The foundation and development of the LSE in late Victorian Britain

Yuichi KIMURA
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I. Introduction

The London School of Economics and Political Science (LSE) was founded in 1895 by the Fabian society, especially Sidney Webb and William Albert Samuel Hewins. The early LSE was merely a small “school”. Since that time, however, LSE has become a college of the University of London in 1901, developing and growing year after year toward becoming THE research center of the social sciences. Especially when William Beveridge was Director of LSE during 1919–1937, many academic chairs were created, the number of students was greatly increased, and the buildings and accommodations enlarged. In the early 1930s, Lionel Robbins formed the “Robbins Circle”, which included F. A. Hayek, J. R. Hicks, N. Kaldor, A. P. Lerner, et al. He raised the academic level of economics in LSE to the world class as “Cambridge vs. LSE” came to be known. *Economica*, as a new series, was issued in 1934. It became a leading magazine in the world. After World War II, the force of LSE did not let up a bit. Many brilliant economists worked along with Robbins at the head of list. B. W. H. Philips described the “Philips Curve” of trade-off between inflation and unemployment and built his famous “Philips Machine”. Econometrics and mathematical economics were developing during that period. In the 1960s, T. Gorman and F. Hahn were reunited in the hopes of founding a pioneering school of econometrics and mathematical economics. Furthermore, J. D. Sargan’s “LSE econometric approach” was famous in the 1970s. Michio Morishima, a leading Japanese mathematical economist, took the professor chair and produced the “Suntory-Toyota International Center for Economics and Related Disciplines (the STICERD)” at LSE. In 1997, the 11th Director, A. Giddens, suggested “The Third Way” of Blair-Gordon’s new Labour policy. Therefore, LSE influenced modern economics and social sciences, demonstrating LSE’s importance in the history of economics.

Some studies have examined the foundation and development of the LSE. Especially, those of J. Beveridge (1960), Caine (1963), Dahrendorf (1995), Harrison (2000), Hayek (1946), Kadish (1982) (1993), Koot (1982) (1987), and Maloney (1985) were brilliant and detailed¹. According to Koot (1982) (1997), The early LSE was intended “to mold economic history and applied economics into an alternative economics to Marshall’s more theoretical vision of the subject than being rooted at Cambridge” (Koot 1982, p. 3). However their studies have overly various and different viewpoints, and few papers describe a brief sketch of the situation of the foundation and development of the LSE. Why were there many non-Fabian economists in the early LSE even though it had been founded and supported by The Fabian Society?
What was the situation of founding and development of LSE? In what sense was the early LSE the source of modern economics? We must sum those matters up succinctly.

This paper, based on the above research results and questions, briefly outlines the founding and development of the early LSE in late Victorian Britain, from the comprehensive viewpoint of surveying some situations of the founding of LSE such as The Fabian Society, Mr. and Mrs. Webb’s contributions, its first Director Hewins, the historical economists, and the relationship between LSE and The University of London.

II. Great Britain in the late 19th Century and The Fabian Society

II-1 Great Britain in the 19th Century

Britain around the middle of the 19th century during the reign of Queen Victoria (1819–1901) held economic supremacy over the rest of the world as “the world’s factory”. Britain, which had led the Industrial Revolution in the world, had been solely responsible for developing the cotton textiles industry. The rush of construction of major railways in the 1830s occurred in Britain. Britain was in a position to export railways as high technology. Britain’s cornerstone was heavy industry such as iron and coal. The First Great Exhibition of 1851 was held in London, and The Crystal Palace in Hyde Park displayed shining examples of the latest technology as a symbol of the British hegemony. The Industrial Revolution, as accumulating wealth and industrialized progress, cultivated the triumph of a middle class of industrialists and businessmen over a landed class of nobility and gentry. The flourishing of the British empire was called the Victorian Boom. However, the future of Britain did not look so bright in the late 19th century. Britain had fallen into a chronic depression by the time of the world depression of 1873 and the bearing depression in 1879. It was called the “Great Depression” in Britain. Britain since 1870 had steadily declined

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from its technically advantageous position by the emergence of Germany and America. America was at the apex of the developed countries in 1880–1885, beyond Britain, and Germany was arguably in second place from 1905. In 1867, at the Second Great Exhibition in Paris, Britons became aware of Britain’s retrogression in a technical regard, and Britain as an industrial nation was driven into a corner by the railway boom and speculation. Of course, the finance business in London had remained active and Britain was the world’s bank, but Britain in the late Victorian era had certainly declined.

Why was Britain as “the world’s factory” experiencing deteriorating industrial performance in comparison to Germany and America, which had been developing countries in the late 19th century? British people thought that there was lack of technical training and higher commercial education in Britain; they fostered the movement of technological education. They promoted “industry-university” cooperation, in which the universities supplied resources to industry through research and human training.

At one time Oxbridge could not permit entry without conformism, and their dominance was “liberal education”, which was associated with the character of the gentleman and with development of morality and intellect. At Oxford University, the classics were emphasized; at Cambridge University the pure mathematics were emphasized from the late 18th century to the beginning of the 19th century. Half of the Cambridge students and two-thirds of all Oxford students received jobs in the Church of England. “Liberal education” was significant for experience in careers in the Church of England. However, around the middle of the 19th century, the ratio of nonconformists to conformists was greater because of the emergence of the middle class. Therefore, a change of higher education was needed. Could nonconformists join higher education? Was there a university that was able to educate nonconformists professionally? As a response, “civic universities” were born. For example, London University became University College of London in 1836 as organizations to confer degrees open to nonconformists without religious screening. Subsequently, many civic universities were established in the 1890s. The practical branch of learning, economics and commerce, was exercised in civic universities for coping with the worsening trade competition that pertained from the beginning of the 19th century. Economics was lectured in Britain, but economics was only a part of philosophy. The university was a driving force that protected the upper classes and maintained Britain’s prestige. The British Association for Advancement of Science and the London Chamber of Commerce came to demand preparatory education in economics and commerce (Sanderson 1972, 1991, 1999).
The foundation of LSE corresponded to such an established movement. The faculty of commerce in Birmingham was established in 1903. Actually, A. Marshall spurred the founding of the independent economic and political science Tripos of Cambridge in 1903, which was intended to compel many students to study economics to cope with Britain’s international decline and the rapid change of the international economic situation.

