

## SCHOOL OF MANCHESTER: THE FUTURE IS IN THE PAST

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***Abstract:** In a period full of uncertainties, economists belonging to different economic schools are trying to find solutions for overcoming recession moments and for ensuring a sustainable economic growth. A phenomenon usually found in physics, hysteresis, is according to our opinion, applicable in both theory and economic practice: the current economic situation, but also governing theories and laws, are influenced and dependent of past events. We will turn our attention in this article on Manchester Economic School, a less orthodox one, but with strong principles that are still influencing the contemporary realities.*

***Key words:** Manchester Economic School; Hysteresis; laissez-faire; free trade; Cobdenism.*

**JEL Classification Codes:** N0, N13, C1.

### 1. INTRODUCTION

The Economic School of Manchester was represented by a group of business people with common interests that were forcing Great Britain to quit the “Corn Law” and consequently to pass to a free trade model.

Maybe the most important memory attributed to the School of Manchester is their extravagant notion of laissez-faire, but is also very important to deep dive in their principles and work and to respond to the following questions: what the school represented, what they did, and very important- why?

We decided to have this scientific approach because the Economic School of Manchester, in contrast to, for example, the classic economists, has been represented by extremely active group of people that was influencing the government to take decisions in one direction or another, and the members were spending less time to express their ideas in writing, but working on a more applied approach, by translating the ideas directly in that time economic reality.

Our approach will be fulfilled using qualitative methods, by synthesizing the economic literature on the subject and by bridging the free-trade and pacifist spirit in the current context.

### 2. SCHOLL OF MANCHESTER AND COBDEN’S LEGACY

#### 2.1. School of Manchester

The Economic School of Manchester was not a school in the sense which the classic economists or other intellectual groups were, because, unlike them, they did not have a relatively complete or consistent doctrine. But they had ideas about particular problems, the most important being the effect of corn free trade on prices, on the demand of manufacturing goods, on salaries, employment and annuities (Wallace, 1960).

There were **5 distinct groups** being part of the Manchester School in the moment of unfolding the campaign against Corn Law:

a) First group was formed by business men's with a strong desire to have Great Britain adhering to free trade as they had the strong belief that this approach will bring an increase on manufacturing (textiles) demand and smaller costs/salaries.

This fraction was part of Manchester School under the name of Gradgrinds, and their behaviour was governed almost entirely by their own interests. This group was very large and was providing a massive financial support for unfolding the Anti-Corn law campaign.

b) The second group was formed by business men's, but governed by a different vision comparing with the first one. They were considering that is their duty to help the lower class with everything possible in their hands and were opposing to Corn Law as they considering it unjust and cumbersome. The group promoted self-help organisations, like educational groups for workers and were sponsoring groups like "The Statistic Society of Manchester".

c) The 3<sup>rd</sup> group was formed by pacifists, from which Cobden, and in a smaller extent Bright, were representative. They had the belief that the free trade will bring to buyers and sellers from all over the world a strong economic interest for peace that will impede governments to produce wars. This idea is derived from Ricardo legacy (maybe the only idea borrowed from him). This group was providing to Manchester Economic School the reputation of being against the colonial system and the imperialism.

d) Another group, the 4<sup>th</sup> one, was consisting of philosophic radicals (London radicals), which were the official utilitarianism representatives and were applying this concept in the 30s and 40s of XIX century. Charles Villierrs, member of this group, was the leader of free-traders until 1841, when he was replaced by Cobden.

e) Radicals from the middle class were behind the 5<sup>th</sup> group. They were different comparing with London radicals by occupation and social origins, most of them being business men's without particular interests for an ideological justification for the reform, but more interested on the methods to secure the reform and the cross effects.

In energy, persistence, power and courage, but also ingenuity, they were the most important group of Manchester Economic School.

Among the biggest actions they were implied, we will highlight the following ones:

- abolish the slavery from the Britain colonies and stopping the slave commerce;
- In the imprisonment reform and abolish the death sentence;
- In the reform for masses education;
- In reducing the taxes on press;

We can notice that this fraction belonging to Manchester School was very active on the political and social scene in that time.

The radicals grounded Manchester School and they were the most devoted and restless members. Without them, the free trade principles were probably subject to remain the intellectual property of economists and certainly were not becoming such a debated subject on the streets (Howe, 1997).

## ***2.2. "Anti-corn" law's effects on UK and worlds economy***

The Corn Laws were measures imposed on the Britain economy between 1815 and 1846, translated in restrictions and high tariffs for the imported grains. Measures sustained by the conservatives, there were supposed to "protect" the national production- but off-course they failed- food prices raise, and the imports were too expensive when it was a deficit of internal grain production.

Behind the free-trade and the repeal were mainly 2 socio-political forces: the land lords, with the desire to keep the price of grains up and maximize their profits; and the manufacturing owners, with the desire to keep the price of grains lower in order to lower worker's wages (in this case, workers would afford to buy the food cheaper) and therefore to maximize their profits.

