

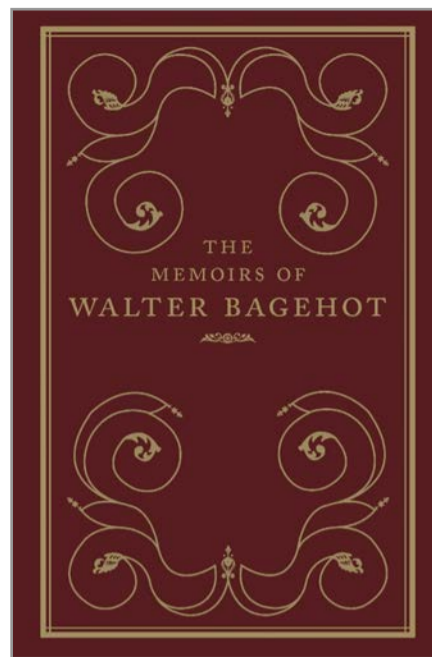
An Economist's Oscar Wilde

THE MEMOIRS OF WALTER BAGEHOT

REVIEWED BY **MARTIN WALKER**

FEW PEOPLE CAN HAVE READ THE autobiographies of Edward Gibbon and John Stuart Mill without musing on the agreeable prospect of parallel works by similar figures. The qualifications are simply stated: Such an author would need to possess great intellectual gifts along with a compelling writing style and an interesting life in stirring times, lived in the company of remarkable acquaintances.

During the years of the recent financial crisis, marked as they have been by heroic, if controversial, measures by our central bankers, one such candidate stood out. It was he who, some 140 years ago, coined the central banker's golden rule in times of such disaster: The lender of last resort must lend freely, against good collateral, and at interest rates high enough to dissuade borrowers not genuinely in need. For good or ill, our current central bankers have been much more generous, bending this classic mantra which Walter



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Bagehot first articulated in *Lombard Street*, the 1873 book that established him as the pioneering theorist of the modern financial system. But Bagehot (1826–77) was far more than just an economist. During his 17 years as the editor of the London-based weekly *The Economist*, he increased the magazine's influence and produced a stream of articles and books that, in many cases, are as relevant today as they were in his lifetime.

A decade and a half ago, during the crisis of the British monarchy brought on by the death of Princess Diana, Bagehot was once again the sage whose wisdom was widely cited. Bagehot's 1867 book *The English Constitution* stressed the distinction between the



BRIDGEMAN

Walter Bagehot (mezzotint) by Norman Hirst

“Efficient” part of the system, which did the work, and the “Dignified” (we might say decorative) part, which was symbolically important but functionally feeble. The monarchy, Bagehot noted, provided the dignity, while the royal family offered an institution to the public of comforting familiarity, with wayward sons, mad aunts, saucy grandmothers, and drunken cousins. “A family on the throne is an interesting idea,” he observed. “It brings

down the pride of sovereignty to the level of petty life.” Constitutional stability, and not just good manners, required a certain discretion about the regal family’s intimacies. “We must not let in daylight upon magic,” as Bagehot put it.

It is indeed remarkable to consider the many modern tropes Bagehot addressed in the years of Queen Victoria’s reign. In weighing the controversies over the single European currency, there are few better places to start than the preface of his 1869 book *A Universal Money*, in which he suggested that a good idea in theory may in practice bring unexpected

calamities. In the current debate over the widening gap between rich and poor, it’s worth remembering Bagehot’s observation that “in truth, poverty is an anomaly to rich people. It is very difficult to make out why people who want dinner do not ring the bell. One half of the world, according to the saying, do not know how the other half lives. Accordingly, nothing is so rare in fiction as a good delineation of the poor. Though

perpetually with us in reality, we rarely meet them in our reading.” (A curious comment, this, from one who greatly admired George Eliot and visited her regularly in St. John’s Wood, where they would discuss the money markets and the pain she felt in composing her novels.)