W. J. Ashley (1860–1927), an economic historian, became the first professor of the commerce in Birmingham University, which Joseph Chamberlin helped to establish. The decline of Britain brought about the university establishment movement to support the industrial technology for the revival of Britain. As a result, “economics” was emplaced as a formal subject in the University. In other words, the development of “economics” was deeply related with the movement of university establishment.

II-2 The Fabian Society

The Fabian Society was founded on 4 January 1884 as an offshoot of The Fellowship of the New Life. Mainly, the society included young intellectuals including E. R. Pease, F. Podmore, S. Olivier, G. Wallas, W. Clarke, C. Wilson, and A. Besant and others. Its designation as “Fabian” was derived from “Fabius”, the Roman general who waited patiently and prudently for the right opportunity and eventually won in battle. “Fabian Socialism”, a British socialist intellectual movement, certainly aimed at “socialism”, but it regarded gradual change as important. Serving the public contributed to social reconstruction. Their duties were to diffuse Fabian socialism, and they sent their delegates to other meetings to get a lot of information about social movements and social demands.

They closely examined enrolling persons as members of their society to prevent their society from being popularized. They aimed at maintaining an intellectual group of elite persons for protection of an atmosphere of exchanging opinions and discussion. However, the society consisted of various ideologies such as anarchists, Marxists, radicals, positivists, and land reformers; therefore, the party line was ambiguous and unfixed.

In 1885, Sidney Webb joined the Fabian Society and the attitude of the Fabian Society became vivid. The Fabian Society did not participate in any political activity; it was characterized as an organization “researching” capitalism. Another organization of the “Fabian Parliamentary League” participated in political activity. Sidney Webb became a leading figure in the Fabian Society as Chairman of the Technical Education Board of the London County Council (Mackenzie 1977; Nako 1987, 2005).
II-3 Mr. and Mrs. Webb

Sidney Webb was born in London on 13 July 1859. He was interested in “common wealth” and “social organics” as a member of the “intellectual proletariat”. He suggested the inconsistency of English society in the 19th century as “poverty in wealth”. He suggested that, in the Victorian capitalist society, the socially weak failed at the lower levels of society as victims of individual liberalism, the survival of the fittest, natural selection, and social Darwinism. “Collectivism”: this was a critique of “individualism” by Gladstone’s liberalism. S. Webb said, “complete individual liberty, with unrestrained, private ownership of the instruments of wealth production, is irreconcilable with the common weal. The free struggle for existence among ourselves menaces our survival as a healthy and permanent social organism.” (Webb, S 1889, p. 60). This thought was connected to his “National Minimum” as the basic principle of welfare state; it was set against the idea of liberalism-as-individualism in the 19th century.

Beatrice Potter (1858–1943), soon to be S. Webb’s wife, was another important person in the Fabian Socialism. Beatrice wrote “Beatrice Webb’s Diary” in which the number of letters was three million. In her diary there was “another” Beatrice who failed in mental conflict. Beatrice was born in 1858 into a typical rich middle-class family. She made her debut in “Society” at 25 years and fell in love with Joseph Chamberlain. Nevertheless, Beatrice was distressed by her love; eventually, they did not marry. In April 1890, Beatrice invited Sidney Webb, whom she met that same year in January, to her home. Sidney said, “I have done everything I intended to do.” Beatrice replied, “Take care, Mr. Webb, do not be complacent about small success.” (Webb, B. 1982, p. 329, 26 April 1890). Since that time, Sidney was a slave to love with Beatrice. “Now you are to me the Sun, and Source of all my work” (Webb, S. 1978a, p. 142, Sidney to Webb, May 31st, 1890). Sidney was alluring to Beatrice, who gradually devoted herself to “public ethos”, “public good” and “common wealth”.

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27 Sidney Webb met George Bernard Shaw (1856–1950), who gained the Nobel award and was an important person in the Fabian Society, at a club. Shaw was 23 and Sidney was 20. Shaw joined in Fabian Socialism, and suggested the inconsistency of capitalism and moral corruption in British Society.

31 “His temperament and his character are intensely attractive to me. I feel I could relieve the gloom, could understand the mixed motive and the difficulties of a nature in which genuine enthusiasm and personal ambition are so curiously interwoven. ...Once married, I should of course subordinate my views to my husband’s, should, as regards his own profession, accept implicitly his views of right and wrong”. (Webb, B. 1982, p. 115, 22 April 1884)
Beatrice decided to devote herself to the Fabian Society, anticipating the foundation of LSE. “The world will wonder. On the face of it, it seems an extraordinary end to the once brilliant Beatrice Potter (but it is just because it is not an end that she has gone into it) to marry an ugly little man with no social position and less means, whose only recommendation, so some may say, is a certain pushing ability. And I am not ‘in love’, not as I was. But I see something else in him (the world would say that was proof of my love) — a fine intellect and a warm-heartedness. a power of self-subordination and self-devotion for the ‘common good’. And our marriage will be based on fellowship, a common faith and a common work. His feeling is the passionate love of an emotional man, mine the growing tenderness of the mother touched with dependence of the woman on the help of a strong lover, and in the background there is the affectionate camaraderie, the ‘fun’, the strenuous helpfulness of two young workers in the same cause.” (Webb, B. 1982, p. 357, 20 June 1891). Beatrice believed that her true vocation was devotion to Fabian Socialism. They were married at 11:45 a.m. on 23 July 1892. A strong union of “beauty and the beast” had been forged in matrimony (Harrison 2000; Nako 1987, 2005).

Life in Victorian Britain was terrible. The gap between rich and poor was great. The housing problem in urban was severe and the poor were forced to live without the necessities of life. Charles Booth (1840–1916), the ship owner and social investigator at Liverpool, researched the plight of poor people in London; he made poverty maps of London. One-third of London’s inhabitants lived on less than one pound a week. Seebohm Rowntree (1871–1954) wrote “Poverty” at the time of Booth’s social survey of London, in which he drew a “poverty’s line”; 28% of the people in York subsisted below that line. That result underscored that poverty existed in small cities as it did in big cities, and many evils of urbanization were diffused. Welfare work in England started from the Elizabethan Poor Law in 1601, which was called the “old Poor Law”, contrasted with “The Poor Law” of 1834. The Webbs continued to research the roots of the British Society such as exploitation, lady labour, labour companions, in the East End of London. The Webbs popularized, through their efforts, the reform of the Poor Law. Many contributions of Webb’s leadership to the Fabian Society laid the foundation of the modern welfare state.

