

# Layton on Cambridge economics: in defence of the Tripos

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## Introduction

Walter Thomas Layton (1884-1966) entered the Cambridge Economic Tripos in 1904 and graduated in 1907 [\[1\]](#). The following year Marshall, who was then retiring, managed to recruit him to lecture on 'Structure and Problems of Modern Industry', an appointment which was paid for from the salary of Marshall's successor to the chair, Pigou, who also paid for Keynes's appointment to lecture on 'Money'.

The Layton Papers in Trinity College Archive are very helpful in forming an idea of Marshall's teaching style (Groenewegen, 1990, 1995) and in focusing on the Marshallian tradition of industrial analysis.

The paper reproduced here is an attempt to defend the newly established Tripos and illustrates the reasons why one of its main teachers felt the need to defend it in such strong terms. The Tripos, whose centenary will soon be celebrated in Cambridge, turned out to be a success but in its early years it was clearly struggling and was somewhat despised. Layton also boosts the Tripos credentials for the education of businessmen – an idea of Marshall's, which never materialized (see Marshall, 1905b; Groenewegen, 1995, pp. 556-7; Maloney, 1990) – and provides a vindication of Marshallian economics and its achievements in historical perspective. From this point of view, it is noticeable that Layton sets a contrast between Marshall's rejection of the 'economic man' and J.N. Keynes's more traditional methodological views. Layton also praises the 'inductivist' tradition of economic thought, championed by Malthus, while criticizing the Ricardian deductive school. Though his assessment is founded on the *Essay on Population* only, it evokes J.M. Keynes's later appraisal of Malthus as the first of the Cambridge economists (Keynes, 1933).

## Text

### Cambridge Economics [\[2\]](#)

The establishment of the school of economics at Cambridge 3 years ago was attended with considerable difference of opinion as to its usefulness and advisability and we may venture to think that there are still some who hold that a mistake is made in thrusting in a subject which is so closely connected with affairs of the moment and the modern business world among the more ancient and literary studies for which the older universities are so admirably adapted. That a young fellow fresh from school should take up the study of affairs with which Cambridge can but inadequately keep in touch, while missing those advantages which that seat of learning can confer on students of classic law, literature and the natural sciences is a prospect which may well give pause to many who are looking on at the new departure.

It has however to be remembered, in passing, that the influence of a University is not confined to the lecture-room nor yet to the books read. In all those other directions in which an undergraduate character is moulded and stamped with the hallmark of culture, the man who is reading economics shares equally with others.

Comradeship with men of ideas and thought, friendship with men of mark in the world of learning and the education that comes from the surroundings, atmosphere and everyday conversation of a great residential university are open to all alike.

There is no doubt something to be said in favour of a man reading literature etc. before taking economics. The present leaders in that subject have all approached it from some other direction, and it may well be that the methods of scientific inquiry of the scholastic inspiration and concentration are better instilled by other subjects [\[3\]](#). It may be doubted whether an impartial spirit of inquiry can be attained from a subject which is redolent with partisan argument, or whether diligent research is fostered by a study in which every man of affairs considers himself a past master [\[4\]](#).

But if economics are to be studied at the university at all, it is certainly inadequate to treat it as a mere part of a subject – a pastime for spare moments. The march of industrial progress has enlarged the field and scope of economics to such a degree that three years is too short a time in which to become acquainted with the literature, far less to permit of original investigation.

If it is worth doing at all, it requires time, which can be obtained only by devoting one's whole course to the single subject.

The real question of vital interest is whether Political Economy can be made a profitable study at an academic institution such as Cambridge. This we may subdivide into a number of more special queries.

[5] That economics has not all the advantages of the classic studies or the exactitude of natural science or mathematics must be admitted. It is moreover undoubtedly a subject in which there is a tendency to lose oneself in a tangle of diffuse interests and spend time merely accumulating facts instead of getting to fundamental propositions which exercise the best powers of the intellect.

