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AN INTRODUCTION

TO THE

STUDY OF POLITICAL ECONOMY

AN INTRODUCTION TO

THE STUDY

OF

POLITICAL ECONOMY

BY

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AUTHOR'S AND TRANSLATOR'S PREFACE

THE favourable reception of the Author's Guide to the Study of Political Economy, *translated and published in England and America at the suggestion and under the auspices of the late Professor Jevons, paved the way for an English version of what was begun as a third edition of that work, though it has finally shaped itself into a completely new book. In preparing the following pages, enriched by the author with important changes and valuable additions, both he and the Translator have received much encouragement and aid from the appreciative reviews of the Italian original published in the* Journal of the Statistical Society, *and in Professor Edgeworth's* Economic Journal, *as well as from the paragraph devoted to it in the* Nation (*New York*). *Following a hint given in the last-named periodical, the Translator has compiled an* Index of Subjects; *he has also enlarged the* Index of Authors, *and has added, under the designation of* Sources, *important anonymous works, periodicals and collections frequently referred to. Both the Author and the Translator have been greatly assisted in their*

work of revision by the co-operation of Mr. James Bonar, the well-known economist, and Mr. W. E. Johnson, M.A., of King's College, Cambridge. It is hoped that the book, thus revised and completed, may prove useful in England and the United States.

Sunbury Lodge, Oxford,
August 1893.

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ERRATA

Page 21, line 23, *for* 'Walker' *read* 'Walras.'
,, 22 ,, 2, *for* 'circulation' *read* 'distribution.'
,, 31 ,, 11, *for* 'scope and province' *read* 'purely legal rights.'
,, 32, last line, *for* 'gesetzliche' *read* 'gesamte.'
,, 72, line 20, *remove* 'upon logic' *to the end of line* 21.
,, 104 ,, 24, *for* 'political economy' *read* 'economic policy.'
,, 117 ,, 25, *for* 'Switzerland' *read* 'Sweden.'
,, 175 ,, 12, *for* 'L'anonimo' *read* 'Anonymous.'
,, 182, in margin, *for* 'Mees' *read* 'Dunbar.'
,, 230, line 12 from foot, *after* 'Bartolomeo' *insert* 'Intieri.'
,, 242, *for* lines 5-7 *read*, 'roundly asserts the productive power of labour. Years before, Hobbes had counted the soil and thrift among the component parts of production.'
Page 244, line 14, *for* 'Davenport' *read* 'Davanzati.'
,, 392 ,, 3 from foot, *for* 'Paul' *read* 'Claude.'
,, 420 ,, 14 ,, *for* 'Gehauz' *read* 'G. Schanz.'
,, 437, in margin, *for* 'Borrego' *read* 'Colmeiro.'
,, 452, line 13, *for* 'law' *read* 'Law.'

PROLEGOMENA

ONLY the superficial study of a science can dispense with preliminaries, and omit an introductory survey of its object, its function and scope. These necessary discussions raise for consideration the points of difference and resemblance in relation to allied branches of knowledge. They lead also to an account of the natural subdivisions required by the subject-matter of the science in hand, of the methods best suited to it, and of the scientific and practical bearing of its leading problems. Only after some such preliminaries should come an account of the beginnings, the progress, and the various transformations of any science. Then it may be followed through the ages, and thus more faithfully presented in its final state, which is mirrored for us in the controversial utterances of the most commanding representatives of opposing schools; nor should such criticisms of their adversaries as show any competence at all be left out of account.

It must nevertheless be allowed that the need of such preliminaries has very rarely been felt by the men of genius to whom is due the great progress made by moral and physical science. These men were guided to their discoveries by an inspiration peculiar to themselves, and wrote their masterpieces with little attention to the needs of learners. Accordingly, the last thing which their readers can learn from them will be from

what premisses they started, what ultimate aim they had in view, or what predetermined road they followed.

In no field more plainly than in that of economics does this receive illustration. The works of its great originators, Quesnay, Turgot, Smith, Ricardo, and those of many illustrious successors of theirs, such as Thünen, Hermann, Mees, and not a few others, contain either nothing at all, or at most only one or two casual hints concerning the ultimate basis of reason upon which their theories are built.

In the third decennium of this century a beginning was made at last when a number of specialists and professors in England—that country again taking the lead—applied themselves to the writing of monographs. Malthus wrote on definitions and Mill on method in economics; others, such as Whately, Senior, and, above all, Cairnes, dealt with these matters in special courses of lectures, the substance of which has lately been published by Keynes, who has applied to all their statements a most rigorous criticism, using the touchstone of facts derived from the whole field of economics. This book, for its learning, precision, and clearness, is a wonderful proof of what can be accomplished by that happy union of economics and philosophy which has become a tradition among the ablest writers in Great Britain. It began with Hume and Adam Smith, and has been maintained in our day by Jevons and Sidgwick. Pickford in Germany, Dameth in France, and Carreras y Gonzalez in Spain, following the example thus set in England, published introductory works on economics. To these names may be added those of a few living writers, the learned Kautz, Lampertico, a man of great subtlety, and Menger, remarkable for his profundity, as well as Laurence Laughlin and R. T. Ely, two young American professors, who have done good work.

Fifteen years ago I undertook for my chosen task the arduous duty of writing in my *Guide to the Study of*

Political Economy, a compendium of the theoretical preliminaries of economics. Here I followed in the wake of the best English and German books. To this I appended a brief critical history of the science, the fruit of a careful study, as well of the sources themselves as of the latest monographs. My aim in that book was to give a historical sketch, and thus to supply what was lacking even in the best of the works alluded to above, excepting only that of Kautz, which was already out of date, not to speak of the vagaries of judgment, arrangement, and style which always marred its usefulness. Purely historical works like the later ones by Dühring, Eisenhart and Ingram, valuable as they were, did not fully answer the need which I had in view. Dühring and Eisenhart had neglected entirely, and Ingram heeded only here and there, the latest results of special investigations, chiefly accessible in scattered books, pamphlets, and articles. Walcker had prepared a confused mass of ill-digested and often irrelevant facts of biography and bibliography. The criticisms of leading authorities by Eisenhart and Ingram were subtle but by no means unprejudiced, while those of Dühring and Walcker sometimes fell seriously short even of the least punctilious ideal of courtesy.

My little book was favourably received, and quickly went through two editions in Italy, two in Spain, one in Germany, where Moormeister made useful additions, and in England one, with a valuable preface by Jevons, which still finds much favour in American universities. But for all that I am alive to its defects of omission, and to many points in it requiring correction or restatement in order to bring it up to a standard of due proportion and right arrangement, of clearness and conciseness which has been rather more carefully studied in other writings of mine.

I was clearly open to legitimate criticism for ignoring the systems of the scientific socialists, and for saying nothing of Danish, Swedish, Norwegian, Polish,

Russian, Bohemian, and Hungarian writers. My allusions to American economists were quite insufficient, and in its *Historical Part* my book was too rigorously chronological. The various schools were not always contrasted with an even hand. There were too many quotations from writers, especially from Italians, not of the first rank. Into its *Theoretical Part* a number of inaccuracies had crept, and there was too minute an account of various arguments which have from time to time been brought against political economy.

I have to thank my critics, particularly Professors Adamson of Manchester, and Keynes of Cambridge, for calling my attention to some of these defects. With a view to correct them all as far as I could, and also to satisfy the request of my English publisher, and the more impatient demands of my Spanish translator, Professor Ledesma y Palacios of Valladolid, and of my Italian publisher, Ulrico Hoepli, I have entirely rewritten the original work. Its name has been changed, the arrangement and statement of many things is altered, but no one should forget that I have left it what it was before,—an elementary book, written especially for my pupils. I have wished them to learn by themselves such details touching the rudiments of political economy as have been crowded out of my lectures by the steady expansion of holiday time at the expense of term. I venture to hope that in its new shape this work of mine may fill once more the place it was able to hold through the indulgence of learned men during the few years just after it appeared in its first form.

L. C.

PAVIA, 30*th April* 1891.

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Th. Rob. Malthus, *The Definitions in Political Economy.* London, 1827 and 1853.

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D. Julius Kautz, *Theorie und Geschichte der National-Oekonomie.* Vienna, 1858-60. 2 vols.

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M. Carreras y Gonzalez, *Philosophie de la science économique.* Madrid and Paris, 1881.

C. Menger, *Untersuchungen über die Methode der Staatswissenschaften.* Leipzig, 1883.

J. Laurence Laughlin, *The Study of Political Economy.* New York, 1885.

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THEORETICAL PART

CHAPTER I

A DEFINITION OF POLITICAL ECONOMY

THE actions of any average man, whether we suppose him to live in a state of isolation, or accept for him the natural surroundings of political, civil, and domestic society, must be largely directed towards obtaining such tangible goods as are required for his own preservation and perfection. These goods he may produce directly, or else he may get them by way of exchange. Economics and man's actions.

The facts resulting from all such actions are dealt with by two sciences, each of which has a function totally distinct from that of the other. Not a few writers,—such as Hermann, Schäffle, Wagner, and Sax,—have sought to put this distinction clearly. The subject-matter of both is wealth. Technology looks upon wealth as something apart from man, as belonging to the physical order of things, and depending upon mathematics and natural science. Technology is concerned with the perfection of processes to be used in order to get products which are quite adapted to their appointed use. Economics, on the other hand, looks upon wealth in its relation to morals and manners, as entering into the complex network of those private and public interests that gather around the constant struggle of man's existence. This struggle is always going on under the stimulus of the indefinitely growing demands which men make upon the definite forces and limited materials at their disposal. Technology and economics.

A farmer who ploughs and sows his field for the expected harvest, depends upon technical knowledge when he supplies himself with seeds, with machines, and with tools suitably adapted to the production of what he desires. He depends upon economic knowledge when he plans and performs his work of tillage, so as to get the greatest possible good by expending the least possible amount of effort, of self-denial, and of risk.

Economics a group of sciences.

Accordingly economics, or economic science, is not one branch of knowledge only, but a group of several branches, united all of them by the common end in view, but each of them clearly distinguished from the others by the function assigned to it, the range of its application, and the end it has in view.

The social system of wealth.

Among these branches one, political economy, is paramount for several reasons. We will define it by an amplification of Romagnosi's description of it, as follows:—political economy is an ordered knowledge of the cause, the essence, and the rationale of the social system of wealth; viz. man's concern with wealth as a social factor to be grasped in its essence through its causes, its rationale, and in its relation to prosperity at large.

Not wealth, which is but a complex and shifting sum of material goods, but man's business with wealth, is the subject-matter of political economy. This business it views from a special point, that of the common weal. The phrase, social system of wealth, implies that the facts dealt with by political economy occupy a definite field and constitute a fixed system which is social, because it is related to the concerns of men banded together into a civil society, that is, a society performing the functions of a State. Such a society must be a moral agent in order to foster and bring to perfection its individual and constituent members.

Society an organism.

It is, in fact, quite possible to regard civil society as an organism endowed with a life of its own, and with

definite functions. These, notwithstanding certain differences which contemporary sociologists are prone to neglect, have their analogies in the life of organisms dealt with by the biological sciences.

Political economy performs a double duty, as the definition just given implies—FIRST, it studies in the social system of wealth what is typical, essential, and permanent, whether this be connected with coexistent or with successive phenomena. Political economy seeks the causes upon which these phenomena depend, measuring so far as may be their intensity; finally, it reasons out the manner in which these causes act, that is to say, the rationale which governs them. SECOND, political economy formulates rules or principles by which the economic functions of political societies can be directed aright. Economic laws. Political rules.

The final goal toward which political economy strives by the performance of its double duty, is happiness at large.

Bearing in mind the above definition, which determines the subject-matter, the duty, and the goal of political economy, we have with us the criteria necessary to keep it distinct from all other departments of the various branches of economic knowledge.

Political economy differs, in the first place, from private economy, which deals with the phenomena of wealth viewed from the point of private interests, whether those of a family or of an industrial company. This last distinction of interests involves dividing private economy into the domestic and industrial branches. Domestic economics regulate the accumulation and management of family fortunes for the benefit of family members. Industrial economics prescribe to individual managers right rules for the formation and administration of their company's concerns. Political economy and (1) private economy.

In the second place, political economy is distinct from all historical and descriptive branches of economics. These branches deal with concrete facts about wealth as (2) Historical and statistical economy.

they have variously appeared at different times and in different places, while political economy as such is confined to the abstract and unvarying play of typical and assured phenomena. Hence political economy must neither be confounded with the history of economics nor with the science of economical statistics; it differs substantially from both.

Economic history.

The history of economics relates what is known of definite facts about wealth, giving more especially an account of the public and private institutions connected with or arising from such facts. It explains such institutions in their beginnings, their growth, their decay, and their revival, and infers by the use of qualitative induction what concrete causes produced them, and what immediate effects they produced. With remoter causes, with the essential and changeless background of such causes and effects, it has nothing to do. Heyd's masterly history of medieval commerce, and Pigeaunneau's admirable account of French commerce, occupy a field quite distinct from that to which we must assign the excellent analysis of commerce in its essence and its functions at large given by Lexis.

Economic statistics.

The science of economic statistics chronicles facts about wealth and industries, arranges them with arithmetical precision into groups and cycles, producing an accurate plan. From this plan it proceeds to draw instruction by making comparisons, deriving more and more useful information according as it succeeds in establishing by means of quantitative induction certain empirical laws of regular coexistence and succession. These laws, so long as they remain statistical, are definitely attached to a particular time and place.

A statistical account of Hamburg and London prices during the last thirty years is one thing, but it is quite a different undertaking to formulate the general theory of values and prices as Galiani, Condillac, Ricardo, Mill, Jevons and Menger have done.

(3) Economic ethics.