III. 1895

III-1 Hutchinson’s bequest

One important person who supported the foundation of LSE was Henry Hunt Hutchinson (1822–1894). He was born in 1822 and had spent much of his life in a job
which his father had held before him, as clerk to the magistrates in Derby, his home town. At one point, he tried to escape it and went to California, where two of his sons had prepared the ground by the purchase of a reach for the men to which an embroidery shop run by the women was added later. But things in California did not work out well. Hutchinson found that he had cancer and became increasingly weary of life. He had joined the Fabian Society in 1890 to discuss his manuscripts on Hebert Spencer. He made generous contributions but had frequent rows. George Bernard Shaw described him as the “foolish old fellow” or “Old Hutch.” He shot himself on 26 July 1894. Absent Hutchinson’s enormous bequest, the foundation of LSE would not have occurred (Dahrendorf 1995, pp. 3–4).

Hutchinson wrote his will and stipulated that the major part of his bequest should be applied at once, gradually, and at all events within 10 years to the propaganda and other purposes of the Fabian Society and its Socialism. Hearing this news, Mr. and Mrs. Webb, Bernard Shaw, and Graham Wallas took breakfast at Borough Farm near Milford on 4 August 1894 (Ibid. p. 3).

Hutchinson had appointed five executors, Sidney Webb, and Constance (Hutchinson’s daughter), Edward Peace, William de Mattos, and William Clarke. The Hutchinson’s Trust was formed. Hutchinson had never met S. Webb personally, but must have chosen him as chairman of the trustee (Caine 1963, p. 19). It decided to set aside a portion of the money for the Hutchinson family. The total value of the Estate proved to be about £20,000, of which about half was absorbed by bequests to the family. Eventually, there still remained at least £10,000.

Someone appeared to have suggested rather disingenuously that the money be spent on the Fabian Society’s ordinary activities “or a big political splash might be made with the bequest — all the Fabian executive might stand for Parliament!” (Webb, B. 1983, p. 56, 21 September 1894). However S. Webb had his own opinion: “His vision is to found, slowly and quietly, a ‘London School of Economics and Political Science’— a center not only of lectures on special subjects, but also an association of students who would be directed and support in doing original work” (Ibid., p. 57). S. Webb felt that anyone who studied economics and political science was bound to become a Fabian socialist. Therefore, S. Webb would not necessarily work to found a school of Fabian socialism.

Sidney Webb’s opinion differed from Hutchinson’s will, but the foundation of LSE was realized from the following three factors. First, S. Webb was the head executor based on Hutchinson’s will. Second, S. Webb had an increasingly powerful voice among the Hutchinson Trustees. Constance Hutchinson attended once, but in
October 1894 went to the United States, where she died in 1895. William Clarke rarely turned up for meetings. Like William de Mattos, Clarke was an early Fabian, a journalist of depressed disposition who left the Fabian Society and died in 1901. De Mattos attended meetings for a while but in 1895, after some scandals related to his attitudes about sexual reform, emigrated to Canada, where his tracks vanish after he boarded a skip at Vancouver. S. Webb made the reliable Edward Pease Secretary of the Hutchinson Trustees and occasionally invited Graham Wallas to their meetings. Third, the executive members of the Fabian Society did not have authority of inquiry into how the money was spent (Dahrendorf 1995, pp. 4–5; Harrison 2000, pp. 285–289).

In light of the above, on 8 Feb. 1895, the Hutchinson Trustees decided to spend the greater part of Hutchinoson’s inheritance for the foundation of LSE.

**III-2 S. Webb’s plan for the foundation of LSE**

Sidney Webb thought that we needed only to refer to the program of the lectures of the *Ecole Libre des Sciences Politiques* that raised with great success the standard of political education in France. He wrote of the foundation of LSE as a trustee of Hutchinson. The first point was the increase in the number of educated and able lectures and writers, as apart from propagandist speakers. The second point was the further investigation of problems of municipal and national administration from a collectivist standpoint. This implied “original research”, and the training of additional persons who were competent to do such work. The third point was the diffusion of economic and political knowledge of a real kind as apart from collectivist shibboleths, and the cant and claptrap of political campaigning (Caine 1963, p. 36).

Therefore, the design of LSE was as a “school of investegation and research” and “educational lecturing”. “The Webbs were convinced that anyone who studied economics was bound to become a Fabian Socialist” (Kadish 1993, p. 241; Caine 1963, p. 29). In other words, LSE was not necessary for the success of Fabianism⁴. For example, he would arrange original lectures on all topics: “The History of Regulation of

⁴ Harrison (2000) describes the situation of foundation of LSE from the viewpoint of S. Webb’s opportunism. “The Fabians did not begin by searching out the limits of these contentions, nor did they attempt a restatement of the relationship between learning and living. The LSE was never thought of as a workers’ educational institution. If Sidney and Beatrice began by drawing up a list of researchable questions, they were in no position to design a new map of learning, although they made an immense contribution to the development of labour studies and of public administration. It was with the founding of the school that the difficulties of opportunism first became apparent.” (Harrison, 2000, p. 291)
wages by law and its result” “Growth and development of English Working Class movement (Chartism)” “The working of Democratic Machinery (home and foreign)” “Arbitration and Conciliation, Sliding Scales, etc.” and “Railway Economics” “Factory act experiments”. The contribution from the Hutchinson Trust was appropriate to the purpose. The school in London was scheduled to open in 1895 October. It received contributions of £100 both for the Fabian society to organize it during 1895–1896 and for lecturing on the “University Extension” plan.

III-3 Foundation of LSE

Eventually, LSE was opened in October 1895 by its first Director, W. A. S. Hewins, who had an address for the school, 9 John Street, Adelphi at a rent of £100. The LSE started with the cordial co-operation of leading economists and students of political science in the United Kingdom, and with the support of the Society of Arts and on its commercial side, of the London Chamber of Commerce51. The school prospectus was as follows, according to Hewins (1988).

1. The provision of public lectures and classes in connection with them on economics (including economic theory and economic history), statistics, commerce, commercial geography, commercial history, commercial and industrial law, banking and currency, finance and taxation, and political science.
2. The provision of special classes, arranged as a three year course of study, concluding with a research course.
3. The promotion, using scholarships, or otherwise, of original research.
4. Publication of books describing results of studies in economic and political subjects conducted by the teachers of the school under their direction.
5. The collection of a library for use by students of the school, consisting of books, reports and documents illustrative of economic and political history and theory.
6. Organization of an “information department” to assist British students and foreigners visiting England for investigation (Hewins 1988, p. 76).