But Economics has its own advantages as a means of education besides training faculties which will be of great value in after life. What we have to consider is whether the method of teaching at Cambridge is such as to make it a profitable study for a University course.

It has to be recognized at once that there is now [not] [6] very great enthusiasm among businessmen for Economics at Cambridge or elsewhere, for there is very little knowledge abroad as to its importance and, in truth one must admit, a vast amount of ignorance of its existence and purpose [7]. Before Cambridge can become a training ground for our captains of industry, our social organizers and economic leaders of thought, there is a deadweight of apathy and even hostility to remove. Even men of affairs who believe in a literary University education for businessmen object to professors teaching their business and are quite sceptical of those who theorise on practical matters. There are, no doubt, exceptions, for some of the most active supporters of the Economic Tripos have been bankers, shippers and other leaders in the industrial world – but alas the enlightened business man is too rare a species.

The epithets used in the preceding paragraph imply a belief in the usefulness of Economics in business, the ground of this faith having been expounded by Prof. Marshall in his introduction to the Economic Tripos [8]. So able a counsel needs no other with him.

But admitting that Economics might be taught so as to make it useful in practical life, the fundamental question remains as to whether those who are taking up the new work at Cambridge are following the right road to success and laying the emphasis in the proper place if the school is to attract the man of affairs and to exert an influence on policy and thought in economic matters commensurate with the thought and care expended.

Cambridge has the most famous of living English economists – Professor Marshall and it is inevitable that in his long reign he has gathered together a sort of school on which he has impressed the stamp of his strong personality which has a definite place in the world of economics. With a strong sense of the great English tradition to maintain, yet with a wonderful adaptability to modern thought and conditions, Prof. Marshall has done Trojan work towards the logical completion of his subject and the unification of contending lines of thought and has deservedly won a place without a peer either in the German and Austrian schools or in the more modern American school.

It is important for us to realize exactly how this school of Cambridge economists stands

- i) towards the growth of economics in general
- ii) towards modern conditions of industry and politics in general
- iii) towards socialism.

i. [9] To trace the history of English economic thought would require a vastly more profound knowledge of the work of the classical economists than the present writer can claim and would moreover fill a volume which

would be of small interest to any but the specialist. There are, however, a few main points which may help to elucidate the present position. The so-called English School of economists consisted in a great extent in the early 19<sup>th</sup> century of the men whom we are accustomed to think of as the philosophic radicals, from Ricardo to J. S. Mill. Adam Smith hardly comes under the same category for though he was the founder of English Economic Thought, he by no means represents those who came after. Whilst he illuminated his writing with a wealth of historical research and practical knowledge, the economists of the succeeding generation are notable for their specialism on some particular topic or their devotion to some one single method.

With the single exception of Malthus' great historical inquiry into the growth of population in all ages and in all countries, the characteristic of the time was a dependence on *a priori* reasoning and the fiction of 'the economic man' in substance though not in name. Though Ricardo knew as well as his critics that men were not only prompted by desire for gain and that wages do not always fall to a subsistence level, the impression of his writings is such as to give colour to the notion of the 'dismal science' and to the inevitableness of economic law. If not true of Ricardo, it is certainly true of his followers, that their writings betray evidence of an incomplete psychological analysis just as did Bentham and his school in the political sphere.

To J.S. Mill belongs the glory of having brought both political philosophy and economics into closer touch with reality by introducing a wider range of considerations and a larger element of human psychology. Yet even on his strong side – that of production – he was still incomplete and failed to grasp the significance of the effect of demand on production. Jevons and the Austrian economists repaired the omission but at the expense of sacrificing much that was true on the side of the classical writers. While Mill traces value to cost of production, the Austrian school see in value nothing but the influence of demand – it has been left to Marshall to complete the work by the importance he has given to the idea of the equilibrium of supply and demand. Not only has he thereby completed the theory of value but has given an impulse to a method of attacking every problem exceedingly strong and helpful.

This by no means completes the story of Marshall's contributions to economics. He has continued Mill's work of broadening the basis of economics and bringing [it] into touch with real life.