As we already presented and we will still follow up in the next pages, the main opponents for the Corn Law were represented by the Manchester School Members, with Richard Cobden as the main figure for the repeal. We can discuss much about the Corn Law and the repeal, but there are few aspects important to mention in the current paper context, related to the effects on UK and world's economy.

We can summarize the effects as following:

- In the first 2-3 decades after the repeal, the grain price was stable, but after, in the context of cheaper transportation (train, ships), the price dropped significantly: grown corn averaged 56 shillings and 9 pence a quarter in 1877, while in 1888 price decreased to 31 shillings a quarter;
- The agriculture share in the UK GDP dropped from 17% in 1871 to less than 7% in 1911, shifted by an increase in industry;
- As the imports started to be cheaper, farmers with small productions were migrating to urban areas and working in manufacturing;
- Social power shifted from landowners, who until 1880 had been the richest class, to the industrial class;
- Farmers with good skills and land did well even if the price dropped, while the mediocre farmers were forced to start doing other activities or to migrate into cities;
- All of the effects were creating the ground for a healthy capitalism and free-trade;
- From an international view point, the repeal was encouraging and increasing the production in other countries, especially in US, but also in Russia; also the free trade concept and Cobdenism will later have a big impact on world's economy, as described in the next chapter;
- From consumer/producers perspective, the consumers were much better situated after the repeal, having access to cheaper food and therefore being able to increase their consumption on other goods/ to make savings.

The above lines are just few of the direct effects, but indirectly, the "Corn Law" repeal opened Britain to modernization, to free trade, and the effects are still propagating in the current economic environment at international level.

### ***2.3. Richard Cobden and his Legacy***

Corn Laws were probably the biggest obstacle on the road to free commerce and consequently, for applying in the economic reality Cobden's vision.

Cobden was sustaining that a free trade policy will increase the occupation level of active population and that is in the government duty to erase the obstacles planted on the free trade way. This idea was part of "laissez-faire" doctrine (the notion was introduced in the Britain Encyclopaedia in the same year when the Anti-Corn Law appeared (in 1824) and began to be more and more used by the English speaking population.

Cobden was always betting on the pacifist side in his demarche to abolish the Corn Law. But once abolished, the free trade did not had that predictable pacifist effect, because a part of manufacturing owners were looking at China and India as at one propitious field for companies that can be maintained open only with force.

Richard Cobden was sustaining pacifism until his last moment (he died in 1865). Few years after his death, a decline was noticeable in the Manchester School ideas. During his life, he had a strong position against the aggressive external policies, power balance, colonies and imperial expansion.

Cobden, and the so-called "Cobdenism", later identified as laissez-faire, has been the subject for lots of critics from the School of Britain Economists, which were protectionism supporters. Even so, a big part from the end of 19 century was marked by the success of free

trade movements, and the protectionism became heterodox. The movement “Tariffs Reform” from Great Britain started by Joseph Chamberlain brought new opponents to Manchester-ism and again the subject became controversial. The reconstruction years after the 2<sup>nd</sup> World War were having a high degree of intervention from governments on the commerce, but starting with the 80s, Margaret Thatcher in Great Britain and Ronald Reagan in US revitalized the laissez-faire concept, which dominated the economic thinking until today.

Cobden succeeded to leave behind a big mark in the UK history. Even if he was not a “scientific economist”, many of his ideas and prophecies have been valid. He considered natural that Britain will produce manufacturing goods for the entire world and trade them with alimentary goods from other countries. The modern economists are defining this process as comparative advantage.

In 1866 has been founded the Cobden Club for promoting peace, free trade and well-being across the nations. This thing was possible with the help of Thomas Bayley Potter, his successor that desired an institution with the role to sustain Cobden ideas.

Cobden symbolized the liberal vision of freedom, of global prosperity generated by free trade, “like no other nineteenth century figure” (Trentmann, 2008). Stanley Baldwin argued in December 1930, in the Big Depression time, that with the help of great ideas inherited from Cobden, Great Britain needs to come back to free trade.

These moments from history are alimenting our opinion according to which the Economic School of Manchester or the Cobdenism, left an important heritage that will always influence the liberal economic thinking.

### **3. DISCUSSION: INQUIRY ON COBDEN AND MANCHESTER SCHOOL HERITAGE**

In 2015 we mark 150 years from Cobden’s death. Even if he belongs to another century, very much differing both socially and economically from the 21<sup>st</sup> century, his ideas are still pertinent and will always be viable, exactly how the marks on his tomb will always be pertinent: “Free trade. Peace. Goodwill among nations. Next, we will present a prominent speech in history that has at the ground the ideas promoted by Manchester Economic School:

“Cobdenism has never been more alive across world nations than is today. Nowadays, Cobden’s ideas are in opposition with the egoist nationalism. The need of breaking down the commercial barriers, which are disguised under different shapes, was universally recognized even by those that were not capable to throw these chains (enclosing of free trade)”- the laborite chancellor Philip Snowden, 1932.