In the third place, political economy must not be

confused with economic ethics, which treats of those methods of acquiring and employing wealth which are allowable under an ideal of the whole duty of man. Here man's business with riches is viewed as a dangerous hindrance to the exercise of virtue, which is regarded as paramount. It is one thing to determine fair wages,—the theme of many a theological or philosophical moralist, as well as of certain economists, the Louvain school, for instance, or, to take quite a different case, of Thünen,—but it is quite a different thing to state in a strictly and scientifically correct fashion the economic theory of wages. Adam Smith and Ricardo have dealt with this question, which is still a burning one, much mooted in England and America by such men as Walker, Marshall, Bonar, Macvane, Clark, Giddings, Wood, and many others too numerous to name.

(4) Economic jurisprudence.

The fourth and last distinction to be maintained is between political economy and economic jurisprudence, a philosophical and positive branch of knowledge embracing potentially nearly the whole of private jurisprudence (all commercial and most of civil law), a considerable portion of administrative law, together with not a few branches of criminal law. Economic jurisprudence regulates all rights and duties, whether private or public, which relate to economic facts and institutions, together with the sanctions which they require. It determines the competence and the sphere of action given to individuals, defining their material and moral rights in all the various relations into which they are brought for the acquisition, possession, and use of wealth. Political economy, on the other hand, let it be once more repeated, inquires into the rationale, the intelligible laws of economic facts, and supplies leading principles for right government in public undertakings. To close with a few illustrations, Kant, Hegel, Krause, Ahrens and Miraglia derived the juridical foundation of private property from the principles of a philosophical jurisprudence; others have based it upon the

positive laws of Italy. Quite distinct from all these arguments would be an attempt to describe the economic functions of the rights of private property, to show the social advantage of their exercise, and fix definite limits for it in the interest of a peaceable and satisfactory maintenance of civil concord.

CHAPTER II

THE VARIOUS CONSTITUENT PARTS OF POLITICAL ECONOMY

Criteria of method and subject-matter.

THE orderly classification of the different branches of political economy results from the application of criteria based upon the method used and the subject-matter involved in each. Which of these two orders of criteria is the more important depends upon the object in view, and this may be scientific or didactic.

Economics (1) pure, and applied.

A FIRST distinction is based on the twofold duty of political economy, which divides it into—(1) PURE OR REASONED economics, sometimes called theoretical,—a science in the strictest sense,—which undertakes to explain the facts embodying the social system of wealth; and (2) APPLIED ECONOMICS, sometimes called practical, which, being an art, supplies principles for the right economic government of various political societies.

Unhappily this most important of all distinctions is not understood in the same way by all who have accepted it. Some include the rules of private economics in applied economics, others go so far in this direction as to class under it at least the analysis of certain institutions established by private initiative, such, for instance, as provident and co-operative working men's associations, and also trades unions. Another school insists that applied economics, which they call concrete, must deal, not with the solution of general questions that bear upon practice so much as with the explanation of

particular phenomena by the establishment of certain secondary or derivative laws, excluded from pure or, as they word it, abstract economics. Detailed accounts of money and its circulation, of systems of banking and finance, would be cases in point. Indeed we must end by allowing that, while many economists assert that economics deals with facts alone, quite apart from any external intervention of public authority, there are others who declare that, although pure economics has no business to suggest principles for the right economic rule of the State, yet it is bound to take into account the effects of such rule upon the production and distribution of wealth. Such was the recent and by no means unreasonable contention of others as well as Sax, but we cannot go with them so far as to misunderstand facts and to applaud their censures passed in respect of this matter upon the best English writers of the classical school. Nothing is better known than the elaborate and accurate investigations, made by this school under Ricardo's inspiration, into the incidence of taxation and the levying of taxes. These researches appear in works explicitly described as having nothing to do with applied economics.

(2) General and special.

A SECOND distinction to be drawn opposes general economics to various special branches of economics corresponding to established varieties of industry.

A certain number of economists, mostly Germans, substitute this for the distinction just given between pure and applied economics; others make it, what it should be, an allied but subordinate distinction, while Held, Neumann, and Kleinwächter completely confuse the whole matter. Certainly a contrast between general and special economics has its use for writers in small and well-defined special fields, and also in exhaustive monographs dealing, say, with rural, mineral, or commercial concerns, or with forestry. At the same time there is one bar,—no very serious one to be sure,—which interferes with the use of this distinction in subdividing

the subject-matter of pure and applied economics. It leads to unavoidable repetitions, and inevitably introduces into political economy long digressions into the field of private, more especially of industrial economics, and also drags in technological dissertations like those which mar the works of Rau, Roscher, Wagner, and Schönberg.

Another serious fault attaching to this distinction is that it involves a one-sided presentation of certain questions that concern all industries alike. Such is the question of small and large agricultural holdings, which properly belongs to a general discussion of large and small business ventures. One thing at least defies all understanding, and that is the state of mind which can identify pure with general economics, and opposes them to applied and special economics. To do this we must consider generality to be a mark of all scientific truths as such, and maintain an opposition between these and everything that is special, while the quality of being special must in its turn inhere in all rules of art as their peculiar characteristic.

(3) Social and political.

A THIRD distinction, which the Germans have drawn, is substantially identical with that between pure and applied economics, and has the merit of avoiding all misunderstandings. So acceptably did Jacob and Rau present it that it has passed from Germany into the writings of a good number of economists elsewhere. I allude to the established division of political economy into:—(1) SOCIAL ECONOMICS, also described as civil or national, and sometimes called simply economics, though we have called it pure economics; and (2) POLITICAL ECONOMICS, in its wider sense. Cherbuliez calls it economic legislation, and it is also denominated State economics. This branch deals with the economical functions of the State, as well as of any other subordinate society, and it coincides with our definition of applied economics. Moreover, since these functions cover the whole ground of State interference with

private wealth and with all wealth possessed by political societies regarded as individual units, there arises a partition of political economics into: (*a*) POLITICAL ECONOMICS, most strictly so called, or ECONOMIC POLICY, which supplies the State with guiding principles in all interference with private wealth; (*b*) POLITICAL FINANCE, or, as it is now more usually styled, the science of finance, which deals with public revenues and possessions, furnishing guiding principles for accumulating, administering, and applying all means, especially belonging to the State, the county, or the parish.

The science of finance.

It should not escape us, however, that the principles of the science of finance have assumed enormous proportions, and are of vast importance. Moreover, considerations of public policy, not to mention morals and jurisprudence, have decisive weight when the legislator and administrator address themselves practically to their tasks. Furthermore, we have to count with an academical tradition, reaching back in Germany at least to the first half of the eighteenth century. All these circumstances work together and establish finance on a footing of its own, quite apart from political economy. Hence it is more and more customary in France, and quite the rule in Italy, to have special courses on finance as such, and to devote special books to it. Accordingly too much weight need not attach to the recent arguments of the distinguished German professor Sax, in his *Grundlegung der theoretischen Staatswirthschaft* (Vienna, 1887), although in Italy Ricca Salerno and his pupils, Graziani and Conigliani, gave in their prompt and all but unconditional adhesion. Sax made a powerful plea for the distinctively economic character of certain theories in finance, derived from the economical conception of subjective values. Nevertheless his ingenious analogy between the distribution of private wealth and the application of a part of that wealth to public needs seems rather forced. The fact remains that the principles of financiering as an art, if distinguished from

the theory of the incidence of taxation, constitute one of the most important ramifications of the so-called science of public administration. As for the incidence of taxation, that must, as was contended above, be dealt with in a purely scientific manner, but the resulting science may be and is by many regarded as an integral part of social economics.

Economic policy.

Political economics, in its narrow sense, or economic policy, certainly ought to supply statesmen with principles based solely upon utility, taken in its strict economical sense. Indeed, Cherbuliez, in a remarkable book, has made great strides towards such a transformation of political finance as will make it not the political branch of economics, but the economical department of politics, or, more strictly speaking, of administrative politics, which has already been described as the science of administration. By this scheme the theory of the economic functions of political societies receives illustration from wider principles where ethics, jurisprudence, hygiene, æsthetics, and the broadest statesmanship play each their allotted part, now associating themselves with, and now subordinating to themselves, considerations that strictly belong to economics. This broad conception was long since arrived at in Germany, where two men of eminence, Mohl and Stein, made away with the science of policing States, which was little more than a rule of thumb invented by old-fashioned *Cameralgelehrten* (Cameralists). In its place they formulated the science of administration, which is conceived in a spirit of wide erudition, and based upon a minute acquaintance with the needs of the present day. Indeed, the important field and independent usefulness belonging to this science entitle it to be separated from administrative jurisprudence. Several Germans have argued in favour of this separation, and Carlo F. Ferraris in Italy has begun the same work, which will sooner or later be definitively carried out. Lawyers have their fixed ideas, and red tape

still asserts its sway, making common cause with the inefficiency of half-qualified teachers; but nothing can in the long run prevent the establishment of this distinction, required alike for scientific statement and for successful instruction.

Production, distribution, and consumption.

A very useful distinction may be based upon the very nature of those relations which condition the social system of wealth. Both pure and applied economics invite this distinction, which determines various stadia or moments in the natural succession of economic phenomena. Accordingly, J. B. Say has defined (1) the production, (2) the distribution, and (3) the consumption of wealth in his account of economics. Indeed these three terms occur in the title of his chief work (1803). A glance at works like Gioja's, Kraus', Jacob's, Rau's, Riedel's, Schüz', and MacCulloch's will show what wide acceptance this scheme received, and how long it has been adhered to.

Exchange.

Very many and rather more recent writers,—probably the majority of them, — added a fourth head, that of circulation or, as the English phrase it, exchange. So important is this aspect that it invites separate study, which should come immediately after production, although Say saw fit to deal with it along with production, and Rau and MacCulloch considered it as a feature in the distribution of wealth. It is enough here to refer to James Mill, Florez Estrada, Garnier, Baudrillart, Messedaglia, Nazzani, Mangoldt, Schönberg, Walker, Andrews, and Ely.

Kudler varies slightly from this order of treatment, and so do certain French writers,—Levasseur, Jourdan, Laveleye, Leroy-Beaulieu, and Beauregard. These put the chapter on distribution first, and then deal with circulation. Chapin has few imitators in treating of consumption directly after discussing production, nor is Gide much happier in his recent book, where an account of consumption comes next after two chapters, one on production and the next on circulation.

Roscher was at one time inclined to add to the four headings in question a fifth on population. But population, statistically, economically, and legislatively considered, is the subject-matter of Demography,—perhaps Demology would be a better term. Nor is there any objection to monographs like Bernouilli's, Rümelin's, and Gerstner's on the subject. Political economy, however, has nothing to do with population as such, but is concerned only with the effect of its quantity, density, composition, and growth upon the various phases of wealth. Accordingly population enters into political economy only as a subsidiary topic in a discussion like MacCulloch's on the production, or Jourdan's on the distribution, or Walker's and Leroy-Beaulieu's on the consumption of wealth. Population.

Say's tripartite division has been simplified or modified in various ways. Turgot, close upon the end of last century, Senior, Stuart Mill,—in one of his essays mentioned above,—and Rossi exclude from economics, properly so called, the whole discussion of the consumption or use of wealth. They would assign it to ethics, to domestic economics, and to finance, while other and more recent authors, like Jevons, Walker, and Pierson, put a theory of consumption before everything else, and argue that it belongs to the discussion of the uses of wealth, upon which hinges the whole theory of value. Marshall connects consumption with his similarly crucial discussion of demand. A middle course is followed by those writers who assign to the discussion of consumption a subsidiary place, regarding it rather as a necessary preliminary to economics than as one of its constituent parts. Consumption.

Finally, there is a school which holds with Senior and Rossi that consumption cannot legitimately form an independent department, but makes one out of circulation—exchange is the English word, for which Held substitutes traffic. This subject last named Cherbuliez, Villey, Sidgwick, Carter Adams, and Laurence Laugh- Circulation.

lin discuss directly after production, while Mill,—in his *Principles*,—and Shadwell take it up after circulation.

These discussions bear chiefly upon the order of presentation, and have little importance beyond a didactic one. Any possible classification must attempt the isolation of certain actions and reactions which are really connected and interdependent, it must catalogue under artificial headings the parts of what is really an organic whole, and must consequently be more or less arbitrary. Production involves productive consumption and presupposes exchange, that is, indirect production; exchange governs value, which is strictly correlative to cost: and the analysis of cost requires a consideration of wages and of profits, which are in turn factors in distribution. Moreover, it is plain that the quality of things consumed determines that of wealth produced, and the particular system of distribution applied in a given field reacts upon the energy of labour from which production, with all its ramifications towards consumption, is derived. It is also true that many of these controversial differences are merely verbal. Some reject consumption as a department by itself, but devote to it a special division or appendix under another leading department. It is enough to refer to Mill, Sidgwick, Rau, Courcelle-Seneuil, and Cherbuliez on this point.

CHAPTER III

POLITICAL ECONOMY AS RELATED TO OTHER BRANCHES OF KNOWLEDGE

POLITICAL economy is most especially and intimately connected with the branches of knowledge which are wholly or partly concerned with its subject-matter ; and in spite of a clearly-marked difference, there is always some point of contact and affinity enabling it to give and take useful principles, in dealing with what may be called either auxiliary or correlated fields of investigation. Auxiliary and correlated sciences.

Economic history, statistics, and ethics, belong to the latter and correlative branches, along with economical jurisprudence and private economics.

The auxiliary branches are psychology, technology, and politics.

§ (1) ECONOMIC HISTORY

There are many affinities correlating political economy, —an investigation into the essentials, the first causes and the rationale of wealth, as a social system,—with the history of economics,—a narration of all facts concerning this social system.