51 In the 1897, S. Webb lectured on the subject of “commercial education” at the International Congress on Technical Education. He suggested LSE as the beginning of “Higher School of Commerce” (Dahrendorf 1995, p. 59; S. Webb 1899).
IV. Hewins and the historical economists

IV-1 Director Hewins

Sidney Webb had the idea of founding a school of economics and political science in London, but he could not have done the day-to-day work of setting it up himself. Because he had been a member of the London County Council since 1892, and because the 1895 was an election year, he was busy with his “the history of trade unionism” (1894) and “Industrial Democracy” (1897) with B. Webb. Therefore S. Webb sought a director who was providing for founding the school. He asked Graham Wallas, who was reliable, to be the Director. The pay was £300 and was to be payed from 1 April 1895. Wallas had joined the Fabian Society in 1885 by the introduction of Sidney Olivier, who was S. Webb’s friend in his Colonial Secretary era. Wallas was a leader in the mold of S. Webb, S. Olivier, and G. B. Shaw. He wrote an important essay, “Property under Socialism” in The Fabian Essays, 1899. However, Wallas declined the offer on 23 March 1895 after weeks of reflection. Webb had not expected that. “There remains a little mystery whether Wallas changed his mind or whether, as he afterwards implied, he had never been intended to do more than hold the job until someone else was available” (Caine 1963, p. 39-40). Wallas left the Fabian Society in a huff in 1904 because he objected to Shaw’s conversion to imperialism; moreover, he was approaching “new liberalism”. S. Webb considering the problem of the directorship, he wrote an urgent letter to W. A. Hewins, a tutor in economic history at Pembroke College, Oxford.

William Albert Samuel Hewins (1865–1931) was born as the son of an iron merchant in Wolverhampton. He had majored in mathematics and had earned a degree from Oxford University, and then the University Extention Movement (1888–1894). He was a successful lecturer of the Oxford extension’s movement; he had failed to induce Oxford to recognize economic history. He performed a tour in England, and made lectures on social economic problems such as trade unions and factory law for labour men. He was neither a Fabian socialist nor a member in the Cambridge Economists, which A. Marshall had influenced. Hewins was strongly influenced by T. Carlyle and J. Ruskin and the German Historical School.

Hewins criticized “Laissez-Faire” economics and set a position of state intervention by recommending the application of historical, ethical, empirical, and statistical methods toward social problems. He was an applicant for the Tooke chair of Economic Science and Statistics at King’s College, London in 1891, but he had a plan to establish a school of economics and had actually agreed to contribute a course of
lectures. That plan became the basis of the founding of LSE.

Hewins and S. Webb’s encounter was as follows. Hewins was a member of the Social Science Club 1886. This club’s aim was to seek the resolution of social conflicts through on-the-spot investigation, in which S. Webb joined. Mr. and Mrs. Webb first met Hewins at the Bodleian Library in 1893. Although he did not remember them, S. Webb was impressed with Hewins’s extention movement and read Hewins economic history (Harrison 2000, p. 289). Ultimately, Hewins accepted the post and became the LSE Director on 1 April 1895. Hewins pondered his idealism and prepared “in planning the curriculum and selecting the staff, Webb and Hewins aimed at a varied group of specialists who would have an approach to the pressing problems of the day quite different from that of the professors of the older universities, whose point of view seemed to them narrow, abstract and individualistic. If Webb and Hewins were guided by any one conviction it was mainly that the theoretical and individualist economics of Ricardo and Mill had kept their dominant position far too long and that it was time to give other school a chance” (Hayek 1946, p. 5).

In contrast, S. Webb busied himself with fund-raising for managing the LSE. The school’s first annual budget, on the back of an envelope, came to just over £714. But in actual fact, £2,400 was needed to keep the school going during its first year. The shortfall was made good by donations from individuals like Bertrand Russell and Charlotte Payne-Townshend (soon to be Mrs. G. B. Shaw) and support by the London Chamber of Commerce and London County Council Technical Education Board.

The London Chamber of Commerce (LCC) had an Educational Committee and was obligated to organize higher commercial education, so it was interested in the education provided at the LSE. Therefore, LCC expected LSE to supply a teaching room. It was easy, with the help of LCC, to make the Technical Instruction Act (1889) for importing technical education. S. Webb was the Chief Executive of the LCC. Therefore S. Webb was able to obtain subsidies. The sum of £500 was granted. Detailed lectures were “commercial” subjects, industrial commercial and industrial law, commercial history, commercial geography and trade, currency and banking foreign tariffs and industrial arbitration and conciliation (Caine 1963, pp. 42–47).

IV-2 The historical economists from Oxford

Marshall had a deep knowledge of economic history and applied economics; needless to say, he was a neoclassical economist who pioneered modern economic analysis. Marshall’s “Principles of Economics” (Marshall 1890) was the standard textbook of the economics. Marshall created the Marshallian school of economics. However, the German historical school diffusing throughout Europe had been introduced into
Britain. Many talented economists from Germany such as G. Schmoler criticized the
deductive economics as put forth by Ricardo.

Cliffe Leslie in 1870s Britain touched off the debate of the English: English
Methodenstreit. It was a conflict between inductive and deductive economics. He was
stimulated by Henry Maine’s historical study of law and Richard Jones’s historical cri-
tique of Ricardian tradition, and he emphasized J. S. Mill’s economics. Many econo-
mists at Oxford were interested in historical economics. For that reason, the English
historical school produced a big storm in Britain and later in Germany. Many econo-
mists in 1985’s LSE were assembled from Oxford University. They are called “The
Oxford Historical Economists”\(^6\).

Hewins recruited a faculty of “dissenters”, not of the Marshallian school but his-
torical economists for the LSE\(^7\). Sir Henry Trueman Wood of the Society of Arts
raised a question: “Is the new school to be a genuine teaching institution? Or is it to
be founded and worked in the interests of any particular set of social economists? In
the latter case, I doubt if the Society of Arts could wisely meddle with it. The LSE
would not deal with political matters and keep the scholarly neutrality” (Dahrendorf
1995, p. 16). Hewins replied “Lectures should deal with principles and with historic
facts rather than with the advocacy of the particular view of any one party in
thoughts.” (Ibid, p. 16). The early years of the school were dominated by many dis-
senters, and especially by historical dissenters. In fact, W. M. Ackworth and W.
Cunningham were brought in to counteract Marshall (Kadish 1982, p. 252; 1993, p.
244).

