

Isaacs attacked modern logic for its lack of any foundation in psychology. In his view, “logic needs to be based on psychology through and through. Unless this is the case, it cannot be a science, for our understanding, or serve as a normative standard, for our use.” Not only did he attack the sterility of formal, deductive logic but he argued that inductive logic should have primacy over deductive logic. After all, while deductive logic led us to the “so-called ‘problem of induction’”—the proposition that inductive logic is not valid inference—there was the “outstanding fact” of four hundred years of scientific advance. This had occurred in many different fields, had begun with “the radical overturning, as if by a successful revolution in method, of existing bodies of ‘science’ (*e.g.* Aristotelian physics) held to have been established as true but now discovered to be thoroughly false,” and had been associated with a definite change of procedure. The modern history of science was above “a history of successful inference.” Inductive logic was in fact superior to deductive logic: “Scientific method and induction represent the *general* standard of the most adequate conditions of successful inference which we have so far attained.” He located the success of scientific method in replacing the criterion of “proof” with testing or “fact control” as he called it and which at one point he described in a manner that would now be referred to as almost Popperian: “We are forced to go out and expressly look for possible errors, limitations and conditions, instead of waiting till we are surprised by them, or remaining deceived because we do not happen upon them. And so we get eventually the theory and practice of induction [i.e., scientific method].”

Robbins rose to the bait in a letter unfortunately too long to quote in its entirety. “When I come to my own subject . . . I confess my withers are totally unwrung. It seems to me that your extremely elegant strictures are as remote and *a priori* as those of the worst Oxford idealists or medieval scholastics. This for three reasons.” First of all, economics had suffered from too much psychology, not too little. Second, his friend was ignoring the “enormous volume of realistic studies” carried out by economists. “Before you expand your critique of economics in

32. N. & S. Drafts & Notes file, N & S Box, Robbins Papers.

your book on method, I challenge you to examine one or two of the best examples of this sort of thing. Take e.g. Viner's Canadian Balance of International Indebtedness [1924] If you can suggest a logic of investigation more powerful than that employed there, there is not an economist in the world who will not come crawling on his hands & knees to hear you expound it." Third, "waiving this extremely unfair reproach of ignorance . . . I still think that a little more attention to Mill, whom I see you do not entirely despise, would convince you that the attempt to force the social sciences to fit the procrustean bed of the methods appropriate to chemistry and biology is at once excessively austere and excessively ambitious." It was too ambitious because "it assumes, in the face of known *facts*, (a criterion you respect) that it is possible to discover in social phenomena uniformities on all fours with the uniformities of inanimate matter." It was too austere because while "there may be no hope at all of discovering *substantial* laws in the sense of broad forecasts of what *will be* done in the future," "there may be considerable scope for discovering the necessary consequences, within a given framework, of certain *dispositions to action*—*formal* laws of conduct if you will—laws of what *can* be done, if certain things *are done* simultaneously. The test of the *validity* of such 'laws' will, if I understand their nature aright, be purely logical. The test of their *applicability* will be realistic study." He used his favorite example, the quantity theory of money, where it was "just flying in the face of facts to deny its utility even in its present imperfect state. Your appeal continually in your paper is to the solid achievement of science. I appeal here to the whole history of postwar exchange stabilization. The fact that the slump, due in my judgment to predictable but at present uncontrollable forces, presents *new* problems, about whose solution we are not yet agreed, simply does nothing to vitiate the value of that solid and extensive achievement—unachievable save on the basis of this kind of knowledge."

"In the end," he concluded his letter,

I always come back to fight you with your own weapons. The simple explanation why you (and the much less distinguished multitude who maintain a similar attitude) don't accept the very modest claims of this particular branch of science, is just that *you don't want to*. It's the last unanalysed remnant of your longings for prenatal omnipotence. Economics says if you spend money on this you can't spend the same money on that. And on the strength of that unimpeachable platitude it

builds up a series of deductions—fundamentally just as axiomatic but superficially more paradoxical—which enable one to push the analysis of particular acts of choice rather further than experience shows to be possible with the untrained intellect. But you cant bear to think that there is no part of life where it is possible both to have your cake & eat it—and straightway proceed to release a philosophical smoke screen. . . . Apparently it is much easier to surrender belief in God than belief in the possibility of choosing one set of things and doing all that is necessary to secure them, while at the same time enjoying all those things whose sacrifice is *involved* in the act of choosing the other.

As Isaacs remarked in his reply, Robbins was “working off an accumulated old score.” He counterattacked vigorously:

Partly because of your view of your own science, you do not admit the supremacy of fact-control. On my hypothesis, nothing is a science if it is not capable of undergoing and passing fact-tests; the distinction between science and barren word-chopping only begins when those tests begin to be passed; and the possibility of applying them is the first criterion of scientific significance. But since you assume your science to be a science (on the strength of its taking over $MV = PT$ forms, etc.), you naturally cannot admit even the possibility of a hypothesis on which the evidence of your science as you give it might well be pure question-begging, since in fact inadmissible.