Economic history in the first place, if brought down to date, furnishes useful tests of theories arrived at by abstract reasoning. But to accomplish this the strictest scrutiny of all analogies must be insisted upon. These must be real and important, if conditions arising in one History (1) tests abstract theories.

country at a given time are to prove anything relevant to another country at a different time. Amateurs in history and in economics often make the boldest appeals to the logic of facts and figures in order to bolster up the most flagrant form of the fallacy *post hoc*,—it sometimes should read *cum hoc*,—*ergo propter hoc*. But in competent hands the history of French "assignats," of Austrian bank-notes, and American "green-backs," has thrown a flood of light upon the theory of the compulsory circulation of paper currency.

(2) Limits derivative laws.

In the second place, economic history is of invaluable service in rightly fixing the limited and purely relative character of certain economic laws which, being derivative and secondary, always vary with the social conditions upon which they depend. Bagehot in England, and the German historical school have achieved brilliant results in this field, but the Germans pursue the advantage too far when they proceed to deny the existence, or to disregard the importance of economic laws that are universal and constant.

Economics furnishes historical criteria.

Political economy pays its debt to economic history by furnishing theoretical criteria, without which there could be no co-ordination and appreciation of facts, of circumstances, or of institutions. A *caveat* must be entered just here to protect history from all theories that are unproved or inapplicable. Economic history often deals with a mixture of facts the most important of which do not belong to economics.

History and economics.

Accordingly it is evident that history economically considered, though quite as useful, is also quite as intricate as economics historically considered. In both cases error lies in extremes. Historical or statistical data when they are arbitrarily accumulated will never establish preconceived theories; nor, on the other hand, is it admissible to explain social and political facts and situations in the past or present by blindly disregarding their complexity and appealing to criteria borrowed solely from economics.

Not a few authors, otherwise of distinguished competence, have fallen into these errors here and there in works which for the most part deserve high commendation :—

J. E. Thorold Rogers, *The Economic Interpretation of History.* London, 1888.

A. Loria, *La Teoria economica della Costituzione Politica.* Turin, 1886.

— *Analisi della Proprietà Capitalista.* Turin, 1889. 2 vols.

§ (2) ECONOMIC STATISTICS

A correlation practically the same as the above, although it is more intimate, exists between economics and economic statistics,—a branch of applied economics concerned with the concrete facts of wealth which it describes by exhibiting certain groups and successions regularly recurring within definite limits of time and place.

Statistics, as Gabaglio well puts it, borrows from economics such notions as are needed in the choice and analysis of economic facts, and in criticising, comparing, and arranging data that stand for such facts. No help to be thus derived can be dispensed with, even in the present advanced state of statistics which is due to Engel, Neumann-Spallart, and others. Nor are the reasons for this dependence far to seek, since industrial and commercial opposition has been aroused, and commercial men as well as manufacturers are possessed by a fear that the gathering of statistics may either directly interfere with their credit, or indirectly assist in increasing the burden of taxes.

Statistics (1) borrows ideas from economics.

But statistics, if managed aright, certainly does a great service to political economy by providing in empirical data a far more solid basis of argument than hypothetical cases. These can never satisfactorily clear away the doubts attaching to economic principles arrived

(2) Provides economics with data.

at by *a priori* reasoning. This necessary empirical material cannot be gathered simply by individual observation, by public or private commissions of inquiry, or by what are called monographs, like the excellent ones of Le Play and his school. Only a systematic observation of facts as measurable quantities can disengage regularity from a mass of detail which seems to defy all rule. In the systematised observation of economic statistics, recourse is had to the indirect or to the compensatory elimination of disturbing causes, a process which here plays the part assigned to experiments in physical science. These the economist can hardly ever make — never with any approach to thoroughness.

Moreover, the fact that statistics yield only empirical laws by no means prevents economics from taking them as points of departure in more extensive schemes of deductive reasoning, which may lead to the establishment of new and really scientific laws. A case in point is the wonderfully effective use made by Jevons, Juglar, and others of abundant statistical data regarding commercial crises and their periodic recurrence.

Development of statistics.

The works of Quételet, a gifted economist who died in 1874, inaugurated a marked advance in economical statistics, which Engel, Wappäus, Knapp, Lexis, Becker, Oettingen, Guerry, Bertillon, Levasseur, Foville, and many others have brilliantly maintained, so that economics have derived immense benefit from such labours. Nor are there lacking indications that the work in this field by which Gioja and Romagnosi once did honour to Italy will be worthily followed up. Bodio's thoroughly competent labours as a Government statistician, Messedaglia's, Perozzo's, and Gabaglio's in the field of science and method, all combine to give statistics its proper place in the higher instruction of Italy.

Methods in statistics.

Among introductory works on the history of statistics, Mone's, Fallati's, and Wappäus's are already out of date, while John's is still unfinished; Rümelin and

Westergaard have dealt to some purpose with methods, while a few of the very best books on the history as well as the methods of this branch are Wagner's, Meitzen's, and Gabaglio's — particularly Gabaglio's, which is remarkably thorough. Kolb's writings, and the remarkably well-digested productions of Brachelli, may be referred to for a general description of statistics. On economical and more especially commercial statistics nothing is better than Neumann-Spallart's work above cited. As for manuals, Mayr's, Haushofer's, and Block's deserve mention, while beginners should turn to Virgilii's little book.

V. John, *Der Name Statistik* (1883), and *Geschichte der Statistik.* 1r Theil. Stuttgart, 1884.

H. Westergaard, *Die Grundzüge der Theorie der Statistik.* Jena, 1890.

A. Meitzen, *Geschichte, Theorie, und Technik der Statistik.* Berlin, 1886.

Ant. Gabaglio, *Teoria generale della Statistica.* Second and completely rewritten edition. Milan, 1888. 2 vols.

G. F. Kolb, *Handbuch der vergleichenden Statistik.* Eighth edition. Leipzig, 1879. A Supplement was published in 1883.

H. F. Brachelli, *Die Staaten Europa's.* Fourth edition. Brünn, 1883-84.

F. X. v. Neumann-Spallart, *Uebersichten der Weltwirthschaft.* This series began in 1870 (Stuttgart), and on Neumann-Spallart's death was continued by F. v. Juraschek (Berlin).

Mayr, *Die Gesetzmässigkeit im Gesellschaftsleben.* Munich, 1887. (Admirably translated into Italian and brought down to date by G. B. Salvioni.)

M. Haushofer, *Lehr- und Handbuch der Statistik.* Second edition. Vienna, 1882.

M. Block, *Traité Théorique et Pratique de Statistique.* Second edition. Paris, 1886.

F. Virgilii, *Manuale di Statistica.* Milan, 1891.

§ (3) ECONOMIC ETHICS

Precision is a first requisite, in order to avoid wild and dangerous vagueness in the use of terms for describing the correlation of political economy, the science of wealth as a social system, with economic ethics, which deals with the duties imposed upon men in the acquisition and use of wealth by ideals and rules founded upon justice and equity as defined by reason,—that is, ethical philosophy,—or revealed by religion,—that is, ethical theology.

Pure economics is not responsible.

First of all, then, pure economics explains phenomena for which it is not responsible, and which it cannot alter. It is, therefore, independent of ethics. Economic science, as such, can be correctly or incorrectly formulated. Its propositions are true or false, but they can be neither good nor bad, neither helpful nor harmful. Hence the numerous contemporary economists who make a clatter about the importance of ethical considerations, have discovered a mare's nest. So far as they have at all affected pure economics as such, they have simply perverted it. Reasoned economics argues out the reasons, functions, and limits of interest earned by invested capital, but is wholly incompetent to pronounce upon the merit of the positive laws, whether civil or commercial, which regulate or restrict the established rate of interest upon loans.

Usefulness of economic ethics to economists.

All this does not tend to a denial of the practical and theoretical usefulness of economic ethics, and is far from opposing the introduction there of religious considerations. Here we may seek rules for the conduct of honest men, and applaud such catholic theologians as Costa-Rossetti, Cathrein, and others, who are interested in political economy as an auxiliary to ethical theology. But let us at the same time protest against illogical confusion between the two. The field of a science is one thing, and the rules of an art are another. We

should be the last to exclude, be it said, the influence of ethical ideas from the concrete side of pure economics. Ethical considerations modify in various ways the action and reaction of profit and loss, which is the chief force in economic phenomena taken in the concrete. But Dargun cannot be right in asking any one to build up a new economics based upon sympathy or on love for one's neighbour. Dietzel and Philippovich may safely be left in the field against him.

Dargun, *Egoismus und Altruismus in der Nationalökonomie.* Leipzig, 1885.

Economics the auxiliary of ethics.

Indeed, reasoned economics is so certainly of use to students of ethics that no one need exclaim against Droz, whose views are orthodox both in ethics and in economics, when he declares that political economy is the most powerful auxiliary of ethics. By demonstrating the material advantages gained through the exercise of such virtues as industry, providence, and thrift, and by showing the harm that springs from sloth, improvidence, and unthrift, political economy supplies very efficacious and practical motives for virtuous action, motives, too, which have a hold upon those not moved by the unaided maxims of ethics pure and simple.

Economics rectifies unjust blame.

Political economy assists, furthermore, in rectifying certain ill-considered assertions where blame is vaguely attached to conduct without any just appreciation of necessary distinctions and differences of degree. It is a trite saying that avarice is a greater crime than prodigality, because the latter benefits working men. Now, economics teaches that the temporary withdrawal from use of certain good things is a far less evil than their destruction. Moreover, economics introduces precision and caution into the statement of well-known ethical precepts. This is conspicuously true in regard to the duty of giving alms.

On this point see A. Clément's Introduction to Coquelin's *Dictionnaire de l'Économie politique*, Paris,

1853, pp. xxiii. f. See also the last chapter of Sidgwick's *Principles of Political Economy* (second edition, London, 1887).

Applied economics inferior to ethics.

Applied economics, on the other hand, must rank as subsidiary and inferior to ethics, because the attainment of no purely economical advantage can justify a violation of ethical principles. Wealth is only a means to the end of preserving man and bringing him to ethical perfection.

Partial conflicts.

Accordingly, in any partial conflict between ethical and economic motives the former must prevail. For instance, the employment of child-labour in factories would be regulated by State interference on ethical grounds, even if there were no other reason or justification whatever for interference.

I have called the conflicts just mentioned partial conflicts, because the notion of a general conflict is absurd unless, with the pessimists, we reject the consoling doctrine of a final harmony between justice and utility.

Ethics, economics, jurisprudence, and politics.

The upshot of all this is that, although ethics is absolutely foreign to pure economics, in all questions of practice it must play its part, of which the writers above alluded to make so much. But, even in applied economics, this is by no means the leading part; for jurisprudence and politics often have to decide how far ethical ideals can be embodied in precepts for action, and sanctioned by established law.

Debateable ground.

Here is a very difficult debateable ground between applied economics and ethics, covered by various monographs written, some from the utilitarian's point of view, others from the idealist's. The most conflicting conclusions have been arrived at in this field. See, for instance, the monographs of Dameth, Rondelet (1859), Renouvier (1869), and Molinari (1888). Minghetti deserves especial praise, and so does Baudrillart, whose style is particularly pleasing. Among writers on ethical theology who are remarkably conversant with political economy, Cathrein should be mentioned.

M. Minghetti, *Dell' economia pubblica e delle sue attinenze colla morale e col diritto.* Firenze, 1859; second edition, 1868.

H. Baudrillart, *Des rapports de la morale et de l'économie politique.* Paris, 1860. The second edition is entitled *Philosophie de l'économie politique.* Paris, 1883.

V. Cathrein, S. J., *Moralphilosophie.* 2r Band. Freiburg im Br., 1891.

§ (4) ECONOMIC JURISPRUDENCE

Although economics and jurisprudence, the last of which defines the scope and province of the individual as such, are, as I have said, two very different branches of knowledge, yet the correlation of political economy and various departments of public and private jurisprudence, both theoretical and positive, is undeniable.

Economics and (1) international equity.

I. PUBLIC INTERNATIONAL LAW.—Political economy yields a positive and rational confirmation for established juridical theories of equity as between State and State. Economics faces alike the problems of war, of peace, and of armed neutrality, pointing out the economic advantages of peace, the corresponding disadvantages of political and commercial wars, and suggesting certain well-considered mitigations based upon that respect for private property which is so essential to the whole theory of modern international law that it has been largely enforced in modern practice. Nothing could well exceed the power of conviction attaching to the arguments of economics, so that Scialoja's enlightened optimism was not far from the mark when he predicted the final triumph of international justice as the offspring of economic providence.

(2) Sound administration.

II. CONSTITUTIONAL AND ADMINISTRATIVE LAW.—These two branches of internal public jurisprudence both deal with the organisation of higher and lower public powers, and cannot be consistently kept asunder. In Italy least of all, where both of them enter into the subject-matter of constitutional and administrative politics. A

good constitution means a sound administration, and both of them viewed from a purely legal point involve and concern the knowledge of wealth as a social system, that is to say, they enter into economics. Give any nation just the constitution which it needs, add a good administration, without which any constitution remains a dead letter, and you will crown the whole with the political advantages of a sound system of economics. This interdependence is readily confirmed by the ease with which subversive political ideas ally themselves to economic fallacies, and promote dangerous crises only to be averted by a vigorous diffusion of sound doctrines in both branches.

Administrative law is not economics.

Of course political economy is far more useful to a *de facto* administration than to one in process of establishment, but this does not in the least diminish the help to be derived from its teaching by writers on the jurisprudence of public administration. An abuse, however, has arisen, which nothing can defend. Certain authors seem to forget that they are writing about law, and either out of pure pedantry or to cover defects in their knowledge, cram their books with pointless and ill-inspired economic lucubrations.

Let them think better of it and imitate the model treatises on French administrative law by Gérando, Cormenin, Vivien, Dufour, Laferrière, Ducrocq, and others. These form the classical school, and there are more modern writers on the principles of administrative law in Germany at large, such as Meyer and Löning, who maintain the sound traditions initiated by the illustrious Robert Mohl, by Pözl, and many other writers on the administrative jurisprudence of special German States.