The historical economists of Oxford tried for a long time to establish a practical
branch of learning that was slighted in Britain. The courses held under the auspices
of the Chamber of Commerce and subsidized by the TEB are presented in Table 1.
The foundation of LSE maintained a place for the Oxford historical economists
(Kadish 1982, p. 277). During the first term, 203 students enrolled; at the end of the
session the number of students registered had become 281, of whom 87 were women
(Caine 1963, p. 50). “During the first year more than 300 students joined the School.
Of course, 100 undertook the whole or part of the three years’ course of study estab-

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\(^6\) The historical economists were diverse. For that reason, they were never able to create a co-

\(^7\) Hewins was appointed Tooke Professor of Political Economy at King’s College in the Strand.
He had been an unsuccessful candidate in 1891. He drew up plans for making King’s College the
center of economic training in London. These plans were the foundation of the plan Hewins later
drew up for LSE (Beveridge, J. 1960, p. 52).
**Table 1** The First Session

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Lectures/Classes</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. A. S. Hewins, M. A., Director of the School, later Conservative M. P.</td>
<td>Twenty lectures on “The State in relation to Industry and Commerce”; twenty lectures on The History of English Commerce; various classes in economic theory and history</td>
</tr>
<tr>
<td>A. L. Bowley, M. A., Later Professor of Statistics at the University of London</td>
<td>Classes in Statistics.</td>
</tr>
<tr>
<td>W. M. Ackworth, M. A.</td>
<td>Six lectures on “Railway Economics”</td>
</tr>
<tr>
<td>H. J. Mackinder, M. A., F. R. G. S. Reader in Geography of the University of Oxford, later Director of the School and subsequently Professor of Geography in the University of London and Conservative M. P.</td>
<td>Twenty lectures on “The Influence of Geographical Conditions on Commercial Development; Trade Routes, etc.”</td>
</tr>
<tr>
<td>J. E. C. Munro, LL. D., formerly Professor of Law, Owens College, Manchester</td>
<td>Twenty lectures on “The Law in relation to the Exchange and Distribution of Wealth”</td>
</tr>
<tr>
<td>H. S. Foxwell, M. A., Professor of Political Economics, University College, London.</td>
<td>Twenty lectures on “The History and Principles of Banking in England”</td>
</tr>
<tr>
<td>The Hon. George Peel.</td>
<td>Six lectures on “The Bank of France”</td>
</tr>
<tr>
<td>Edwin Cannan, later Professor of Economics at the London School of Economics.</td>
<td>Four lectures on “The History of Rating”</td>
</tr>
<tr>
<td>E. J. Harper.</td>
<td>Six lectures on “The Rating Question”</td>
</tr>
<tr>
<td>Graham Wallas, M. A., member of the Fabian Society, later Professor of Political Science at the London School of Economics</td>
<td>Twenty lectures on “The English Constitution since 1832”, and classes in political science</td>
</tr>
</tbody>
</table>

(Caine 1963, pp. 48–49)

lished at the School, or were engaged in other systematic work.” (Hayek 1946, p. 8; Quoted from the prospectus of the school of the year 1896–1897). By 1898–1899, he had added to the full-time three-year courses in economics and political science, the
LSE offered a two-year course in statistics, higher commercial courses, and special courses for railway and municipal officials.

Hewins was an admired and successful administrator. He wrote long letters to Mr. Webb in America, as on 22 September, 1898: “...in Germany, you and Mrs. Webb are held in the highest estimation of all English writers on economics. Marshall is nowhere. His book is not considered intrinsically important, and even amongst those who might be expected to agree with him his ideas are not considered original Schmoller is very keen about the school, and we seem to be getting a firm hold on the younger men. I think the transference of the ‘centre of force’ in economics from Germany to London is by no means impossible.” (Beveridge, J. 1960, p. 39).

Marshall wrote on 30 January 1902 to Neville Keynes. “Put yourself in my position. I am an old man ...I had no time to wait. Economics is drifting under the control of people like Sidney Webb and Arthur Chamberlain. [A reference to the London School of Economics and Birmingham’s new school of commerce] And all the while, through causes for which no one is in the main responsible, the curriculum to which I am officially attached has not provided me with one single high class man devoting himself to economics during the sixteen years of my professorship...In fact, McTaggat is the only first class whom I have caught; and him I have only half caught”. (Skidelsky 1983, p. 45: Quoted from Marshall to J. N. K., J. N. Keynes’ Papers, 30, January, 1902, p. 45).

Consequently, LSE provided for a systematic study of economics and created an institute to which economists could dedicate themselves to the teaching and study of their subject (Kadish 1993, p. 233).

IV-3 Hewins on tariff reform

The Liberal Party was beaten soundly in the general election of 1895 and the Third Cabinet of Salisbury was organized; Chamberlain became the colonial secretary. He was the colonial secretary in Balfour’s cabinet also. He had made his famous Birmingham speech on 15 May 1903. Chamberlain announced the plan of tariff reform and empire integration, demanding the conversion from a free trade policy to protection and Imperial preferences. When Queen Victoria died in 1901 and Britain had been defeated in the Boer War Britain emerged in diplomatic isolation.

Chamberlain’s announcement was called “Social Imperialism”. The early “Social Imperialism”, which Benjamin Disraeli had made a speech in the crystal palace in July 1873, was aimed at the greatness of nations and the glory of nations. But Chamberlain’s “Social Imperialism” suggested protectionism, imperialism, and the tariff reform that seemed necessary because of the great depression and the loss of the Boer
war. Chamberlain asked the people of the labour class for their conversion to tariff protectionism because their environment was dependent on Britain’s industry.

Hewins delivered three lectures on imperial politics and approached Chamberlain when the Boer War began in 1899. Hewin’s public advocacy of tariff reform was quickened by the experience of the Boer War. In 1900, Schmoller invited Hewins to contribute an article on British trade policy for his famous *Jahrbuch*. Hewins said to Chamberlain that he favored a preferential tariff for the British Empire, but that it was politically impossible for the moment. The contribution of Hewins to Schmoller’s *Jahrbuch* appeared in 1901 and was based on a series of lectures he had given several years earlier at the Society of Arts (Koot 1987, p. 175).