In today’s discussions about the balance between personal freedom and national security, Bagehot again sets the tone: “So long as war is the main business of nations, temporary despotism—despotism during the campaign—is indispensable.” Bagehot even has something useful to say regarding the recent arguments between atheists and believers: “The whole history of civilization is strewn with creeds and institutions which were invaluable at first, and deadly afterwards.”

Bagehot’s epigrams rival even those of Oscar Wilde. One of my favorites, and a word to the wise for those of us who earn our livings from our pens, is his dry observation that “the reason why so few good books are written is that so few people who can write know anything.” Wilde himself would have been proud to concoct Bagehot’s observation that “it is good to be without vices, but it is not good to be without temptations.” And when it comes to

relations between the sexes, I cannot decide which of Bagehot’s gems I prefer. “Men who do not make advances to women are apt to become victims to women who make advances to them” is a classic. But how can one resist “A man’s mother is his misfortune, but his wife is his fault”?

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Bagehot’s admirers have been many and illustrious. For Margaret Thatcher, “He was, perhaps, the most distinguished of all financial journalists.” Britain’s great Liberal prime minister William Gladstone, a personal friend, wrote that Bagehot was “a man of most remarkable gifts,” and for the historian G.M. Young, he was simply “the greatest Victorian.” Perhaps his biggest fan was Woodrow Wilson, who leaned heavily on Bagehot’s constitutional writings in composing his own *Congressional Government* (1885). For America’s 28th

president, Bagehot was both wit and seer: “Occasionally, a man is born into the world whose mission it evidently is to clarify the thought of his generation, and to vivify it; to give it speed where it is slow, vision where it is blind, balance where it is out of poise, saving humour where it is dry—and such a man was Walter Bagehot.”

The tragedy is that Bagehot, in the vast range of his writings, left no autobiography. But that lacuna has been splendidly filled by an American scholar of Britain, Frank Prochaska, who has taught at Yale and at Oxford, where he was a visiting fellow at All Souls College. He has written on the British monarchy, and on women and philanthropy and Christianity in Victorian England, and has immersed himself so deeply in the life and times of Bagehot that the man’s voice appears to be speaking to us eerily from the grave.

Written in the first person, the book daringly presents itself as Bagehot’s own memoir. Pedants may question this impertinence, particularly when Prochaska writes of such personal matters as the mental illness of Bagehot’s mother. (“Every trouble in life,” Bagehot once remarked, “is a joke compared to madness.”) But Prochaska has delivered a work of extraordinary scholarship and

profound human sympathy that is also a pleasure to read. He ranges across his subject’s varied interests—from finance to poetry, from governance to national character, from the science of evolution to the mysteries of religion. And all is peppered with Bagehot’s epigrammatic wit. It is not the real thing, but it comes exceedingly close.

Bagehot read for the bar, but initially followed in the family footsteps to become a country banker before transforming himself into that classic Victorian figure, a man of letters. Besides the firsthand experience of banking, the family firm allowed him the opportunity to alleviate the occasional bout of melancholy by descending to the vaults and running his hands through a comforting heap of gold sovereigns. He was a polymath by instinct, but also perhaps by education, his being slightly unorthodox for an Englishman of his class. Instead of one of the old public schools, he attended Bristol College and then, at the age of 16, went to University College, London, rather than Oxford. He studied the usual subjects—Greek and Latin, Hebrew and German, mathematics and literature—and read widely.

He had a happy if childless marriage to the woman who became his employer. *The Economist* had been founded in

1843 by James Wilson, who later became financial secretary to the Treasury (in effect, Britain's deputy minister of finance). Befriended by Wilson, Bagehot married his eldest daughter in 1858 and was named one of the publication's directors. Wilson died in India in 1860, leaving *The Economist* to his six daughters, who appointed Bagehot to the editorship the following year at a handsome annual salary of 800 pounds. (In 1851, according to census data, only around two percent of Britons had an income above 150 pounds a year.)