Ferraris, Orlando, Brugi, and other Italians made a distinction between administrative jurisprudence and the science of administration, but Hoffman was the first to draw clear lines. Stengel has followed him, in the Tübingen *Zeitschrift für die gesetzliche Staatswissenschaft*

(1882, pp. 219-261), and the same clear distinction is maintained in his *Dictionary*:—

K. Freih. v. Stengel, *Wörterbuch des deutschen Verwaltungsrechts.* Freiburg im Breisgau. 1889-90. 2 vols.

Economics and the penal code.

III. CRIMINAL LAW and CIVIL PROCEDURE.—Even these branches of public jurisprudence are not so far removed as might be imagined from the field of economics. Political economy has frequently played its part in the reformation of both codes. It has influenced the penal code by correcting accepted classifications of crimes and assigning more rational penalties. It has distinguished between altering and debasing current coin and simply uttering counterfeit money, and has thus afforded a basis for the assignment of penalties. We may also mention recent alterations touching punishments in cases of strikes. A distinction has been arrived at between the actual combination or coalition for the purpose of a strike, and the overt breaches of the peace that occur on these occasions. As for civil procedure, it is enough to mention how decisively private credit is influenced by laws dealing with the seizure and sale of the estate of bankrupts.

IV. CIVIL LAW.—Property, inheritance, claims upon realty (*diritti reali*), and burdensome contracts are at one and the same time departments of civil law and economic institutions. A connection between these two branches is therefore not far to seek.

Civil law determines for economics certain legal points and distinctions around which all economic transactions are centred. Economics informs civil law about the nature and office of many of its institutions. For instance, the real nature of barter and of purchase is cleared up when the point is established, in spite of formal differences in the law, that both are in substance and economically considered mere branches of exchange. I am far from justifying any of the aberrations

recently prompted by an extreme reaction against legal formality. History is only falsified by those overstrained and misleading dissertations which seek to maintain that various familiar civil institutions are purely or chiefly economic. Dankwardt rashly misapplied his ingenuity when he served up in this fashion various fragments of Roman law, and Professor Endemann, distinguished as he is, shows a similar weakness on the subject of commercial law.

H. Dankwardt, *Nationalökonomie und Jurisprudenz.* Rostock, 1857 ff.

W. Endemann, *Das Deutsche Handelsrecht.* Heidelberg, 1865; fourth edition, 1887.

Economics and civil codes.

Political economy and its principles have played a prominent part in framing certain chapters of modern civil codes; it has abolished laws restricting legal interest on loans, it has refashioned the system of mortgages, and the law of inheritance, and has radically reformed leasehold tenure.

Jurisprudence and economics.

The relation between jurisprudence and economics has been much discussed in our century; in Italy there have been Romagnosi, Valeriani, and Bellavite, not to speak of a work of Minghetti already mentioned, where it is broadly dealt with. Our own Pellegrino Rossi published shortly after 1838 his economic strictures on Napoleon's civil code, and was followed in France by Batbie and Sévin, who returned to the charge in 1865 with concrete proposals for reform.

Moreover, the whole connection between economics and jurisprudence has been amply treated by Rivet. Jourdan and Bechaux, still better qualified in economics, —both received prizes in 1880 from the Academy of Moral and Political Sciences, — have done the same thing.

F. Rivet, *Des rapports du droit et de la législation avec l'économie politique.* Paris, 1864.

A. Jourdan, *Des rapports entre le droit et l'économie politique.* Paris, 1884.
A. Bechaux, *Le droit et les faits économiques.* Paris, 1889.

Economics and commercial law.

V. COMMERCIAL LAW.—This branch of law is allied still more closely than civil law with political economy. Companies, current coinage, notes, and banks, means of transportation, of insurance, rules of bankruptcy—these and the like are purely economic institutions, but they are also the subject-matter of commercial law, which can only deal with them when informed as to their real nature by political economy. Hence the recent parallel advances in economic and juridical theories of commerce, which have been signalised by bold legislative innovations. Einert, for instance, deduced the law of exchange from a study of its modern economic functions, and upon his results was built the German law, passed in 1848,—an epoch-making step in this important branch of commercial law, which has since been taken almost everywhere else.

Coinage.

As far as pure science goes, the latest investigations on coinage well exemplify the immense gain derived from the economic investigations of Savigny, Hartmann, and most especially of Goldschmidt, the leader of all Germans in this branch. These investigations have gone hand in hand with the legal inquiries of Knies, who ranks among the foremost economists of Germany.

This happy union of economics with commercial law is brilliantly exemplified also in the recent productions of Lyon-Caen, Renault, Vivante, and Marghieri, as well as by Vidari's important course of lectures.

L. Goldschmidt, *Handbuch des Handelsrechts.* Erlangen, 1864; second edition, 1874. See also his *System des Handelsrechts.* Third edition. Stuttgart, 1891.
E. Vidari, *Corso di Diritto Commerciale.* Milan, 1877-87; in 9 vols.; third edition, vols. i.-vi., 1888-91.

§ (5) PRIVATE ECONOMICS

Industrial economics.

Although political economy views the phenomena of wealth from the point of the interest of the commonwealth, whereas private economics views it from the point of family interest or of that of particular industrial enterprises, there is certainly a field belonging to applied economics where, with all due reservations, public enterprises must find rules for their administration.

On the other hand, the rational laws of social economics must be familiar to industrial economists in order to supply what is lacking in a study of purely isolated facts such as they pursue.

Hence not a few recent writers have intentionally confined themselves to that portion of economics immediately connected with the regulation and management of industrial undertakings.

J. G. Courcelle-Seneuil, *Manuel des affaires.* Fourth edition. Paris, 1883.

C. Ad. Guilbault, *Traité d'économie industrielle.* Paris, 1877.

A. Prouteaux, *Principes d'économie industrielle.* Paris, 1888.

E. Cossa, *Primi elementi di economia agraria.* Milan, 1890.

A. Emminghaus, *Allgemeine Gewerkslehre.* Berlin, 1868.

M. Haushofer, *Der Industriebetrieb.* Stuttgart, 1874.

§ (6) AUXILIARY BRANCHES OF KNOWLEDGE

Psychology, technology and politics, supplying as they do to economics, whether pure or applied, very essential conceptions, must be regarded as its auxiliaries.

Economics not applied psychology

I. PSYCHOLOGY.—Economics is not applied psychology, still less is it a question of nicely-calculated more or less pleasure and pain, though Gossen and Jevons try to make it so, and Sax argues in the same vein.

Economics is not ethics, and does not study man individually; it is a social science dealing only with civil aggregations of men, and with all the relations thus implied. Still, psychology must be taken into account, for we must know certain leading motives which underlie human action in its concerns with wealth as a social system. For instance, we must be enlightened touching the law of the least resistance under which man,—supposing other circumstances to be neutral,—chooses the greater rather than the lesser advantage.

Economics uses technology.

II. TECHNOLOGY.—Processes of manufacture are investigated by technology, which systematises their principles in accordance with mathematics and natural science. Its field is physics, chemistry, and mechanics, and therefore no confusion with Economics is to be feared. But when pure economics explains production and distribution, entering into discussions about the division of labour, machines, currency, credit, and banking, together with means of transportation and communication, then technology comes into the foreground and must at least be appealed to for certain elementary rules and conceptions.

Bauer, "Ueber die Unterscheidung der Technik von der Wirthschaft," see Faucher's *Vierteljahrschrift für Volkswirthschaft*, second year, Berlin, 1864, pp. 33-50.

Accordingly economists, while they will do well to consult certain books on rural economy, forestry, mines, and commerce, absolutely must be familiar with works treating of the relation of economics to general technology.

Here are three monographs which deserve mention all the more because they present different points of view.

Ch. Babbage, *Economy of Machinery and Manufactures.* London, 1831. Reprinted and translated in Italy,

at Florence, 1832. Expanded and partly amended by Charles Laboulaye, *Économie des machines et des manufactures.* Paris, 1880.

Verdeil, *L'industrie moderne.* Paris, 1861.

E. Herrmann, *Technische Fragen und Probleme der modernen Volkswirthschaft.* Leipzig, 1891.

Applied economics and politics.

III. POLITICS.—Just government and the principles of social utility concern politics strictly so called; but when politics occupies its broadest field, it becomes an auxiliary to political economy, and defines the nature and functions of well-known political associations. Politics considered as at once the science and art of government has a way of swallowing up the whole of applied economics in what is called the science of public administration or administrative politics. But applied economics may well be strictly confined to supplying the criteria of sound government in matters of economy and finance, and therefore its ultimate principle of utility makes it a very limited, and a necessarily incomplete study.

On general politics, Dahlmann's classical fragment, (1835), Waitz's remarkable sketch (1862), and Holtzendorf's *Principles* (second edition in 1879) stand first. See also Parieu and Bluntschli, but above all Woolsey's learned treatise. There has lately appeared a most important work by Sidgwick in this field.

E. de Parieu, *Principes de la Science politique.* Paris, 1870; second edition, 1875.

J. C. von Bluntschli, *Politik als Wissenschaft.* Stuttgart, 1876. (Translated into French and Italian.)

Theod. D. Woolsey, *Political Science, or the State theoretically and practically considered.* London, 1878. 2 vols.

H. Sidgwick, *Elements of Politics.* London, 1891.

On the science of administration there are two great works, Mohl's and Stein's. In Italy, Ferraris has

written good essays, and is preparing a treatise on this subject. Wautrain Cavagnari deserves our gratitude for the first elementary account of it.

Rob. von Mohl, *Die Polizeiwissenschaft.* Third edition. Tübingen, 1866. 3 vols. (Only partially out of date; an eminently profound work, excellent in arrangement, style, and method.)

L. von Stein, *Die Verwaltungslehre.* Stuttgart, 1865 ff. 8 parts and 10 vols. (A stupendous work of the first rank, but marred by dark Hegelian tripartitions, metaphysical hair-splitting, and not infrequently guilty of serious errors as to the facts of legislation.)

— *Handbuch der Verwaltungslehre.* Stuttgart, 1870; third edition, 1887-88. 3 vols. (An invaluable compendium of the preceding work.)

C. F. Ferraris, *Saggi di economia, statistica e scienza dell' amministrazione.* Turin, 1880.

V. Wautrain Cavagnari, *Elementi di scienza dell' amministrazione.* Florence, 1890.

CHAPTER IV

CHARACTERISATION OF POLITICAL ECONOMY

Verbal controversies.

CERTAIN purely verbal controversies about the character of political economy are only kept alive to-day because many economists who figure in them are ignorant of philosophy and have no conception of scientific method. Furthermore there is a constant confusion between two branches of knowledge, whose respective functions and aims are substantially different, although their subject-matter is identical.

To remove these difficulties, a sketch must here be given of the characteristic marks of science as such, and of the most convenient criteria for classifying its various branches.

§ (1) THE CHARACTERISTICS OF SCIENCE

Science defined.

Science in its widest sense is any system of general truth applicable to any given order of facts. Science must always discover some nexus for binding together apparently heterogeneous facts. This transforms mere empirical acquaintance with disconnected particulars into scientific knowledge.

A science of sciences.

Truth being one, all science must also be ultimately one; but the tree of human knowledge has many branches, and therefore the existence of many groups of reasoned science, admitting of indefinite subdivision, must be compatible with the ideal of a science of

sciences, or, as it used to be called, a science of ultimate causes, so treated as to explain the concatenation of the various fundamental principles underlying special sciences.

Sciences classified.

The popular and superficial notion that sciences are best classified by sole reference to their subject-matter is simply a confession of weakness in the human mind. Of course it is impossible to face the whole field of possible knowledge at once; of course it is the part of discretion to take the easiest step first, and to begin by confining the view to one small field. Special students are often content not to look beyond the network of principles either required or desired for their chosen branch. The man whose pursuit is industrial will be all for mathematics and the physical sciences, public functionaries affect jurisprudence and politics, ecclesiastics devote themselves to various branches of divinity, and so on to the end of the chapter.

But all this is but the play of personal choice and inclination, which applies subjective and extrinsic standards. To reach intrinsic and objective ones we must begin by attributing ideally the capacity of omniscience to man. Then we must admit the existence of various branches of reasoned knowledge, each differentiated from all its compeers either by its function and its immediate end, or else by the quality of the facts which it studies. Here is an alternation at the very outset, and out of this grow two independent objective schemes for classifying sciences, each of which is perfectly sound and consistent. One is easy to apprehend, being founded on distinctions of subject-matter; the other is difficult to understand and more difficult to carry out with strict consistency, but it is of paramount importance, since it is based on distinctions of form and of reasoning. It is obvious to the meanest capacity that such attempts at the classification of sciences by dichotomy as draw the line between matters sacred and profane, physical and moral, philosophical and natural,

Alternative classifications.

must produce hopeless confusion and abound in cross purposes. Indeed, there has been a war of conflicting opinions around Bacon's, Hegel's, Ampère's, Comte's, Spencer's, and everybody's classification of sciences. Still, once and for all, Theology, Astronomy, Mechanics, Chemistry, Æsthetics, Physiology, Technology, Surgery, and Politics have been accepted as designating radically different fields of scientific investigation.

Distinction between science and art.

On the other hand, not a few investigators grow indignant when they are informed that certain most essential considerations of theory and of practice absolutely set a greater gulf between reasoned Mechanics and Technology, between Astronomy and Navigation, between Physiology and Surgery, than that which removes Mechanics and Astronomy from Physiology, or which separates Technology and Surgery from Politics. To see that the difference is not slight in the former cases, and that there is a certain common ground in the latter, requires a delicate investigation into the formal principles of scientific classification. This transforms what sounded like a paradox into an admitted statement of truth, but the whole line of argument here, starting from the fundamental distinction between a science and an art, moves along more or less in the dark, because those who believe in the antithesis of art to science rarely argue about it but simply take it for granted, while those who deny it are prone to make constant attacks upon it. Everybody knows that the antithesis exists; very few could give a clear account of what it is.