Hewins suggested that substituting “empire” for “national” in his 1895 definition of mercantilism would express the essential aim of his policy. Each nation within the empire would by encouragement or restraint imposed by the sovereign authority mold private and national interests into imperial strength and efficiency. The suggested policy became a guide to public policy (*Ibid.*, 175–176). Hewins suggested that “commonwealth” and an “Imperial economic common” were important, and that free trade in the empire promoted the development of production and social welfare. He was “Neo-Mercantilist” (Hayek 1946, p. 4).

Chamberlain told Hewins: I do not pretend to be an economic expert. I once read Mill and tried to read Marshall. You must supply the economic arguments. (Hewins 1924, p. 13; Koot 1987, pp. 175–176). “I can be of real service to the Imperial cause and hasten the adoption of your policy... I have therefore decided to accept your invitation, and I propose to begin work at once. I am today resigning the Directorship of the School of Economics and my other academic posts so that I can henceforth devote all my powers to the work of the Commission” (Dahrendorf 1985, p. 69: Quoted from Hewins to Chamberlain, Nov. 1903, Hewins Papers. 46/102). Hewins became Chamberlain’s chief economic advisor. Hewins, unlike Marshall, was the political economist. Hewins resigned his LSE Directorship in 1903 to assume the post of Secretary to the Tariff Commission. However, the Unionist lost to the Liberal Party in the 1906 general election because British people doubted the effectiveness

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of the tariff reform league. Hewins did not turn back. He provided Balfour with economic advice during the latter’s tortuous wandering through the labyrinth of the tariff issue. He offered his services to Bonar Law, apparently with little success. He was closer to Stanley Baldwin, and he was still providing him with technical information related to the tariff issue in 1929. After several unsuccessful attempts, Hewins was elected to Parliament, where he served during 1912–1919. In 1917–1918, he was the Undersecretary for the Colonies. He never regained his seat in Parliament. Ironically, on the day of his death in 1931, the national government introduced emergency tariff legislation in its attempt to deal with the world economic crisis. Perhaps just as interesting is that LSE economists such as Robbins and Hayek argued with Keynes from the standpoint of free trade (Kimura 2005; Koot 1982, 1987).

V. As a constituent college of the University of London

V-1 Achieving corporate status, acquiring a permanent building

Immediately after the foundation of LSE, it became fully recognized as THE research and educational center of economics and politics; notwithstanding, various problems presented daunting obstacles. The number of students at the beginning of the academic year of 1895 was 285, and about 400 students were registered as LSE’s students every year until 1900\(^\text{10}\). The students in LSE were much more numerous than in other universities, but few students researched the social sciences which had been the mainstay from its beginnings. Reflecting social conditions in those days, Ackworth’s “Railway Economics” was a popular subject. All lecturers, except Hewins, were employed as part-time workers. In fact, many lecturers served at LSE without pay. Table 2 shows the change of enrollment (Caine 1963, p. 55). British people anticipated a bright future for LSE.

However, LSE was also in an insecure position financially. Detailed accounts of LSE are not available, but the Hutchinson Trust record, an estimate prepared by Hewins and included in the Hutchinson Papers, suffices to give a fairly clear picture of this period (Ibid., pp. 56–57). The School’s receipts over 18 months from 1 April 1895 to 30 September 1896 were £2,000. Total payments amounted to £1,005 on general account and £133.175.10d. as a special grant to provide capital for publica-

\(^{10}\) As a substitute lecturer, Lilian Knowles joined the LSE. She was a student of William Cunningham. She was the first full-time lecturer in economic history in Britain in 1902. She was Director of the Faculty of Economics during 1922–24 (Koot 1982, 1987).

\(^{10}\) Regarding early life at LSE, “LSE was a social place which helped form a strong esprit de corps as well as many lasting alliances”. (Dahrendorf 1995, p. 61).
tions. The Hutchinson Trust played the salient role. The LCC grant was £500; fees were £300. Nevertheless, the Hutchinson Trust grant dwindled in importance both absolutely and relatively. It was fixed annually as a normal £200. The LCC grant was raised to £1,200 (Ibid., p. 56). This income from 1897/8 is shown approximately in Table 3. Normal expenditures of 1897/8 are presented in Table 4.

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of students</th>
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<tbody>
<tr>
<td>1895/6</td>
<td>285</td>
</tr>
<tr>
<td>1896/7</td>
<td>372</td>
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<tr>
<td>1897/8</td>
<td>378</td>
</tr>
<tr>
<td>1898/9</td>
<td>422</td>
</tr>
<tr>
<td>1899/1900</td>
<td>435</td>
</tr>
<tr>
<td>1900/1901</td>
<td>404</td>
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</tbody>
</table>

| LCC (TEB) Grants | £1,200 |
| Hutchinson Trust | £200   |
| Students’ Fees   | £350   |
| Proportion of rent, etc., paid by the British Library of Political Science | £400 |
| Receipts from sub-letting to Miss Payne Townshend | £270 |
| Miscellaneous donations and other income | £100 |
| **Total** | **£2,520** |

| Payments to the Director and lecturers | £1,325 |
| Staff and service | £400 |
| Rent, rates and taxes | £400 |
| Printing, stationery and postage | £200 |
| Publications | £100 |
| Research studentship (partly but not wholly covered by special benefactions) | £275 |
| **Total** | **£2,770** |
S. Webb participated in various efforts to reorganize the University of London (Beveridge, J. 1960, pp. 11–14). Actually, LSE was admitted as a constituent college of the University of London in 1900 and the financial anxieties were wiped away. The University of London Act was concluded in 1898 and new school regulations were established in 1900. The “new” London University was born. Webb made efforts for LSE to take part in London University. Many lecturers who were employed as part-time lecturers became lecturers at London University. Furthermore, BSc (Econ) — Bachelor of Science (Economics) and DSc (Econ) — Doctor of Science (Economics) were established as the first degrees in social sciences in Britain (Hayek 1945, p. 13)\(^{11}\). In June 1901, it was decided to seek incorporation as “a company limited by guarantee and without power of taking profits.” The new building in the Clare Market was opened in May 1902, known as the “Passmore Edwards Hall”\(^{12}\). Thereafter, LSE spread gradually towards and beyond the Houghton Street.