Robbins’s second letter to Isaacs was more polite and less provocative than his first. He tried to justify the formal propositions of economic theory, such as the quantity theory of money, by arguing that they could be used to make predictions; he also defended his position by reference to the actual empirical practice of economists, including his own and that of his colleagues. He mentioned, for instance, the recent finding by the French economist Jacques Rueff of a 95 percent correlation between indices of British unemployment and real wages.

Now, as you know, I believe in the theory. I also am impressed with the correlation.

But there are certain difficulties which make me very chary of accepting the results at their face value.

It is clear that the correlation is a correlation of averages. . . . One would . . . expect the correlation to be stronger in particular industries.

But it isn't. We have been working it out for the industries for which we can get figures. It exists. But it is not as good.

What does this mean? Is there a compensatory action as between industries. Intense *theoretical* agony—complicated recourse to the theory of equilibrium. At present we are not agreed (i.e. Hicks, Benham, Plant & I).

But suppose as a working hypothesis that there is such a compensatory principle. Even so why should it show itself in *this* correlation. For the index of wholesale prices on which one term of Rueff's ratio is based is heavily weighted with *import prices*. How can these affect employment directly? We are having recourse to an index of prices of home production specially spliced together for the purpose—

Now if you say this is just what I want you to do I shall agree. That's one reason I left the flesh pots of Oxford for Houghton Street. We have the apparatus to do it.

But you may say this should lead to great caution in applying the *initial* theory—that there is a functional connection between wages & employment—I doubt this. That simple platitude is based on other considerations and unless the general theory of price is overthrown (which it won't be) its applicability to particular industries remains.

But you may go on yet another tack, and it is this I should really resist. . . . You might argue that the whole thing was a red herring because we had ignored the *psychological difference* between price & contract wages. . . . Here I should be very obstinate. . . . I should deny that the difference had great quantitative importance. "Why?" you might ask, "have you submitted this prejudice to severe statistical scrutiny?" "No" I am bound to reply "not because I wouldn't if I could, but this is just one of those matters which you can't *test directly*." . . . Two facts of a *qualitative* nature make me pretty certain that for the time being this complication may be regarded as subordinate. Firstly that the *similarity* shows itself in the *contrast* between unemployment in centres of rigid incomes, & lower incomes in centres of independent agricultural production. Secondly the same thing has been observed under State Socialism in Russia—where the equilibrium price for labour has been exceeded you have had bad unemployment. . . .

So I plug on with my speculations about Rueff & the interrelation of prices in the Trade Cycle.

From the evidence of the “Nature & Significance” lecture notes and the correspondence with Isaacs it is clear that by 1930–31 Robbins had reached the methodological position he was to maintain in the published version of the *Essay*. The exchange with Isaacs served to push him further into the deductivist camp: his remarks on the role of induction were more charitable before that exchange than in what he wrote afterward. There were, however, some further influences on the published version. I have already mentioned Robbins’s reading of recent trade cycle theory in the summer of 1930. As a result of this and of Hayek’s subsequent visit to LSE in January 1931 he concluded his second letter on method to Nathan Isaacs with the following remark. “Talking of the Trade Cycle, I cant forbear to say that I am becoming more & more convinced that we are really discovering the secret. . . . This is a long story. But it is germane to the present dispute to observe that if the particular solution I have in mind proves correct it will have been reached by a degree of theoretical abstraction which in your perverse mood you would represent as altogether ridiculous.” He also sent Isaacs a copy of his inaugural lecture, which he had delivered in January 1930, commenting that it was “horribly out of date” and “defective too in that it does not take account of the Viennese renaissance—Hayek . . . Mises Haberler & so on.”

In the spring of 1931 Robbins instigated a series of translations of “the leading German, Scandinavian and Italian works on economic problems” to be published under LSE auspices. When he met Mises in the autumn he offered to arrange for translations of his books; he persuaded his old friend Jacques Kahane to undertake *Socialism* and an LSE colleague H. E. Batson *The Theory of Money and Credit*.³³ The earliest books in the series included Wicksell’s *Lectures on Political Economy* (1934). In preparing a draft “Select Bibliography” for his own book in the summer of 1931 Robbins included the major works of many foreign economists as well as all the English writers on the methodology of economics. The list is too comprehensive to be revealing of influences on Robbins’s own thought; it also did not appear in the published book.