A science, rigorously so called, is any reasoned or theoretical body of knowledge that explains a group of homogeneous phenomena with the purely speculative aim of attaining complete knowledge in that field. Algebra, Geometry, Anatomy, Physiology, Pathology, Chemistry, Psychology, History, and Statistics are sciences, in so far as they win for us the understanding of certain physical or moral, inward or outward facts,

whether abstract or concrete, doing this with no immediate reference of any kind to the practical use of this knowledge.

An art, on the contrary, has to do with what is vaguely called applied knowledge, or may still more inexactly be qualified as practice. The function of an art is to supply norms, rules, maxims,—choose what name you will,—and to indicate what means are most appropriate to a given end. The fine arts, then, and mechanical arts are not the only arts, but Technology in general, Hygiene, Therapeutics, Surgery, Ethics, and Politics are also to be so classed; because, however different may be the scope of the rules in each, yet each does end by giving rules for action, which is industrial in one, health-producing in another, virtuous in a third, and deals in a fourth with the right ordering of the State.

Science teaches truth by explaining given phenomena in their essence, by classifying them according to their distinctive characteristics, by investigating their causes as manifested in a certain empirically demonstrated regularity of occurrence; thus, after determining the modes of their manifestation, a science arrives at laws,—whether relative or absolute is immaterial,—governing the coexistence and succession of the phenomena in its field. (1) Concrete variation in facts present or past concerns science, which also (2) sets up certain ideals, and (3) predicts, with due reservations, future occurrences. Again, science (4) occupies itself with what is typical, and universal, and therefore applies alike to the present, the past, and the future. Science defined.

Art, on the contrary, has nothing to do with truth beyond taking it for granted; art does not explain theorems, it solves general problems. Its aim is not speculative but operative, and it is not concerned with laws, but only with rules that simplify practice. Art defined.

The commonest and most harmful of all errors confuses science with theory and art with practice. In

Science is not theory, art is not practice.

reality theory embraces both science and art; the former teaches us to know, the latter teaches us to do, and this combination stands over against practice, which is action determined by immediate ends. Mill, therefore, was so far right in saying that if science is the indicative, art is the imperative mood; but those who proceed to identify the one with intelligence and the other with will, forget that will is solely concerned with practice, whereas art merely guides it. Art precedes practice, but is never merged into it. In a word, science explains and expounds, art directs; art imposes precepts or proposes rules, practice disposes and executes.

Art and the rule of thumb.

Science requires art, art requires science, each being complementary to the other, and both being required by practice. So true is it that no rule of thumb, such as the vulgar love, can usurp the functions of art and enable us to dispense with theory. Recent German writers are therefore equally wide of the mark when they make science and art practically identical, and when they reject art after reducing it to the level of a rule of thumb.

Logical precedence of science.

Logically, the explanations of science precede the rules of art; science offers information about things which art proceeds to regularise, and then steps in practice, availing itself alike of the truths of science and the rules of art in acquiring and utilising a specific form of experience. Practice concerns complex and highly variable facts, which it shapes by that combination of science and art called theory. Anatomy, physiology, pathology, and therapeutics are alike required for effecting a rational cure; but knowledge only, though it should cover all this ground and comprehend every conceivable complementary branch of science, will not make a good doctor.

Historical precedence of art.

Historically, on the other hand, the above order of precedence is reversed. The beginning of everything is a sort of rule of thumb, a blind and instinctive

custom in practice. This grows first into a rudimentary and empirical art, and only very much later science is arrived at. Once reached, however, science brings a new life into everything below it. Verses were written, instruments were played, houses were built, sick men were cured, peoples were governed, long before poetry, music, æsthetics, architecture, medicine, jurisprudence, and politics were heard of as arts.

Distinctions among sciences.

Almost parallel in importance to the distinction between science and art is one among sciences themselves which seems at first to lie upon the surface only. Sciences are characterised as general and particular, individual or collective, according to the point up to which they pursue the concatenation of various phenomena in their field. Hence the following three groups: FIRST, certain sciences called descriptive or morphological, because they simply classify phenomena as they are,—divided and subdivided by time and space;[1] SECOND, certain sciences dealing with laws of fact, that is, investigating the empirical uniformities of succession and coexistence in phenomena;[2] THIRD, certain sciences called etiological, because they are concerned with the causal nexus binding together various phenomena,—physical and moral, external and internal, concrete and abstract,—which characterise the manifestation of recognised causes.[3]

Each art requires many sciences, and *vice versâ*.

To dispose of dangerous misconceptions lurking still in the distinction between science and art, it may be

[1] Such sciences are botany and zoology, so far as they simply fix the names of things, and such also are chronology and geography, as Achenwall and his successors understood it.

[2] These are (*a*) history, positive jurisprudence, and such philosophy as this last involves, which fix on the qualitative attributes of things; and (*b*) meteorology and statistics, which formulate quantitative propositions about things.

[3] In other words, these sciences deal with scientific laws, conditioning the phenomena in question, which may be laws absolute or relative, primitive or derivative. Astronomy, physics, and chemistry are cases in point, and so would be the philosophy of history, if it could ever be made a real science.

well to remark that just as no art is framed with reference to any one given science, so no one science is utilised solely by any one given art. Physics, for instance, and chemistry, and reasoned mathematics are the foundation of various branches of technology; psychology ministers to all social sciences; while agriculture is an art bound up with several sciences, such as meteorology, physics, chemistry, mechanics, botany, zoology, and many others.

These general notions once taken for granted concerning the characteristics of various sciences and the logical differences underlying their classification, it will be a simpler matter to determine the characteristics of political economy, or rather of the two formally heterogeneous branches of study ordinarily denoted by this term. We shall soon have occasion to see that neither the name nor the combination is particularly fortunate.

Herbert Spencer, *The Classification of the Sciences.* London, 1869.

Ger. Heymans, *Karakter en Methode der Staathuishoudkunde,* Leiden, 1880, cap. i. p. 8 ff.

Eug. von Philippovich, *Ueber Aufgabe und Methode der Politischen Oekonomie.* Freiburg i. Br., 1886.

C. Menger, *Grundzüge einer Klassification der Wirthschaftswissenschaften.* Jena, 1889.

§ (2) CHARACTERISTICS OF SOCIAL ECONOMICS

Social economics is a science.

Social economics is a science in the wider sense of the term, because it involves a scheme of general truths touching the concerns of wealth as a social system, which is the result of a complex mass of closely allied phenomena that are of such considerable importance that they invite a theoretical investigation. It is a science which has been marked by noteworthy advances, and these, although less conspicuous than the

progress made by certain well-known physical sciences, are yet quite enough for the confusion of such as attempt to say that social economics is no science. Their arguments chiefly demonstrate incapacity on their own part for grasping the real nature of the science, to the denial of whose existence some of them have devoted lectures,—*e.g.* Bonamy Price, *Chapters on Practical Political Economy* (London, 1878),—purporting to expound authoritatively its nature and limits.

Complex facts and variations.

It is argued, for instance, that economical facts are by their very nature extraordinarily complex, partly because they are governed by very variable, territorial and climatic conditions, and partly because they depend on the will of man, modified by traditions, by education, and by instruction. All these conditions elude scientifically precise appreciation, because they are subject to never-ceasing transformations. Therefore there can, in such a case, be no question of any really scientific presentation.

Now, in answer it may be urged that complications and transformations in social facts, and especially in economic facts, do not rob them of their general character any more than they interfere with the persistency of certain effects depending on constant causes. Similarly in anatomy, physiology, and pathology, the physical inequalities of particular individuals, and the resulting complexities of morbid habits, do not invalidate anatomical, physiological, and pathological science. Accordingly, so far as the social system of wealth goes, variation in individual cases is quite compatible with the existence of general laws of value, of price, of wages, and of profits.

Moreover, underlying all changes and perturbations in the economic system there is, in spite of superficial irregularities, a normal element determined by various special laws. Hence just as we have in medical branches of science not only normal anatomy and physiology, but also special branches going into a

description of the organs and functions of the human body in a pathological condition, so it is in political economy, where there is a theory of perturbations or crises (dealing with crops, banking, commerce, and all the rest of it) which is a necessary complement of the theory of normal economic functions.

Social economics is, moreover, a science most strictly so called, because it exists to explain certain phenomena without in the least undertaking, as a science, to find the best means for producing useful modifications of them.

Social economics is (1) morphological and etiological;

Formally considered, that is, in respect of its office social economics is neither a purely descriptive systematic science nor yet one solely concerned in investigating empirical regularities. It is morphological and also etiological; the former because it determines the essence of economical facts viewed as types, the latter because it goes into their first causes, which are determinate forces belonging to the constant and irreducible scheme of nature and of mind, and also because as a last resort it investigates their mode of action,—that is, it determines their scientific laws.

(2) Ethical.

Considered materially,—that is, in respect of its subject-matter,—social economics falls among the ethical sciences, which study man as a being endowed with feeling, thought, and volition, and it belongs to the

that, or the other special branch of economics, and makes abstraction,—albeit provisionally only, — of all influences brought to bear upon these relations, whether by the State or by any minor political association.

Erroneous accounts.

Hence we of course dissent from the teaching of certain writers who make out social economics to be (1) a kind of all-embracing physical science, like biology; (2) a border science, half ethical and half physical; (3) a psychical science; (4) a strictly ethical science; (5) a historical science; or finally (6) a derivative science, doomed sooner or later to take its place wholly restated as a chapter of what is called sociology. The reasons for rejecting all these classifications cannot be put even briefly without some repetition of what has been said already in Chapters I. and III. on the definition of economics and on its relation to other branches of knowledge.

Not a physical science.

Social economics is, some say, a physical science. Coquelin calls it a bit of the natural history of man. Say, Garnier, Cairnes, Block, and many other quite recent authors assign to it a place half-way between physical and ethical sciences, because its subject-matter includes certain physical phenomena, such, for instance, as those involved in the doctrine of the margin of cultivation and the law of decreasing returns. But it must be urged that political economy has no direct concern with principles of this kind; it only borrows them from other branches of knowledge—agriculture in this particular case. Thus borrowed, they become premisses for its most important deductions.

Not a biological science.

On the other hand, some declare that economics is a biological science, because of well-known analogies between the animal and the social organism. There are various writers—Schäffle, Lilienfeld, and their ready imitators among others—who dilate upon the importance of such analogies to the neglect of differences which are equally undeniable and essential. But Krohn and Menger, not to name others, have very properly and

very cogently insisted upon the flaws in any such doctrine. Again, the importance to be attached in every economical analysis to man's impulse for preserving and propagating his species leads some,—considering that this is an instinct proper to all kinds and conditions of animals, and that it belongs to the subject-matter of biology,—to class social economics under biology.

Not a psychical science.

In other hands social economics comes very near to joining the psychical sciences. Sax calls it a special case of psychology, while others define it as the mechanics of profit and loss. Now, without denying the importance of the hedonistic motive, as it is called, which is a premiss of economics, and while recognising fully and readily the service of certain very simple data of psychology in clearing up various tangles in the theory of use and value, we may reject this doctrine. Granted that certain economic phenomena exist in germ even where Robinson Crusoe lives alone on his island, this gives no colour or reason for confusing the various data of an argument with the argument as such. Indeed the theory of use and of value,—subjective value is the phrase,—is not the sum and substance of economics, it is not even the paramount principle of economics. The bone and sinew of social economics are the positive analysis of phenomena springing from the interdependence of various groups of producers and consumers, who are living men in a real world. Accordingly our science must neither be made into a branch of biology nor be attached to rational philosophy. Maintainers of these opposite errors are not lacking even in Italy. Their sincerity cannot be called in question; but for all that their minds are prejudiced.

Not ethics but ethical.

Social economics I place among the ethical sciences, but cannot agree with those who go farther and identify it either with ethics as such,—that is, the science of the whole duty of man,—or else with economic ethics—that is, the science of man's duty in respect of the

acquisition and use of wealth. Ethics is an art, whereas social economics is a science and studies, quite apart from ethics, the whole nature, the causes, and the laws of economic phenomena so far as they depend on the principle of profit and loss. Nor does it pass judgment on this principle; it only considers it as it is in fact, as the motive principle underlying human activity in those social functions which concern wealth. Nor does it leave out of account well-known modifications to which the theory of profit and use is subject through the effective intervention of moral scruples.

Not historical.

There is another powerful and numerous school to be dealt with where questions of method are discussed which asserts that social economics is an historical science which should sketch in broadly the various phases of economic civilisation, and find out the laws of its evolution. This amounts to nothing less than a complete change of scope and method. As has been said already, social economics is an abstract science of man's concern with wealth as a social system. Its subject-matter is neither historical nor statistical, for it does not deal with concrete and individual cases as such; it confines itself to what is typical and general, and disentangles from present and past phenomena what is essential and permanent, excluding everything accidental and variable.

Comte's Sociology.

Finally, we dissent from the so-called sociological school which, following for the most part Comte's lead, adopts the philosophical creed of positivism. These writers, like Schäffle and a host of others, begin by making out that sociology is a branch closely allied to biological studies, and then they join forces with another band of authors, more extensively dealt with above, in refusing the character of an independent and underivative science to social economics.