\textbf{V-2 The British Library of Political Science}

The collection of books increased steadily since LSE was opened. In all, LSE owned 25,000 books, reports, and pamphlets until 1898. The building in John Street soon became too small; then the administrative office of LSE was moved to No. 10, Adelphi Terrace by the Hutchinson Trustees in 1896. It was prepared to establish the new library of LSE in the place. In April 1896, Webb proposed the establishment of a political science library: “There is, at present, no library in England that deals, with any thoroughness, with Political Science. There is no place where the serious student of administrative or constitutional problems can find the material for his work......the Studies and investigations of the School are seriously hindered by the absence of any Library of Political Science. Such a library it is now proposed to establish. Vested in responsible trustees, and permanently secured by a deed of trust enrolled at the High Court of Justice, it would at once become an inalienable part of London’s educational endowments” (Caine 1963, pp. 62–66).

The new library was duly opened on 9 November 1896, announced by S. Webb and Hewins in a circular to subscribers of 31 October, and called the British Library of Political Science. The Library has developed and grown year after year and was renamed the British Library of Political and Economic Science (BLPES) in 1925, although the library was independent of LSE until 1955. The drafting of a Trust Deed for the Library was mentioned at a meeting of some of the Hutchinson Trustees on

\(^{11}\) The Commerce Degree in London was not established until 1919 (Kadish 1993, p. 249).

\(^{12}\) John Passmore Edwards (1823–1911) was a discriminating and deliberate benefactor.
28 September 1896, who were Clark, Pease and S. Webb, the active members of the Hutchinson Trust and also Trustees of the London School of Economics, together with Miss Payne Townshend and R. B. Haldane. They appointed S. Webb as Treasurer, Hewins as Director of the Library, and Beatrice as Lady Visitor, without salary. The Lionel Robbins Building was built in 1978. On a typical day, 5,000 visitors use the library of the social science. The library has 4 million volumes; at one time, it was the world’s largest library. (Dahrendorf 1995, pp. 50–53; Caine 1992, pp. 61–70).

**V-3 Toward the Social Sciences Research Center**

The number of students decreased from 2,127 in 1913/4 to 1,156 in 1917/18 during World War I. Sidney Webb thought that the role of LSE was significant for education of economics after World War I finished (Dahrendorf 1995, pp. 129–130). William Pember Reeves (1857–1932), the third Director, was an indifferent administrator who showed little interest in the prospects for expansion (Harris 1977, p. 265). For that reason, S. Webb installed William Beveridge as the Director of LSE. Although the physical accommodations in LSE had grown through Beveridge’s strong leadership, the early LSE had the basic important subjects and brilliant professors for the most famous academic institution in the world for the study of economics, statistics, sociology, and geography.

**Cannan on Economics**

Edwin Cannan (1861–1935) in the early 1890s became a regular contributor on legislative and administrative matters to the new Oxford-based Economic Review, and developed a special interest in the evolution of local government taxation. His teaching for the school developed rapidly, combining his core lectures on the history of economics with an appraisal of recent economic theory based on a critical evaluation of Marshallian economics. Cannan wanted to liberate British economics from the tradition of Marshall’s dominance. He was a classical liberalist who supported the gold standard and free trade (Coats 1982, p. 22). In this meaning, Cannan was not disinterested in the Oxford historical economists, but he “created the tradition which, more than anything else, determined the intellectual climate in the central department of the school”. (Hayek 1946, p. 33). However, at the LSE, Cannan was recognized as a great man in Cambridge (Dahrendorf 1995, p. 211). He became a professor in 1907 and contributed importantly to economics education at LSE until 1926. He was particularly knowledgeable about the continental economics. In Cambridge, “It’s all in Marshall” was often said. The Cambridge school dominated stages such as the British Economic Association, *Economic Journal*, and the academic posts. On the
other hand, nobody at LSE said “It’s all in Cannan”; rather, economists at LSE were called “dissenters”. Cannan did not shove his ideal economics at his students, and instead approved many and various economics. Cannan’s character and personality were generous about economics. The LSE also fostered the continental economics by Robbins and Hayek, although Cannan showed an adverse reaction of Robbins’s definition (Cannan 1932). “The Cambridge economists of the inter-war period had inherited the great Marshallian tradition: it was perhaps natural that they should find therein enough stimulus to further speculation without troubling overmuch about developments elsewhere.....At London, on the other hand, there was no such strong local heritage. Cannan’s teaching, although not lacking a strong and valuable positive content at the elementary level, at the advanced stage was largely based on the critical examination of the theories of others. It was natural therefore for us [‘Robbins Circle’] to seek wider affiliations, both in time and in space”. (Robbins 1971, p. 133). Cannan prevailed “Rerum cognoscere causas” from Virgil’s Georgics, which was adopted as LSE’s motto in February 1922.

Bowley on Statistics

Arthur Lyon Bowley (1869–1957) was born on 6 November 1869. Bowley, He was educated at Christ’s Hospital, Newgate Street from 1879 to 1888 and from there went to Trinity, Cambridge on a first mathematics scholarship. With Marshall’s help, Bowley was transformed from mathematics to economic statistics. He won the Cobden Essay Prize in 1892 (Character and Geographical Distribution of England’s Foreign Trade in the XIXth Century and Their Causes) and won the Adam Smith Prize in 1894 (Changes in Average Wages in the United Kingdom Between 1860 and 1891). “Bowley’s Law”, related to wages and national income accounting, is unfortunately named. Bowley devised a method capable of yielding an accurate account of general wage movements and constructed index numbers and used ratios rather than levels of wages because a severe problem arises with comparison of available figures for different years in different trades, particularly when they have been compiled using different methods. When a revised version of the paper was read to the Royal Statistical Society on 19 March 1895, Marshall commented that he had been struck by the brilliance of the plan by which Mr. Bowley proposed to extract some information from the great mass of wage statistics which had hitherto been almost useless because of their fragmentary nature. He taught at the LSE continually from 1895 until his retirement in 1936 (Darnell 1981).

Statistics was not formally taught as a subject of economics until the end of the 19th century. For that reason, LSE was a unique school in England in that it offered
the subject of statistics. In 1901, Bowley published Elements of Statistics, which was the first English text on the subject. He was a founder of the International Economics Society in 1933 and served later as its president. The modern econometrics technique was developed in the 1970s at LSE: the so-called “LSE approach” was in the tradition of Bowley’s contribution to statistics (Sargan 2003).