Whilst the abstract economists isolated a particular trait in human character and reasoned on that assumption, taking as it were the common factor, the modern thinkers have enlarged the circle and taking other things into consideration which, on a closer and more careful analysis, are shown to be general. Though it is impossible to include all men and all characteristics in a single comprehensive scenery, it is possible to reason about the average man, just as in statistics an average can be taken to be characteristic of a group, the extreme peculiarities being left to neutralize each other (Quote Marshall's *Principles*, chapter on scope).

Ricardo founds his theory on the assumption that wages go to the minimum level of subsistence partly because in fact wages were at a minimum when he wrote. He recognizes that they need not be so, ... [10] but the number of times that he makes the assumption is so great compared to the times he puts in the provisos as to dependence on habits etc. that he naturally was interpreted as meaning that wages always do tend to the mere subsistence level. The lowest of the poor, however, as a matter of fact, have their conventions and their standard of comfort, while motives such as the desire for distinction, for a rise in the social scale, for travel and for social intercourse, do as a matter of fact come into account, limiting the tendency of an increase in wages to cause an expansion of the population and to reduce wages to a subsistence level.

Ricardo left these elements out of account, merely takes one out of that bundle of sentiments sympathies and antipathies which we call men. It is Marshall's work to have restored many of these considerations, as that the modern economist has to be a psychologist as well as deductive reasoner, for only by uniting the former function to the latter can economics come into touch with real life. In this return to realism Marshall by no means stands alone. For J.S. Mill made an advance in that direction – a returning to the methods of Adam Smith, studying the motives at present displayed under an individualistic regime and contrasting these with those which might yet be called forth under other regimes.

But Marshall takes the broadest basis of all, his definition bringing economics into a closer relation with Sociology as a whole than had been the case before. Compare e.g. Walker's definition, representing the old school – P[olitical] E[conomy] is the study of wealth [11] –, with Marshall's – P[olitical] E[conomy] is the study of man in those of his activities which may be measured by a money measure [12].

Any action of man acting as a unit in a social group may on this definition come into P[olitical] E[conomy]. The emphasis is shifted to man as opposed to mere wealth – hence the need to consider many more motives than the mere pursuit of wealth for its own sake.

Cf. Ricardo and increase of wealth.

This view has been severely challenged by Dr. [J.N.] Keynes, one of Prof. Marshall's own pupils. It is true, he says, that the 'economic man' is not a reality, but it is necessary to make such an assumption if any trains of complicated reasoning are to be carried out. Man is so complex that without the aid of an abstraction, no general results are possible, reasonings must be so conditioned, modified that they become unintelligible [\[13\]](#).

All agree that by making such a fictional hypothesis exact results may be obtained. But the realists answer, that in the first place, the results are useless for practical purposes, far removed from actual factors and secondly there is the danger that others will take the results and overlook the assumptions – with the result that the users of this method will meet the fate that befell Ricardo at the hands of Karl Marx and succeeding socialist writers.

Economics, though a subject in which the keenest wits can wrangle over small details, touches matters of fundamental importance to the lives and well-being of thousands. It is therefore very important that the authorities on the subject should not mislead by the use of a method which is not commonly understood and lays them open to misinterpretation. The responsibility of the leaders of thought in this direction is very great, for though the saving common sense of the man in the street will lead him to disregard the professors if they wander too far in the realm of fancy, the proper interpretation of existing economic facts is of great importance and it is highly desirable that the study should be carried on by those who realize its vital interest and will not suffer it to become of merely academic interest by disregarding the facts of everyday life.

## **Marshall versus Cunningham [\[14\]](#)**

### **The historical school controversy**

#### **Foxwell**

The discussion of the economic man brings up the question of the use of Mathematics in Political Economy. For practical purposes they are useless. No political controversy has been or ever will be decided on the strength of a mathematical formula and it is certain that no business man ever regulated his business by the help of differential calculus [\[15\]](#).