Now, the first point to be kept in view is that in whatever sense social economics forms part of the group of ethical sciences under consideration, to which

Social economics not yet a social science.

the generic qualification of social sciences belongs, yet it cannot be called social science, though Carey, Clement, and others think it can. The obvious reason is that economics considers the phenomena of civil life solely from the point of view of economic interests, which, so far from being the only ones, are not even the most important as compared with matters of religion, of morals, of mind, and of politics. As a matter of fact, however, it is quite unavoidable that this partial point of view should be indefinitely adhered to, that is, until the distant day arrives when a perfected social science shall have come into existence to formulate by a fundamentally accurate synthesis the universal laws of civil existence in the broadest sense. In such a science social economics, abandoning its partial point of view, would instantly be merged, but never in what Comte has invented and called sociology. The very name he has chosen, being a hybrid, half-Latin and half-Greek, is of evil augury, and it is only fair that we be allowed to neglect this new science, since its originator, after doing his best, left it in a ludicrously sketchy and inchoate condition. Comte's attempts by no means justify the summons to abdicate addressed to social economics by various positivists. They find our science altogether fruitless, and accuse it of being too abstract, but we are so far from allowing these accusations that we infinitely prefer to prophesy with Block,—in a recent work of his, *Progrès de la science économique*, vol. i. p. 51,—that sociology can never acquire the character of a real science. All praise is due to Comte, Spencer, and various followers of theirs for breaking new ground; they have done good service in educating people's minds, and in morphology our own Vanni, too, deserves recognition for his acuteness, his learning, and his moderation; but for all that, the sociology of the present day, relying as it does upon treacherous and barren physiological analogies such as Schäffle never tires

Sociology criticised.

Its merits.

of drawing, lacks strength and coherency, and has not yet achieved either a clear vision of the certain course of future events or even a moderate power of carrying immediate conviction by its reasonings. Now, all these things which it lacks are, according to the positivists, themselves the characteristic marks of real science. Ask, as Sidgwick acutely suggests, the three luminaries of this new science what the future has in store for human society, and your three answers will each not only amaze you, but each will flatly contradict both of the others. These being the circumstances, let us join with Marshall and the best English economists, and agree with Knies and Schönberg,—whom none will accuse of a bias in favour of the classical school of economics,—that "a bird in the hand is worth two in the bush," and that, as our own Nazzani puts it, "we must not relinquish our treasure in hand for hopes of treasure trove." To be sure, social facts of the most far-fetched kind influence facts of economics, but so do physical phenomena, and this should not in the least discourage us from studying them separately. Indeed, Cherbuliez has cogently argued that the laws of intellectual progress to-day,—thorough study according to approved methods,—all favour minuter subdivisions among various sciences, and nothing can be gained for the present by gathering up many of them into one. Its defects.

All this must be maintained in spite of Ingram, a subtle and brilliant defender of the contrary view. Cognetti also sustains the same ideas with vigorous arguments which amount to about the same as Ingram's. Philippovich testifies to Cognetti's earnestness, but does not regard him as convincing.

J. K. Ingram, *The Present Position and Prospects of Political Economy.* London, 1878. Translated by Scheel. Jena, 1879.

S. Cognetti de Martiis, *L'economia come scienza.* Turin, 1876.

A. Marshall, *The present Position of Economics.* London, 1885. (Competent and impartial.)

§ (3) THE CHARACTERISTICS OF POLITICAL ECONOMY

Political economy in one sense an art.

But little now requires to be added about the characteristics of economics, because the points around which most controversies turn have already been mentioned. The political economy which furnishes guiding principles to the legislator and to the administrator, and thus facilitates government, is not a social science like pure economics, but is an art, and being confined to the theory of government, it forms part and parcel of politics, and may conveniently be classed among other branches of the science of administration. Finance, indeed, has already declared its independence both of economics and of politics, but so far as administration deals with strictly economic questions and interests, no such separation has as yet been effected.

Social economics and political economy.

There has been, and indeed still is, a promiscuous way of dealing now with social economics, and again with political economy, which is fruitful only in confusion of thought. Progress in both these branches is seriously impeded by such a course. Scientific truths and the rules of art cannot be vaguely talked of in same breath without endangering both.

ientific nd

This confusion is cloaked under the ec of principles, or worse still, under the "laws." These last are of two kind vs, in the sense attached to the rudence, and politics, where a la thority enforced by an i there is also law in the d which amounts to a f n of certain forces te ne effects. Confusion

two distinct meanings results disastrously, as may briefly be shown as follows:—

Science and art.

FIRST, the sphere of political economy is left perfectly vague, as it must be inevitably since economic science, if it is to be at all profound, and when it is handled adequately, must be rigorously circumscribed. The art of economics, on the other hand, can never formulate efficient practical rules so long as it undertakes to derive them from a single science, not though the science thus singled out be the one most nearly related to economic art, so far as the subject-matter dealt with is concerned.

Disastrous results of their confusion.

SECOND, a confusion between science and art deprives the former of its inherent impartiality, and defeats it in its paramount function, which is the investigation of truths as such, and truths only, without any preoccupation regarding the helpful or harmful, virtuous or vicious applications of truth. Pharmaceutical chemistry, we know, informs impartially the doctor who cures and the malefactor who kills touching the correct way to prepare arsenic. Just in the same way social economics is bound to deal with the phenomena of its province. It must be neutral, favouring no class, upholding no form of government. Once confuse the limits between the science and the art of economics, however, and truth immediately becomes a secondary consideration, a mere means for supporting or combating a system that gets itself taken for granted. Confusion between social economics and political economy has led many pseudo-economists to look upon their science as an arsenal stocked with arms to be used against the unconditional and universal application of free trade; others, again, being optimists or quietists, have resorted to their science for valid apologies to justify free competition, to demonstrate the universal harmony of apparently conflicting interests, and the consequent absurdity of such a thing as even a partial conflict between capital and labour, between

directors and artisans. Then there are pessimists and revolutionaries appealing to the same science for justification in a demand for governmental reforms of a more or less radical character to put an end to anarchy, which they maintain is the inevitable outcome of private property and of competition; while their adversaries defend these institutions as the very hinges upon which turns the natural distribution of wealth which they proclaim to be the only reasonable, nay, the only possible, distribution imaginable.

Scientific laws and mere rules.

THIRD, the ambiguous use of the term law indiscriminately applied to scientific propositions which yield knowledge, and to rules of art which use knowledge as a guide for action, has led to error in two opposite directions. The sounding title of scientific laws, which must as such apply to all possible cases, has been usurped by mere rules whose nature it is to vary and to submit to endless exceptions. For instance, *laisser-faire* has taken to itself the style of a scientific law, and Bastiat, with what is described as the Manchester school, has clamoured for its instant application quite without any regard to different conditions, to the influence of precedents, or, in the most favourable cases, to the necessity of providing careful and gradual means of transition. Even the commandment, "Thou shalt not kill," is not absolute; to save an innocent life the aggressor may, by way of exception, be slain. On the opposite side appear those who deny the universality of scientific laws, and create the hybrid thing known as a law admitting of exception. They do not recognise that, when complex phenomena result from the play of opposing causes, an exception may prove a law as well as a rule. Is the rising mercury of a thermometer, is a rising balloon, an exception to the law of gravity? And yet Rossi, in pursuit of the law of value, prefers to talk about the cost of production, and will have none of your demand and supply; this latter formula is truer, he says, but not so useful.

By this time it must be plain that social economics no less than political economy absolutely cries out for a sharp line of distinction, which absolutely must be drawn to separate them. They are formally opposed to each other, and have their respective and well-marked criteria. Political economy, being a science, must defend its universal character and maintain strictly its independence of any and every practical purpose, while its truths must once and for ever renounce all claims to immediate and universal application. Social economics being an art must preserve its connection with the various sciences that supply it with rules to work by; from these it must formulate precepts which shall be adapted to circumstances, and sufficiently elastic to suit varying cases.

Social economics and political economy.

In maintaining, as I have, the need of a separation between political economy and social economics, no censure has been aimed at such men as Mill, Cairnes, and Jevons,—to name the leaders only,—who have discussed matters of economic legislation in writing of political economy. Let us allow in so many words that such a course as this is necessary, particularly where problems arise that must be settled mainly by economic considerations. Currency, credit, banks, commerce, and tariffs are all cases in point. The one thing needful in all such discussions is that economists should see what ground they are on, should know when pure science is out of the question, and shape the argument accordingly.

Need of a distinction.

S. van Houten, *De Staathuishoudkunde als Wetenschap en Kunst.* Groningen, 1866.

CHAPTER V

NAMES AND TERMS OF POLITICAL ECONOMY

Controversies.

FAR from rushing breathless into the endless quarrels about the names and definitions of political economy, let us beware of scanning them too closely for fear of being befogged. Clearness, however, retrospective and prospective, requires a summary criticism of conspicuous views on these points.

§ (1) NAMES

Economy defined (1) currently,

Economy as a current everyday word means, when standing alone, saving or parsimony; in certain collocations, such as 'the economy of the universe,' or 'of the human body,' it means a systematic whole, and in both of the above senses lurk more or less definitely implied ideas of proportion, order, harmony.

(2) etymologically,

Etymologically we analyse our term into οἶκος, *house*, and νόμος, *law*, and obtain for its meaning the law of the house, the regulation of the family in the so-called subjective sense attached to that word. Thus economy deals either with the management of household and family affairs in general, or else more specifically with family goods and property. Combine this term with your adjective derived from πόλις, *city* or *state*, and you substitute, in the wider as well as the narrower definition, State for family or household. This gives you occasion to talk of political economy as contrasted with

its household counterpart, — domestic economy, — a necessary but etymologically indefensible combination of words. The narrower sense attaching etymologically, or, if you prefer the term, subjectively, to political economy as opposed to domestic economy, is, strictly speaking, the theory of managing public finance.

(3) scientifically.

Neither the current nor the etymological sense precisely corresponds to the scientific meaning of the term political economy as conventionally established. This use implies a doctrine which has to do only with a small part of the attributes of the State, and which neither confines itself solely to the wealth of the State, nor even requires the existence of the State. It could maintain itself even in that condition of anarchy to which, while others tremble at the very name of it, some aspire as an ideal of perfection. The unsatisfactory case thus stated justifies or at least explains the many efforts to find some new and better name for political economy.

Alternative names.

(1) Ambiguous.

Genovesi's CIVIL ECONOMICS finds supporters; Beccaria, Verri, Pecchio, and Minghetti prefer PUBLIC ECONOMICS; while others, mostly Germans, have favoured STATE ECONOMY; but none of these substitutes offers a real escape from the ambiguities under which the accepted designation labours.

(2) Aimed at social science.

Another group, mostly of French and Italian writers, such as Scialoja, De Augustinis, Reymond, and Ciccone, like the phrase SOCIAL ECONOMICS used above for the rational, pure, and scientific art of economics, either by way of espousing or opposing the superior inclusiveness of social science, or else, as in the case of Ott, who follows Buchez the socialist, by way of insisting that reform is the economist's first law.

(3) Aimed at cosmopolitanism.

But more numerous still are the champions of economy of the people, or, as Orthes phrased it in 1774, NATIONAL ECONOMY. This last is still not uncommon in Germany, where it rallies the disciples of List around the palladium of the protective tariff which they defend

against Adam Smith and the whole English school of cosmopolitan economy and free trade. Of course the fatal flaw in these definitions is that they are framed for applied economics, and fly in the face of pure science by their reference of its phenomena to the economic personality of this or that people; whereas the varied facts which mark the spontaneous play of traffic between various individuals or groups in association or competition, lie quite beyond the sphere of any ethnical or political influence whatsoever.

(4) Far too narrow. The term INDUSTRIAL ECONOMICS must be rejected for reasons just the opposite of the above. Industrial economics already designates a branch of private economics. In 1819 Say was made professor of *Industrial Economics* at the *Conservatoire des Arts et Métiers*, but the name of his chair was a makeshift to humour the mood of a Government for which anything called political was taboo.

(5) A last resort. Not a few economists have finally given up in despair the search for a new adjective, and have attempted to go without any at all. Cherbuliez, for instance, talks about economic science or ECONOMY. Economics pure and simple is favoured by Garnier, Jevons, H. D. Macleod, and Marshall. This is a return to Greek usage, which Hutcheson advocated as early as 1747. The Greek philosophers, however, were faithful to the etymology of the word, which designated only domestic economics. Nowadays the most advisable meaning for economics would be a general one embracing political economy and private economy.

(6) Eccentric names. Finally certain writers, though they were in favour of keeping the Greek word, tried to introduce a new nomenclature by fishing out of Aristotle's Politics the term CHREMATISTICS—used with an implication of scorn by Sismondi—or by such new coinages as CHRYSOLOGY, PLUTONOMY (due to Robert Gujard), or PLUTOLOGY and ERGONOMY, contributed by Courcelle-Seneuil and Hearn; and then, to mention Whately's contribution

(see his fourth book, ch. ix.), there is CATALLACTICS. All these wonderful words apply to wealth, but not to human action about wealth. Moreover, they take wealth far too vaguely, except perhaps the last, which is exchange and nothing more, and covers therefore only one of the important fields of political economy. All these inventions may therefore be dismissed as unsuitable.

Political economy the best phrase.

Nothing better having suggested itself, we may be content with the term POLITICAL ECONOMY, which occurs on the title-page of a book on political economy published in 1615 by Montchrétien de Watteville, which was employed by Steuart in 1767, by Verri in 1731, and was accepted by Adam Smith in 1776. Adam Smith's example has secured the general adoption of political economy as the prevalent name, notably in England, France, Italy, and America, where this designation is universally recognised in all works on the science itself, and in all places where it is taught publicly or privately.

Choice of names in other sciences.

If economists are unlucky because they find no suitable name for their science, what of chemists, physicists, and metaphysicians? Their case is worse than ours, for they have to designate their respective branches by words either etymologically inapplicable, or only applicable in a vague or blundering fashion. Do experts in physics and physiology, or adepts in geography and geology, find a hindrance in the fact that the name of their science might indifferently be applied to another which they have accurately and clearly distinguished from their own?

Jos. Garnier, "De l'origine et de la filiation du mot économie politique," *Journal des Économistes*, 1852, vol. xxxii. pp. 300-316; vol. xxxiii. pp. 11-23.