Even in dark economic times, such as the peak of the first big economic crisis in 1931, candidates in favor for free trade where representing the majority of voters (both Labor Party and Liberals were supporters of free trade). Also today, the surveys are showing that the British citizens are very supportive for free trade, more than the others from developed countries and even more than the U.S. citizens. (Taylor, 2014).

Let’s see how Cobden’s actions and the Anti-Corn Law League were influencing Britain economy and ultimately word’s economy: (Howe, 2013)

- The debate on free trade was establishing the hegemony of a popular political language for economy, which touched all levels of society;
- This remained dominant also in the beginning of 20<sup>th</sup> century;
- Crucial for the success of the free-trade language was the priority gave to consumers over producers;
- Free trade was seen as a vital defence of working-class living standards, and the high degree of male and female literacy in Edwardian Britain saw this message effectively communicated to voters and non-voters. Free trade had become part of a political

consensus, however much Cobden in his day remained an “outsider,” although in fact less one than he has been sometimes presented. This was a fundamental, not a fleeting, change in political life.

- Peace through trade, probably the most significant legacy that Cobden was fighting for, was continued after his death by his daughters (Jane and Annie)- carrying his legacy in the area of women’s rights and reform of land. Jane was a key contributor in ensuring that Cobden’s legacy and ideology is continued in the 20th century, especially on the international peace movement. Jane was using her father ideology and was very active in anti-war activities, founding the South African Conciliation Committee in 1899 and publishing “The Recent Development of Violence in Our Midst” (Cobden, 1900). She was also donated her father’s childhood home for peace, free trade and education causes.

As we clearly demonstrated above, peace is the obvious cornerstone to Cobden’s ideological world view. Looking at his earliest publications, he was blaming England’s mania for interventionism and advocated for “peace, economy, and a moral ascendancy over brute violence” (Cobden, 1835; Cobden, 1836).

In order to bring our scientific demarche in the present times, we decided to showcase the current academic environment from Manchester.

Manchester is one of the oldest economic study centers in Great Britain, having a Political Economic department since 1854.

The most important persons who collaborated with Manchester University are:

- sir John Sticks (1938-1946);
- sir Arthur Levis (1948-1958);
- Professor Joseph Stiglitz (present).

All of them are Noble Prize owners.

While we clearly showed how important is Cobden’s figure in forging new economic and political models, maybe his most lasting achievement was to create the base of an intellectual outlook that is linking the commercial policy with antimilitarism and international cooperation, which is offering at the end a better future for humanity.

This has still the potential to lead on a continuous transformation in the foreign policy area. His outlook, at an international scale, was to promote common principles and values that will set a peaceful international environment.

In order to chain the past and the future, we will focus in the following rows on Joseph Stiglitz.

In one of his reference books, “Making Globalization Work”, he was underlining the existing inequalities in the global economies and the mechanisms through which the developed countries are exerting an excessive influence on developing countries. According to our opinion, the vision is very close to Cobden’s one, but translated in the current context. As Cobden was supporting the purity of international trade and the rich implication in helping the poorest, Dr. Stiglitz is supporting the idea according to which the rich countries did too less to help on the difficult international situation we are currently facing.

We did this analogy to show that the Cobdenism and School of Manchester spirit is still among us and is perpetuated by very important names from the economist’s community.

## CONCLUSIONS

Being one of the biggest supporters of peace and noninterventionism in the history, Cobden was arguing that the political, cultural and economic power of aristocracy was a key element for having wars and acquisition of colonies. His thinking was a precursor to the

industrial-military complex identified in 1961 by Eisenhower. Instead of wars and colonialism, Cobden suggested that greatness must be gained through the power of trade.

His free trade and pacifist ideology will always be embedded in the heart of economic thinking. One recent effort made by A. Howe and University of East Anglia (Cobden Project, 2015) is showing how appreciated is his work even today, his legacy for international peace based on free-trade being a milestone in economics and not only.

Cobden's life and legacy were discussed in March 2015 by Professor Howe on BBC Radio 4's "Making history"- once again proofing that his ideology is treasured even now, after 150 years from his death (while the world and economic systems were changing several times).

We are living continuous changes in the economic environment, with recession situations hitting exposed economies, with changes in the economic structure (after the recent crisis in Europe, the model based on a more prominent industry sector is considered now more sustainable than the one based on services (European Commission, 2010)), where developing countries are catching-up again very fast. Is very important in such a dynamic environment to have strong economic principles, anchored in the best examples from the past.

The future is in the past- as we are presenting in the above chapters, the laissez-faire spirit and Cobden's legacy is just an example for strong principles applied in the economic reality, which is still perpetuating in the economy of 21<sup>st</sup> Century. As Dr. Stiglitz said, the developed countries need to support the less developed ones in order to reach a decent level of economic growth and to reduce existent gaps.

Nowadays, we don't need any more to break commercial barriers as in the past 2 centuries, but to break the invisible barriers that are creating a world of imbalances- and with a devoted approach and strong principles, this will be possible.

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