**Hobhouse and Westermarck on Sociology**

L. T. Hobhouse (1864–1929) was one of Britain’s first professors of sociology, for a position newly endowed by Martin White in September 1907. He was a journalist for the *Manchester Guardian* before he became a professional sociologist. He taught at LSE until his death in 1929. At the inauguration of the Martin White Professorship of Sociology on 17 December 1907, Hobhouse spoke about “The Roots of Modern Sociology”. Hobhouse was interested in trade union affairs and labour leaders such as Tom Mann and Ben Tillett, but he did not enter the Fabian Society. Hobhouse was renowned as the advocate of new liberalism with J. A. Hobson. Hobhouse thought that the social inconsistency as a social problem in the 19th century was “laissez-faire” or “individual liberalism”, so he pursued the reform of liberalism through the fundamental re-examination of the movement for liberalism and social reform. He approved of the state compulsion, which was permitted to constrain coercive conduct, as a social policy. On the other hand, the other inaugural lecture was Alexander Edward Westermarck (1862–1939). Westermarck explored and explained the intriguing and seemingly endless variety of ethnographical facts. His writings were chiefly related to morality, marriage, and Morocco. In 1904, he accepted an invitation from the University of London to give a course of public lectures on a social subject entitled ‘Early custom and morals’. He spoke on “Sociology as a University Study”. It is shorter and clearer than Hobhouse’s and “of a different ink”. Westermarck agreed with those who thought that sociology was often too vague, too constructive, too full of far-reaching but unproved generalizations, notably about the “simpler peoples”, which the social philosophers used to substantiate their claims not only for moral evolution but also for moral progress. Westermarck himself remained an agnostic and moral relativist. He left no lasting school of students in anthropology, sociology, or

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130 “During the 1930s, the department of statistics was founded under Professor Bowley, who pioneered the use of sampling methods in social surveys, and carried out in the 1930s a large survey of London poverty, which could be compared with an earlier survey by Charles Booth at the beginning of the century. He was followed by Roy Allen and in the late 1940s, Maurice Kendall succeeded in building up the statistics department so that, in terms of the number of faculty, it was the largest of any British University” (Sargan 2003, p. 430).
philosophy, but he counted among his pupils who attended his lectures many notable intellectuals such as Bronislaw Malinowski, Morris Ginsberg, and Raymond Firth (Dahrendorf 1995, pp. 106–107).

**Mackinder on Geography**

Haldford John Mackinder (1861–1947) succeeded Hewins and was the economist and political geographer who took up the second Directorship in 1903. He was born at Gainsborough in 1861. His first interests were in the field of science; he accepted a junior studentship in physical science at Christ Church, Oxford, in 1880. He read for two honours schools, natural science and modern history, and for the bar. Mackinder applied his studies of science, economics, history, and law to geography; he developed a field he called “historical geography”. He established a national reputation as a result of his work with the Oxford extension movement. He was appointed to the post of Reader in Geography at Oxford and in 1889, he was named Director of the first English school of geography. He delivered lectures from the start of LSE. In 1902, he was appointed full time as the economic geographer of London University, with responsibility for advising on the organization of a department of geography at LSE. When the imperialist wing of the Liberal Party was opposed to the liberal imperialist, Mackinder suggested that the financial importance of the City of London might continue to increase, while the industry of Britain becomes less and that it was for the maintenance of our position in the world because we are the great lender, that we have been driven to increase our empire (Beveridge, J. 1960, pp. 58–64).

During the Boer War, the “Liberal Imperialists” became estranged from the main body of Liberalism. Mackinder thought that the empire would collapse without tariff reform. In addition, Mackinder converted to tariff reform at the third meeting of the Coefficients in 1903. In 1906, Mackinder published his *Money-Power and Man-Power: The Underlying Principles rather than the Statistics of Tariff Reform* from German neo mercantilist, Friedrich List. In 1919, the Coalition Government of Lloyd George appointed Mackinder as the British Commissioner for South Russia. In 1926, in the government of Stanley Baldwin, he became the Chairman of the Imperial Economic Committee. He died in 1947 (Semmel 1960, pp. 166–176).

**VI. Some conclusions**

What are we to conclude from the outline presented above? First, many civic universities were created by the technical educational movement and higher commercial education: LSE was one of them. Second, LSE was founded financially by Hutchinson’s bequest with the additional aid of LCC, TEB, and the Fabian Society.
Hutchinson left a large fortune. Without that large fortune, LSE might not have been founded. Third, S. Webb exercised leadership in the Fabian Society. The school was his idea. Especially, Mr. and Mrs. Webb influenced the development of LSE. Without their fateful encounter, LSE would not have come to exist. Fourth, the early LSE had the Oxford historical economists and their challenges against Marshallian school and the Cambridge school, although the dissenters were not a school and undermined Cambridge’s authority. Fifth, LSE offered a curriculum of economics rather than politics because Hewins became the first Director. If Wallas had become the first Director, LSE would have become a different school. Sixth, LSE was a constituent college of the University of London in 1901 and The British Library of Political Science was established for researching social sciences. Seventh, the early LSE had not only higher commercial education and economic history but also important subjects or professors such as Cannan, Bowley, Hobhouse, Westermarck, and Mackinder. These unique subjects laid the foundation for the most famous academic institution of social science. Lastly, although the matrix of LSE was the Fabian Society, academic freedom was recommended. This reflected Sidney Webb’s vision of a “school of investigation and research”. In fact, LSE did not consist of only Fabian scholars. Director Hewins was far from being either a socialist or a Fabian.

Since Beveridge was accepted the Director of LSE in 1919, LSE became a strong economic research center by virtue of the “Robbins Circle”, including Robbins and Hayek. These academically neutral traditions of the early LSE were furnished with the firm basis of development and evolution of social science at LSE. Last, but not least, LSE is situated in London, a cosmopolitan city with intellectual stimulus and excitement. By virtue of that fact, LSE benefits from its influence by wider circles of politics and affairs.

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(Yuichi KIMURA, Research Associate, The Center for Historical Social Science Literature, Hitotsubashi University)
The foundation and development of the LSE in late Victorian Britain

Yuichi KIMURA