The Marshallian Tradition of Industrial Economics in Oxford: 1940s – 1970s

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Abstract:

Browsing through any interviews of Oxford economists during the inter-war period, it rapidly becomes apparent that Marshall’s theory formed a key part of Economics syllabi at the time. It seems highly likely that Marshall’s *Principles of Economics* prevailed as the dominant theory of industry and of competition during these two decades. However, the *Principles of Economics* also left Marshall’s research programme unfinished and open to misunderstandings. In this context, the first aim of the paper is to provide a better understanding of one of the different interpretations of Marshall’s theory, ideas, and methodology which prevailed in Oxford during the period 1947-1979. The choice of the specific context of Oxford University and this particular time period merits further comment.

The history of Post-Marshallian thought in Cambridge at that time has been widely studied, especially with the works dedicated to P. Sraffa, J. Robinson, A. Pigou or D. Robertson. By contrast, its influence on Oxford has drawn little attention. Among the few significant works, Professor Lee covered the Post-Marshallian period until 1940. With this paper we aim to fill a gap in the Post-War history of Post-Marshallian ideas in the realm of Industrial Economics.

The second purpose of this paper is to show that the developments of post-Marshallian ideas in Oxford gave birth to a new discipline in economic theory, namely Industrial Economics. For this reason, the paper seeks to emphasis the point of coincidence between, on the one hand, the increasing interest in Marshall’s theory and its interpretations and, on the other, the emergence of Industrial Economics.

From this standpoint, this contribution falls into three main parts structured chronologically. The first part [1947-1952] describes the increasing interest of Oxford Economists in firms and industry related interests before the emergence of Industrial Economics, as reflected by the creation in 1952 by Philip Andrews of the *Journal of Industrial Economics*. We focus on three events that we take to have contributed to the birth of Industrial Economics in Oxford. In 1947, the Oxford Economists Research Group was reformed following a period of disruption by the War that began in 1939. Roy Harrod took the chair and the intake of new members comprised in the main a number of prominent industrial economists: Eric Hargreaves, Lady Margaret Hall and Thomas Wilson or Norman Leyland. This new direction of interests with the group reflected the importance it began to attach to the analysis of industry and its need for a new theoretical framework in which to understand it.

The second event in favour of the birth of Industrial Economics, coinciding with post-Marshallian developments, is the publication in 1949 by Philip Andrews of *Manufacturing Business*. This book expressed, as Andrews was the first to say, an

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1 Cf. especially Prof. Frederic Lee’ s archives (Ms. Eng. C., folios 4820 to 4823), at the Bodleian Library, Oxford.

2 The OERG was a group of enthusiastic Oxford economists, created in 1935 who sought a broader empirical framework to the theory of Industry. The group gathered people of diverse interests and backgrounds, with a common focus on various parts of the theory of industry, and in particular a developing interest in competition and prices.
essentially Marshallian analysis both in its conclusions and in its methodology.
The third and last event was the publication in 1951, by Wilson and Andrews of the
*Oxford Studies in the Price Mechanism*. This collection of essays written in the context of
the OERG focused on the concept of industry in economic analysis and the analysis of
entrepreneurial behaviour.

The second part of the paper deals with the birth and the evolution of Industrial
Economics in Oxford between 1952 and 1968, when Philip Andrews and Elizabeth
Brunner (two of the most prominent proponents of Industrial Economics) left Oxford to
join Lancaster University. This period saw many substantial theoretical and empirical
developments of the discipline, most of which were developed in the course of a weekly
graduate seminar in the Economics of Industry.

The last part of this paper is concerned with the period 1968 to 1979, a time when Hay
and Morris published a standard textbook characterising Industrial Economics ‘as a major
area of economic analysis both in terms of theoretical and empirical research and in terms
of the number of courses at undergraduate and graduate levels.’ [Hay and Morris, 1979:
Preface to the 1st edition]. The success of this textbook in Oxford popularized the study of
Industrial Economics in England, and together with the creation during this period of the
new B.Phil in Management Studies, represented a turning point in the Marshallian
tradition of Industrial Economic. Where Andrews and Brunner had exercised a strong
Marshallian influence in Industrial Economics, these two events began a period of greater
independence from Marshallian ideas.

This paper is the result of a work in the archives, of which there have been two main
sources. The first source is the result of several interviews given by some students and
tutors who worked in Oxford on the theory of the firm and industry in the period 1940s-
1970s. Exclusive copies of unpublished papers³ (especially from the Nuffield graduate
seminar in industrial economics) dealing with the theory of industry are also used.
Second, my work is also based on the Andrews and Brunner’s archives located at the
LSE and on the exploration of economic Journals related to the theory of Industries, such
as the *Oxford Economic Papers* and the *Journal of Industrial Economics*.

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³ These archives were given to me by David Stout, 16th February 2006.