Robbins’s progress on his book was interrupted by the financial and political crises that led to Britain’s departure from the gold standard in September 1931, since he and his colleagues decided that the tariff book which Beveridge had been desultorily writing must now be completed

33. Robbins, “Suggested publications of economics translations,” Supplementary Agenda for 30 April 1931 meeting of Emergency Committee [of the Governors], LSE MINUTES 6/15, BLPES; Mises to Robbins, 23 November and 30 December 1931, Robbins Papers.

as a matter of urgency. After a busy Michaelmas Term and a Christmas vacation spoiled by family illness, Robbins completed the manuscript of his book early in the Lent Term 1932. He sent it to Macmillan on 19 February and did not have to wait long for the publisher's decision: they wrote on 3 March offering to send it to the printers as soon as he signed the contract so that it should be "available for the people proceeding to the final examinations in June."³⁴

The Essay

Comparing the published *Essay* with the "Nature & Significance" lecture notes prepared two years earlier, there are differences of style and emphasis but the structure of the overall argument is essentially the same. It begins with "The Subject-Matter of Economics," with Robbins's attack on materialist definitions of economics such as Cannan's and his proposed scarcity definition. It moves on to "Ends and Means," the relations between economics and ethics and between economic theory and economic history. This was followed, as in the lectures, by "The Relativity of Economic Quantities," which both reiterated the points made under this heading in the lectures (the change of wealth at 11 a.m. on 11 November 1918, the meaning of aggregates and index numbers) and provided further examples drawn from the recent work of Hayek (1928, 1931) and Haberler (1927) among others.

The two lectures on method now became two chapters, "The Nature of Economic Generalisations" and "Economic Generalisations and Reality." The methodological arguments are the same as those in the lectures (the logical character of economic theory, its lack of dependence upon psychology or upon "economic man," the subsidiary role of empirical studies), but the additional examples chosen as illustrations of fruitful economic theory include, for instance, Hayek's trade cycle theory. While the institutionalists could not explain the current "greatest slump in history," "a few isolated thinkers, using the despised apparatus of deductive theory, have brought our knowledge of the theory of fluctuations to a point from which the fateful events of the last few years can be explained in general terms, and a complete solution of the riddle of depressions within the next few years does not seem outside the bounds of probability" (1932, 104–5; see also 108–9).

34. N. & S. Letters file, N & S Box, Robbins Papers.

The sixth and final chapter, “The Significance of Economic Science,” discussed some of the issues Robbins had discussed at the end of his lectures under the heading of “Economics and Political Theory,” for example the applicability, or rather inapplicability, of the law of diminishing marginal utility in the theory of public finance, although laying somewhat more emphasis on the impossibility of interpersonal comparisons of utility. Instead, however, of expounding his views on *laissez-faire* as in the lectures, he returned to his criticisms of Hawtrey (Robbins 1927) before finally asking, “But what, then, is the significance of economic science?” and responding, “Surely it consists in just this, that, when we are faced with a choice between ultimates, it enables us to choose with full awareness of the implications of what we are choosing. . . . There is nothing in Economics which relieves *us* of the obligation to choose. . . . But, to be rational, we must know what it is we prefer. We must be aware of the objective implications of the alternatives of choice. . . . And it is just here that Economics acquires its practical significance.” He gave three examples: the imposition of a protective tariff, the choice of a monetary regime (where it was an “unescapable deduction from the first principles of monetary theory” that one cannot have both stable domestic prices and stable exchange rates), and the choice between capitalism and socialism. He ended with a moving peroration, from which I quote only the opening lines: “And thus in the last analysis Economics does depend, if not for its existence, at least for its significance, on an ultimate valuation—the affirmation that rationality and ability to choose with knowledge are desirable.”

There were thus three phases in the development of the book. In the first and longest phase Robbins was exercised over the demarcation problem and the definition of economics. He had been dissatisfied with Cannan’s views as he had been taught them as an undergraduate, and he had a longstanding concern to identify what distinguished economics from other social sciences. In the second phase, having arrived at his definition of his subject by the end of 1928, he concerned himself more with the methodology of economics. He had previously accepted uncritically the conventional views of scientific method he had first learned as an undergraduate; now in 1929–31 he clarified his views on the methodology of his own subject to the point that he could defend them against the logic-chopping Nathan Isaacs in the summer of 1931. He wrote the final version (of the first edition) of the book in a third phase, the winter of 1931–32, when Friedrich Hayek had become his closest colleague.

Although the published book shows that Robbins had been discussing its contents with Hayek during the autumn and winter, the only written comments on the manuscript that survive are from Hugh Dalton, who read and commented on it at length immediately before Robbins sent it to Macmillan. Dalton, though thoroughly approving of the peroration and of much of the methodological argument, was fairly critical of the style of the book, which is indeed more literary and less direct than the lecture notes.³⁵ Dalton also noted “the usual superlative bouquets to Mises” in the footnotes. These are scattered throughout the book along with numerous references to other Austrian economists. Almost none of these references are to be found in the lecture notes, where almost all of the references are to English economists. This is partly because Robbins took considerable trouble to note recently published work in economics, including that of colleagues such as John Hicks, Arnold Plant, and Frederic Benham (as he was to do in updating for the second edition). It also reflects his close friendship with Hayek, who was at LSE during the last stages of preparation of the book. The appearance of the work is thus much more “Austrian” than the underlying content.

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35. Dalton to Robbins, 5 February 1932, N. & S. Letters file, N. & S. Box, Robbins Papers. Although the first page of this letter is missing, Dalton's criticisms of style can be inferred from comments in the rest of the letter and in a later one on Robbins's next book.

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