Bagehot enjoyed travel and was particularly attached to France; he was in Paris for the coup d'état of Louis Napoleon in 1851 that restored, for two brief decades, the French Empire. Prochaska's account of Bagehot's experience—clambering over barricades, nervously awaiting the arrival of the troops, trying but failing to hire a window from which he could watch the storming of a fortress in relative safety—is particularly good, and rests heavily on Bagehot's letters to *The Inquirer*, a Unitarian church publication back in England.

Prochaska makes astute use of this episode to explore the deep-rooted conservative instincts that underlay Bagehot's liberalism. Bagehot supported the coup, on the grounds that the latest

French constitution (“a government of barristers and newspaper editors,” writes Prochaska, channeling Bagehot) was unworkable and that by restoring order, Louis Napoleon restored commerce and put food back into the shops. “The protection of industry and employment is the first duty of government,” argues Prochaska (again, as Bagehot). “The real case for Napoleon was that within weeks of the coup d'état, society was no longer living from hand to mouth but felt sure of her next meal.”

The coup came three years after the ferment and revolution that swept Europe in 1848, and, as Bagehot waspishly noted, after the new drafts of constitutions and parliaments, the dreams and slogans all followed by the inevitable counterrevolutions, all that remained was a parliament in Sardinia. In Britain, by contrast, the political system was able to adapt to the emergence of the new manufacturing cities and social classes. The Reform Act of 1832 widened the franchise to about a fifth of Britain's adult males, and a second reform, in 1867, enfranchised roughly half of them. Bagehot was not an unqualified admirer of this process; indeed, Wilson concluded, “he has no sympathy with the voiceless body of the people, with the ‘mass of unknown men.’ He conceives the work

of government to be a work which is possible only to the instructed few.”

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It was not simply that Bagehot was an elitist. He was also a significant political theorist, and perhaps his most ambitious book was *Physics and Politics, or, Thoughts on the Application of the Principles of 'Natural Selection' and 'Inheritance' to Political Society*, written in the decade after Darwin's revolutionary *On the Origin of Species* came out in 1859. Bagehot concluded that order and stability must come first, then law, and only then the delicate and risky task of improvement and reform. He was persuaded that the heart of politics lay in national character, and that parliamentary government worked in Britain because the people were endowed with the useful virtue of stupidity. In lively and quick-spirited France, by contrast, Prochaska has Bagehot write, “There is some lurking quality in the character of the French nation which renders them but poorly adapted for the form and freedom and

constitution of the state which they have so often, with such zeal and so vainly, attempted to establish.”

Quoting from Bagehot's actual writings, which assert that free institutions thrive among dullards, Prochaska goes on, “The English are unrivalled in stupidity, by which I meant the roundabout common sense and dull custom that steers the opinion of most men. Stupidity is a characteristic suited to our carelessly created Constitution and its institutional freedoms.”

While a brilliant and captivating man of his time, and one of the greatest journalists who ever lived, Bagehot was constrained by the limits of the profession. He could describe, analyze, and criticize, but with the important exception of his work on banking and finance, he could neither build nor create. As Wilson put it in a long and admiring essay after Bagehot's death, “You are not in contact with systems of thought or with principles that dictate action, but only with a perfect explanation.”

In that regard, Bagehot lives on in the pages of today's globally influential *Economist*, of which he was the greatest editor. In his tradition, it has a fluent pen, a dashing style, a gift for explaining complex matters simply, and a knack for being just a careful inch or so ahead

of the conventional wisdom. And if it can be said to stand for any great principle, it is Bagehot's broad embrace of free markets, free trade, free ideas, and free institutions. It is the great legacy of a great man, and thanks to Prochaska's delightful confection, we now have a seriously entertaining account of how Bagehot came to be the extraordinary

figure he was. The autobiographies of Mill and Gibbon will not be disgraced if this book is placed on the shelf alongside them. ■

MARTIN WALKER is a Wilson Center senior scholar. His latest novel, *The Devil's Cave*, was published earlier this year.