§ (2) DEFINITIONS USED BY POLITICAL ECONOMY

The definition of terms in political economy is a far more serious question than the choice of its name, for

Importance of definitions.

its leading terms involve in their definition a clear statement of the subject-matter, the aim and the function or office of political economy. Definitions, and very excellent ones made by competent men, are scattered about in the opening chapters of not a few scientific treatises. But in these works a knowledge of the subject is always presupposed, and thus their definitions come in not at the first approaches but as a feature in the final stages of full knowledge. Now some banish definitions because they are mere quibbles about words, while others turn their backs upon them because they breed confusion, but really they are far more than questions of words, and their discussion is certainly anything but dangerous or confusing. Once achieve a definition which is precise, clear, and brief, and you are protected from all sophistry, which depends upon a vague and slippery use of terms. At the same time definitions are never final but always purely and simply provisional. The progress of our science demands a progressive readjustment of its definitions, which furthermore are always more or less arbitrary, and necessarily draw hard-and-fast lines between phenomena which are in reality connected. Definitions therefore, although they are indispensable, cannot safely be used without constantly reverting to those limited cases where no definition applies without certain modifications.

Finally, be it remembered that, however hard, however impossible indeed, it may in some cases be to invent any formula which satisfies even moderately all the demands above alluded to, yet the time devoted to elaborating even an unfortunate formula is by no means thrown away. Sidgwick with characteristic acuteness has remarked that the value of definition lies not so much in the result obtained in set forms of words, as in the discussions that lead up to them. These involve the analysis of concrete facts together with a separation of essential from non-essential and accidental characteris-

tics. This whole process lays a firm foundation for classifications and judgments which are of capital importance.

Criticism of definitions.

Grant the truth of this, recall what has been said touching the conception, the correlation, and the characteristic marks of the two orders of systematised knowledge comprised under political economy, and you will not shrink from a resumptive criticism of all known definitions which shall note their defects, whether material and specific, or logical and general.

Many definitions are not only wordy and obscure, but also hopelessly inexact, inasmuch as they enlarge or restrict unduly the field of economics. When they do not do this, they often involve either a very lame conception of its scope and function, or a serious misrepresentation of its characteristics.

Definitions are (1) too wide,

Call political economy a theory of civilisation, of personal advantage, of the useful, of comfort, of human needs and their satisfaction, and you attribute altogether too wide a field to economics. The same is true of those who call it the theory of physical well-being or of material well-being. All such forms of words bring into the field considerations and interests quite foreign to economics.

A mistake which bears in the same direction is also made by those authors who confuse the field of political economy with that of all economic branches of study, and also with that of technological science. Their definition for it is either "the science," "the philosophy," or "the metaphysics" of wealth. They gravely err, moreover, in taking wealth, rather than human action in respect of wealth, as the field of their study. Coquelin and some who are with him manage to avoid only a small portion of this same error by talking of industry, or less happily of wages and labour as the field of economics.

Too wide, though in a different way, is the field assigned by Say in his lectures, where he,—and many

err with him,—identifies economics with social science, and assigns to it the duty of solving all the problems of civilised existence. How can it do this and not break its natural bounds?

(2) too narrow,

Too narrow a field is assigned by all definitions making economics a theory of exchange, commerce, value, and property. These important subjects all lie in the one field of the circulation or distribution of wealth—a mere fraction of the whole field of economics.

Those theorists give it too narrow a sense, who forget everything but the application of principles, and identify the science with the art of amassing wealth, which is private economics, or with the art of promoting and maintaining public and private wealth, which is economic policy. Some, on the contrary, will include nothing but science, and therefore assign to political economy no concern in the best means for increasing and preserving wealth, but solely insist that it shall explain the phenomena of social wealth.

Most of the definitions found fault with above, either as too wide or as too narrow, are at the same time too wide and too narrow, because they couple with too WIDE A FIELD OF OPERATION for the science, such as civilisation, wellbeing, wealth, far too RESTRICTED A FUNCTION for the science or for the art of economics, or for both.

(3) one-sided.

Other definitions discredit themselves by changing or mutilating the purpose of the study, confining it to history and the study of the development of economic phenomena, and excluding the consideration of their rational laws. Economics is, as a matter of fact, neither an ethical pursuit, merely seeking ideals for an equitable distribution of material goods, nor is it an art subordinated to juridical or political considerations, any more than it is, as some pretend, purely an etiological or a merely morphological study. Equally unacceptable is the opinion which banishes from economics all so-called empirical laws derived from economic statistics.

In some cases, indeed, it is impossible to go behind laws of this kind, but in others, as above explained, we find a point of vantage from which we can proceed to the establishment of sound scientific laws.

Practical agreement under conflicting definitions.

The fundamental disagreement among economists regarding definitions as a matter of theory, tends certainly to their discredit, and no one has more vividly expressed the regret at this disaster which all must share, than our own Pellegrino Rossi, who eloquently interpreted the feelings of Senior and MacCulloch. It is consoling to reflect that the harm often goes no farther than skin-deep, since the most antagonistic controversialists on the field of definitions will be found agreeing when they enter upon the subject in hand, so that these discussions are often merely verbal, and these terrible schisms are frequently more apparent than real.

Analogous difficulties in other sciences.

Moreover, other exact sciences have controversies that are precisely parallel, and in Economics such disagreement as appears between earlier and later forms of definition given by leading and competent men at various times, frequently is a record of progress made, and an earnest of still further progress to come. As for disagreements between men of no mark, they need disturb no one. Mediocrity, conscious that it can make no useful discovery, will always make what noise it can over mere questions of form; this is its royal road to fame, and its only field of original research.

Especial attention to the definitions of Political Economy has been given by certain writers on logic, who were also economists of mark like Whately, Mill, and Jevons. The following monographs also deserve attention:—

Th. Rob. Malthus, *The Definitions of Political Economy.* London, 1827.

J. E. Cairnes, *The Character and Logical Method of Political Economy,* London, 1875, pp. 134-148.

Fr. Jul. Neumann, "Grundbegriffe der Volkswirthschaftslehre," in G. Schönberg's *Handbuch der Polit. Oekon.*, third edition, vol. i., Tübingen, 1890, pp. 133-174.

C. Menger, *Untersuchungen über die Methode der Staatswissenschaften.* Leipzig, 1883.

J. N. Keynes, *The Scope and Method of Political Economy*, London, 1891, pp. 146-163.

A good summary of the definitions for political economy, gathered together most diligently, but not always with sufficient accuracy of judgment, will be found in the following works :—

J. Kautz, *Die National-Oekonomie als Wissenschaft*, Vienna, 1858, pp. 286-291.

Jos. Garnier, "But et limites de l'économie politique," in his *Notes et Petits Traités*, etc., Paris, 1865, pp. 83 ff.

M. Carreras y Gonzalez, *Philosophie de la science économique*, Paris, 1881, pp. 20-27.

C. Supino, *La definizione dell' Economia politica.* Milan, 1883.

CHAPTER VI

THE METHODS OF POLITICAL ECONOMY

Method determined by definitions.

AN inevitable result of dissensions about the characteristics of political economy is an equally obstinate quarrel about questions of method. If your end is not the same, your means cannot fail to be different. Logic gives universal rules for reasoning as such, and each department of reasoned science goes its own special way, using the method required for performing its own special function, and adapted to its special field and final aim. One road leads to ideals, another to rules of conduct, and others still to historical laws, empirical regularities, and scientific laws. If economics is conceived of as ethics, its method will be different from the historical and descriptive one to be used if it is history. Scientific method applies if it is a science, but not if it is an art. But we, who have agreed already that it is both a science and an art, must not fancy that one and the same method belongs to it in both these capacities.

The intrinsic difficulties in arriving at any true account of method in our study are so aggravated as to be all but insurmountable when their solution is attempted by persons not grounded in the necessary rudiments of philosophy, and destitute of clear notions concerning the nature and the functions of method as such, and the right way to determine what methods are respectively suitable for various special studies.

Rejection of the deductive method.

Some writers are up in arms against the deductive method, and fling themselves upon arbitrary metaphysical hypotheses in order to stumble at last into false conclusions. This procedure belongs to the infantile stage of every branch of knowledge, and has been exemplified in various physical sciences. No serious student of the social sciences ever entertained for long such a method as this one, which, though it claims to be inductive, is equally remote from deductive and inductive reasoning, since it is not based upon observation.

Induction.

Others, again, are equally at fault when they stoutly maintain that economics is an inductive science or an experimental science, or when they assert that the first condition of real progress in our study is to abandon sterile deductions. The whole course of all really inductive sciences cries out against this view by showing that their greatest perfection has been reached when they entered the deductive phase of their development.

Induction and deduction.

Others, who are free from these errors, make a show of giving us instruction by airily remarking that deduction as well as induction, reasoning as well as observation, are required in economics. Where can they, or any one of them, be dispensed with? The real point is to decide for what purpose and in what order to apply them, how to combine and alternate induction and deduction. Does one of these, or do both, furnish our premisses and our conclusions? What help, if any, can these processes afford in discovery? Are they only useful in demonstration and verification, or can either or both methods lead to the establishment of real scientific laws? If they can, what is the degree of certainty obtainable by each, and what are the limits within which they run? Finally, does the same degree of relative importance attach to each through all parts of each given science, through all the phases of every process of investigation, and in all periods

of the historical progress of the several branches of economics?

The methods of great minds.

There is one further point of doubt remaining which is quite as fatal as all of the above. Most writers have vainly struggled to reconcile conflicting accounts of the right method by a sort of attempt to snatch out of the void a brand-new and infallible method. This they proceed to substitute for the antiquated and false methods of their predecessors. The only fruitful course, on the contrary, is to scrutinise all the methods which have been fruitful and have won for us our actual scientific inheritance in the domain of political economy. The great masters, it will be found, though frequently wedded to conflicting theories of method, have always shown a marvellous agreement in using at a given time just the method which was most suited to explain the phenomena under their immediate consideration, and have made few mistakes in treating the various questions of pure and applied economics that offered themselves for solution.

Adam Smith, Ricardo, Malthus, Mill, and Cairnes.

Some look up to Adam Smith as the protagonist of the deductive method, others hail him as the master of the inductive method, while there are not lacking those who see in him a precursor of the historical method. In reality, he uses both induction and deduction, and makes appeal now to psychological analysis and now to historical facts. His account of wages, for instance, begins by deductive reasoning upon the general law, and proceeds by induction to discover the causes of variation in wages for various professions. Ricardo and Malthus pursue just the same course, although they are frequently set up against each other to represent conflicting methods. Malthus, following the lead given him by his subject,—population,—used historical and statistical induction to eke out the insufficient and uncertain material at his command; Ricardo, having to solve rather wider questions about the circulation and distribution of wealth, naturally depended upon deductive

reasoning. But still Malthus, in his attacks upon Ricardo touching the theory of value, had recourse to deduction; and Ricardo discoursed, in his polemical pamphlets, upon money and public and private credit with the most accurate knowledge of concrete facts. The same holds of Mill and Cairnes, those doughty champions of the deductive method in pure science. Mill, in applying his principles to peasant holdings, Cairnes, in treating of slave-labour and of the effect of the increased production of gold upon prices, have alike had recourse to inductive reasoning.

After these preliminary remarks our own conception of the right method for social economics and for political economy will be in order. But, first, a few hints concerning method at large are necessary.

§ (1) ON SCIENTIFIC METHOD IN GENERAL

Method defined.

Method means the logical process used in discovering or in demonstrating truth. Its function is accordingly twofold, — inventive and didactic. A difference in their respective starting-points distinguishes the deductive method, which descends from the general to the particular, from the inductive method, which mounts from the particular to the general.

Deduction.

Deductive method—also called synthetic, rational, and *a priori*—posits principles either self-evident or based on observation, and carries them by a process of pure reasoning, unpropped by any outside tests or considerations, down to the consequences which they implicitly contain. Its movement is rigorous, its conclusions are certain, always provided its deductive processes are sound and its posited principles sound. Pure philosophy and abstract mathematics are called deductive or exact because they are based upon the deductive method.

Induction.

Inductive method,—also called analytic, empirical, and *a posteriori*,—begins with the observation of parti-

cular facts, and mounts by the help of reasonings founded on experience, first to derivative laws,—*axiomata media*,—and afterwards to the primitive laws of the phenomena in hand. It is a method of comparative uncertainty, especially when applied to the explanation of facts that are complex and continuously variable. Certain physical sciences are called inductive because, in spite of noteworthy progress achieved, they are still in their empirical phase. Geology, for instance, and meteorology, and, among the social sciences, statistics, which simply describes or investigates empirical uniformities—these are inductive branches of knowledge.

Geology, meteorology and statistics.

Other sciences, again, are broadly called positive and exact, because induction and deduction alternate in their processes of reasoning. Mechanics, astronomy, physics, and chemistry win general laws by induction, and then, passing on to their deductive stage and using calculations to solidify the whole structure, they establish other laws, and carry out to their necessary consequences all the truths thus gained.

No method dispenses with observation which, so far as in it lies, posits premisses, discovers and demonstrates laws, verifies results, and sets limits to various branches; but there are erroneous accounts of what observation is.

Observation.

From the point of view of the nature of phenomena, observation may be internal, and deal more or less tentatively with delicately variable facts, being at the same time, so far as accuracy goes, peculiarly at the mercy of any prejudice on the observer's part; or again, observation may deal with external facts, whether of nature or of society.

From the point of view of the process by which it is taken, observation may be natural or artificial.

Natural observation is made of phenomena in the natural course of things, and its degree of exactness depends upon whether it is made (1) by means of our

senses (internal or external), which subject it to all their inherent liabilities to error,[1] or (2) by means of instruments of precision suited to the nature of the phenomena observed. Such are the telescope, the microscope, the barometer, the thermometer, invented for astronomy, histology, meteorology, and so on.