Further the whole question of real and unreal hypotheses arises in this connection in an even more acute form, for the hypotheses have to be reduced to figures or letters.

The value of this method is in its educative effect – as a means of training a mind to accurate and clear thinking. There are a few theoretical questions which may be simplified by the use of Maths, but they are few and far between. The uses of graphs and statistics on the other hand are of supreme importance for the understanding of the elementary principles on the one hand and for the simplification of numerous observed facts on the other.

In both these directions great advances have recently been made in all countries. But no one has done more to popularise the use of curves in Economics than Prof. Marshall, while his researches into statistics and the amount of material passing through his hands are colossal.

But this sketch of modern investigation would be incomplete without referring to the recent development of specialisation. While the old economists picked out a characteristic for special study, their successors take a section of the industrial world and dissect it as a whole.

The tendency may well be seen in the USA, where a vast amount of printed matter is turned out on Trusts, T[rade] U[nion]s, Banks etc., each being treated exhaustively, yet not from the point of view of the individual interested therein, but from the larger standpoint of the social well-being.

While Economic History has become a separate branch, the energies of economists are being devoted

more keenly onto particular matters.

The history of modern Economics has been but another example of the principle of division of labour and specialisation so characteristic of our generation. But it by no means follows that the results are useless for a guide to statesmen, politicians and political thinkers. Politics both internal and external are becoming more than ever matters of economic interest and it is essential that those who legislate for an increasingly complex society should not interfere with arrangements which are but perfectly understood. It is the business of modern economists to analyse and dissect, in order that they may discover the functions of our institutions social and economic and so correct the tendency to indulge in quack remedies for social ills and on the [other] hand bring out the interdependence and relation of each industrial unit to the whole [16].

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[1]. On Layton's life, see Hubback (1985). The unpublished autobiography of Layton is kept in the Trinity College Archive, Layton Papers 147-48.

[2]. Trinity College Archive, Layton Papers 14.2. The text is composed of twenty sheets of paper. The catalogue gives the date of 1908. The text has been slightly edited. Editorial additions or doubtful readings are enclosed in square brackets.

[3]. This is an argument for taking economics as a postgraduate course and there is much to be said for it [cancelled].

[4]. As a matter of fact this is weak. Emphasis should be on culture [side comment].

[5]. [This and the next paragraph replace the following text:] "Can Economics be learnt other than in the practical life of a man of affairs? Is the Economics which may be learnt of any practical value in after life in business – and if so, does the public recognise the fact and send future business men to study it at the University. Is it possible to get the practical information needed for the study from reading and publications and finally are those who are likely to teach at the University going to do so on the right lines?"

Further are these right lines to aim at practical utility in business, a good mental and intellectual training, or at founding a school of thought which may influence politics and social work?"

[6]. ["Isn't" is cancelled and replaced by "is now". It seems appropriate to insert "not" at this point].

[7]. It is common experience when P[olitical] E[conomy] is mentioned to be asked – but what is P[olitical] E[conomy]? [side comment].

[8]. [Marshall, 1905a].

[9]. [ii and iii are not included in the paper].

[10]. [Space is probably left to insert a quotation from Ricardo].

[11]. [These are the opening sentences of Walker's *Political Economy*: "Political Economy, or Economics, is the name of that body of knowledge which relates to wealth. Political Economy has to do with no other subject, whatever, than wealth. Especially should the student of economics take care not to allow purely political, ethical or social considerations to influence him in his investigations. All that he has, as an economist, to do is to find out how wealth is produced, exchanged, distributed and consumed" (Walker, 1883, p. 1)].

[12]. [Marshall, 1920, pp. 38-9].

[13]. [Keynes, 1891].

[14]. [A clear reference to the controversy which took place in *Economic Journal* in 1892-93. See Groenewegen, 1995, pp. 469-73].

[15]. [The paragraph has a side comment consisting of one word which I read as "Oxford"].

[16]. Not a technical school. Cf. Ashley at Birmingham [side comment].

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