Arriving in Downing Street brings out the essence of many a politician, but the two most famous reactions are from the same year. In February 1868 Disraeli announced he had climbed to the top of the greasy pole. He and his minority government were not there long, and in December it was Gladstone’s turn to declare that his mission was to pacify Ireland.

But another Liberal, sent by Gladstone that same month to 11 Downing Street, reacted unexpectedly. Not in breaking into verse, for he had been a poet from his schooldays. But Robert Lowe called his poem ‘Success’ and the word was charged with pathos. ‘Success has come but ah! has come too late’, he mourned.

O vanity of vanities! For Truth
And Time dry up the spring where joy was rife
Teach us we are but shadows of our youth
And mock us with the emptiness of life.¹

At 57, Lowe felt his promotion to the cabinet had come too late for him to enjoy it to the full. But the other striking thing about his reaction to being made Chancellor of the Exchequer was his lack of surprise. In this he was almost alone. It was not just that he was a maverick figure who had made much of his reputation – both as politician and leader-writer on The Times – by attacking Gladstone. His positive qualifications for the job also seemed slender. No one
doubted his command of economics. But, then as now, no one saw this as the first requirement for a successful Chancellor. The distinct and more relevant field of finance was one he had never cultivated much. There is no reason to find false modesty (never a Lowe quality anyway) in his words to his brother 'Dear Henry, I am Chancellor of the Exchequer with everything to learn.'

Going to the Treasury forced Lowe to clarify and defend many of his opinions, as will be seen. But he could hardly occupy a more combative position in the front line of political economy than he was already doing. In 1862, as vice-president of the Board of Education, he had subjected schools to payment by examination results. Since then he had mounted a furious attack on the trade unions, and clashed with John Stuart Mill over the Irish question and the place of political economy within it. He had opposed the bulk of his own party, earned the enmity of younger Liberals, and made some of the greatest parliamentary speeches of the Victorian age in his opposition to the doubling of the franchise in the 1867 Reform Bill. Informing all these episodes was an economic perspective that he believed had been handed down to him from Adam Smith. His preoccupations as Chancellor, far from pushing him blinking into the limelight as an economist, displaced other roles he might have played on the economic battleground. It is not taking much of a risk to guess that loyalty to the classical school in its decline would have been one of them.

For between 1868 and 1873, the years of Lowe's Chancellorship, English classical economics fell apart. First W.T. Thornton demolished one of its main pillars, the theory of the wage fund. This was the idea of a fund, fixed at any one time, which had to be paid out to support labour before it could produce goods and services. Because it was fixed, workers could gain only at each others' expense. Its demise thus opened up possibilities for redistribution and effective trade unionism that classical economics had kept more or less closed. The question now was how Mill would respond, and the answer was immediate. In a startling recantation, Mill pronounced Thornton right and the theory wrong. Then in 1871 W.S. Jevons' *Theory of Political Economy* announced the start of the neoclassical era and the end of Ricardo's attempt to shunt economics onto a 'wrong-headed' line. Value, the most fundamental concept in economics, was proclaimed a subjective phenomenon, based on the utility of a good to