Experiment.

Artificial observation or experiment reaches the climax of possible perfection by reproducing phenomena under such variations as the subject in hand requires, (1) by real and alternative elimination of various perturbing elements in concrete phenomena, which by this means are reduced to their simplest form and made suitable to the intensity of single forces, or (2) by bringing certain complex phenomena not resolvable into their elements into successive contact with other phenomena, with a view to determining with quantitative precision the resulting actions and reactions.[2]

On method at large, and on observation as applicable to social facts, consult the works upon logic mentioned above, and those of Sigwart, Wundt, and Bain; the statistical writings of Haushofer, Block, and Gabaglio; and, more especially, the following monographs:—

G. Cornewall Lewis, *A Treatise on the Methods of Observation and Reasoning in Politics.* London, 1852. 2 vols. (A work of great learning.)

P. A. Dufau, *De la Méthode d'Observation dans les Sciences Morales et Politiques.* Paris, 1866.

[1] The senses are at the mercy of their organs, which may be defective, and of the objects to which they apply, which may be too minute or too far away, and of the more or less confusing complexity of occurrences to be observed.

[2] Only those inductive sciences may properly be called experimental which, like physics, chemistry, and some branches of biology, can resort to genuine experiments.

§ (2) ON THE METHODS OF POLITICAL ECONOMY

Authorities on method.

Bearing in mind the observations just made, and avoiding, as far as may be, such errors and ambiguities as have just been found fault with, let us be quite clear and precise about the methods that are most suited to economic investigations. This will involve a summary, though of course a discriminating account, of what certain writers of merit have succinctly taught on this point. Mangoldt, Böhm-Bawerk, Cohn, Philippovich, Sidgwick, and Marshall have dealt specifically with these matters, which are also touched upon in the writings cited above of Cairnes, Heymans, Menger, Dietzel, and Keynes, on the logic of economics.

Political economy

Let us note, in the first place, that the discussion of methods in political economics or economic policy is otiose. Political economy, when taken in this narrow sense, is bound to provide the legislator with general criteria of good government, both economical and financial, which are adapted to varying conditions of time, place, and civilisation; and therefore there is no alternative as to the right method, which must be quantitative and qualitative induction drawing abundant observations from the sources of economic history and statistics. Induction gives its prevailing tone to political economy, and the administrator also is bound to resort to induction, and to base his inductions upon his own individual experience whenever he applies economic criteria to concrete instances.

and social economics.

Let us note, in the second place, that when we turn specifically to social economics, and discuss the right method there, we are on controversial ground. Here, again, we take our cue from the profounder writers on economics. We find them basing certain premisses on a combination of internal or psychical, and external or physical facts given by observation, and then by a well-conceived and rigorously applied series of deductions reaching the general laws of circulation and

distribution of wealth, which are the most difficult as well as the most important themes of social economics.

The clear statement by certain writers,—especially Senior, Cairnes, and Bagehot, — of such premisses cannot be cited categorically or given under three or four heads. Such premisses vary according to the nature of the phenomena concerned, and according to the degree of precision aimed at from time to time. A simplified argument dispenses with many premisses, which afterwards may be introduced in order to approximate gradually to the fulness of treatment required by the facts,—the one danger of this whole procedure being an unavoidable complication of the argument which opens the door for possible errors.

Premisses of political economy.

Completeness in any enumeration of the premisses of political economy is out of the question, but for all that the most general among them may be usefully stated, because, explicitly or implicitly, they are the basis of the most important theories of pure science. Any attempt to state them, however, must not ignore the grave difficulty of excluding beforehand every flaw, and closing the door to all objections.

FIRST, in economic functions the leading motive of average human action is profit and loss, which prompts us to aim at the greatest gain in return for the least possible expenditure of effort, sacrifice, and risk. This is the law of the least sacrifice. SECOND, the earth, necessary for the labour and the livelihood of man, is of limited extent and fertility. Other circumstances being equal, a time comes sooner or later when increased investments of capital and labour upon a given amount of land yield less than a proportionate return as compared with the amount expended upon cultivation. This is the law of decreasing returns. THIRD, man's proneness to multiply upon the earth, which is rooted in his mental and physical nature, constantly outruns the possibility of increasing the means of subsistence which he imperatively requires. This is the law of population.

These are the premisses which, taken together with hypothetical freedom of competition,—that is, liberty in all contracts, limited only by the exclusion of fraud and of violence,—and full knowledge of the market, to the exclusion of ignorance and error, have led in the classical school of economics to the establishment by deductive reasoning of the theory of value and of their corollary, the theory of the circulation and distribution of wealth.

Now if, in order to appreciate the solidity of such scientific constructions, we examine the degree of certainty attaching to their premisses, and find them resting on facts either self-evident or empirically demonstrable by other sciences, say psychology, agriculture, or physiology, and if we further note that they are based upon observation,—then we rightly conclude that social economics is just as positive as many a physical science whose premisses are models of laborious induction, and just as exact as pure Mathematics with all its axioms and hypothetical definitions.

Facts and deductions.

Now let us compare actual economic facts with the results of deductive reasoning, and a more or less essential difference will appear. Phenomena, be it remembered, are at the mercy of something more than those leading and ceaseless causes upon which scientific deduction is founded. There are accidental and variable causes which science neglects, and these rarely fail to traverse the foreseen results of constant causes. Love, whether of the family, the country, or one's neighbour, vanity, sloth, ignorance, error, are constantly blocking the free play of the law of profit and loss. Agricultural improvements fortunately traverse the foreseen result of the law of decreasing returns. Love for one's children, providence, egoism, all curb the natural working of the law of population; and finally, not only violence and fraud, but sometimes the laws themselves, customs, habits, or public opinion, prevent the law of free competition from having full play.

Take the laws of value, of wages, of returns, of profits, and see what capital examples the facts will be of a discrepancy between what science predicts and what actually takes place. If, however, the field of observation is extended, science is often more nearly justified, because accidental causes either fall away or neutralise each other. But this by no means justifies our dispensing with certain complementary or corrective notions, useful in dealing with our original deductions.

Social economics largely hypothetical.

On this very account some call social economics hypothetical, because its laws are neither immutable nor universal, but only express a tendency in certain causes to produce given effects which are in reality modified by the intervention of other perturbing causes. Hence the imperative necessity for caution in formulating economic laws so as to indicate the real state of the case. Do not say, therefore, "increased supply puts prices down," "prices rise whenever demand increases"; this is not true as long as each of these effects is subject to modification by other concurrent and opposing causes. Hence, in all these cases, we should speak of a tendency, and not of a downright certainty.

Exceptions.

Grant, then, the hypothetical character of economic laws, which in this respect are like many physical laws; this does not discredit them at all for science. The tendencies which they describe are universal and unchangeable, being exemplified in the very facts where they are traversed. It is, indeed, a clumsy abuse of logic to cite a real fact conditioned by various causes as establishing the falsity of any law which formulates the tendency of an isolated cause. A locomotive can move along the rails without disproving the existence of friction, a feather floats in the air without damaging the law of gravity, increase in the agricultural output of one country, or diminution in the population of another, cannot prove the falsity of the law of decreasing returns, since that presupposes no progress in agriculture. Again, the principle of

Malthus expresses nothing but a tendency which may perfectly well be neutralised by all sorts of preventive or repressive obstacles, which are duly analysed and allowed for in his work.

Deduction corrected.

To make good the more obvious flaws in the most general deductions of economics, based as they must be upon an insufficiently broad range of premisses, there are two possible ways of proceeding,—either a further correction and perfection of the deductive reasoning itself, or an appeal to the aid of inductive reasoning.

The initial deductions, which were applied to cases artificially simplified, are perfected by the addition of new premisses, and the study of more complicated cases. New premisses being arrived at with this in view, cases can be dealt with whose complexity approximates to that of the real course of events. Thünen, for instance, took up the investigation of the influence of the market upon the distribution of systems of cultivation, and was followed by Nicholson in two admirable monographs on the effect upon prices of the volume of currency and on that of machines upon wages. Both of them began with the simplest cases possible, and then, by way of coming nearer and nearer to reality, they assumed a constantly-increasing number of premisses, and thus reached scientific exactness in their conclusions; although, of course, these last could not be ideally fitted to the indefinite multiplicity of concrete phenomena in which they are traversed by perturbing forces impossible to provide for beforehand. Mill's classical treatise on international values follows just this method. At its outset he supposes two contiguous States between which there is direct exchange of merchandise in kind; this exchange is supposed to be free. Thus the complications of money and of import duties are excluded, and furthermore, each State is supposed to have one particular kind of produce to offer. As the investigation goes on, these limitations successively fall away, and finally a far

Markets and cultivation, prices and wages.

more complex hypothesis is formulated, which is not far from corresponding by long and by large with the system of international exchange as it actually exists.

Study of causes singly.

These same initial deductions may also be corrected in another way without sacrificing the exactness attaching to the deductive method. This second mode of correction lies in taking one cause and successively studying it in connection with various conditions, each of which may for the nonce be isolated. If discrimination is used, all conditions which have a practical bearing may be treated in this way, and such a general solution of the problem in hand may be reached that only a few modifications obviously dictated by experience will make it square with facts and rightly explain them. Keynes supplies us most opportunely with a case in point. Study the probable and remote effects of a strike issuing in an increase of wages by taking three possible lines. Increased wages may (1) increase production without loss in any quarter, (2) raise prices at the consumers' expense, (3) lower profits at the capitalists' expense. The last two cases allow the alternative hypotheses that the wages and the profits affected by the change may or may not originally have been below their normal rate. Furthermore, competition has also to be taken into account, since it influences both the capital and the labour embarked in a given branch of industry, or connected with the pursuit of various professions.

Induction and (1) perturbing causes.

Inductive reasoning has also frequently to play its part, not as a direct means of testing and correcting the truth of laws obtained by deduction, as some imagine, but rather as a means of verifying the existence of perturbing causes, of gauging their intensity, or at least of discovering the empirical laws of their variation.

(2) Premisses and results.

Only in a restricted number of cases, or rather only in certain parts of the theory of production, consumption, and population, can the inductive method apply.

Mangoldt in Bluntschli and Brater's *Dictionary* first put this clearly, and Sidgwick and Keynes have further shown that induction first of all supplies determinate premisses and verifies results arrived at, and then also induction,—but not induction alone and unaided,—proceeds to the direct explanation of certain phenomena; the causes determining the energy of labour, the law of decreasing returns, the economic import of the several forms of economic organisations large and small, individual and collective,—questions which may all of them be cleared up by simple empirical arguments.

Observation of complex facts.

Excepting for such problems as these, Mill and Cairnes have triumphantly appealed to the complexity of social phenomena,—where given results may be produced, and often are produced, by opposite causes, and where given causes under varying surroundings can produce the most utterly various results,—in order to show how hampered observation and specific experience must always be in any attempt to determine the real causes of facts observed. This is all the truer because the forces involved are more or less interchangeable, each playing over into another, and also because a long time often elapses before a given cause works out its effect. Get, if you could, from ten thousand learned men a complete register of all wages ever paid at any time in any place for any work, even then you have no basis for a general theory of wages which should be substituted for principles arrived at by the deductive investigations of economists. Imperfect as it is, this is the best obtainable theory.

Induction and scientific laws.

The impossibility of discovering by purely inductive reasoning any scientific laws governing the circulation and distribution of wealth is best shown when we realise the imperfect methods of observation with which economists have to content themselves. Any collective and methodical observation of large masses of homogeneous phenomena, when it is seconded by statistical processes of induction, undeniably supplies us

with a valuable instrument serviceable for grasping most interesting empirical regularities. These frequently confirm preceding deductions, and often suggest new ones. But for all that, no such method can ever lead on to knowledge of the first causes behind the phenomena which it classifies.

Natural observation.

Equally imperfect is observation when applied to single phenomena actually occurring, for observation here can only be natural observation, nothing more. No instrument of precision can be called into play, no experiment can be resorted to. Only chemists, physicists, physiologists, and the like have opportunity to reproduce artificially under constantly varied conditions the phenomena which they are scrutinising with a view to the exact measuring of the specific importance of concurrent forces.

Experiments impossible in economics.

The fact is that economists have for making observations nothing but their unaided natural faculties, subject to many causes of error, while their observations have to be made upon phenomena in which psychical factors, not always easy to distinguish or define, play such a part that observation can only be made step by step, according as the phenomena unfold themselves. Though there have been cases of suggestive legislation, made provisionally and applied to a strictly limited territory, these can hardly count as experiments. Where would be the *corpus vile*? Furthermore, such legislative experimentations cannot be made under artificially created conditions. Experiments being out of the question in economics, still less can it employ the methods of difference, of agreement, and of concomitant variations which are so ably analysed in Mill's *Logic*. Take as the most important of them, if only we could use it, the method of differences. Where are we to find two countries identical in their geographical, physical, ethnographical, economical, and political conditions, except only in respect of one sole condition, just the one whose influence we are undertaking to

measure? Arguments for and against protection, based upon contrasting Victoria and New South Wales, are either contradictory or inconclusive, unless appeal of some kind is made to deductive reasoning. A wonderful harvest of sophism has been garnered in for us by free-traders who appeal to the prosperity of England, as well as by protectionists, who cite that of the United States, each finding where he looks an irrefragable proof of the soundness of his pet system. Protection and free trade.

To sum up, then, all this arid and abstruse chapter of arguments, let us say:—

(1.) Social economics is a science based on observation which employs the deductive and the inductive methods, using them alternately, sometimes in one order, sometimes in another, and assigning to each functions whose relative importance varies according to the requirements of the several parts of which this branch of knowledge consists. Social economics and

(2.) Induction is preferably, though not exclusively, used by economists to develop the theory of production and consumption, which is for the most part descriptive, and for dealing with certain points in the theory of population. Deduction is, however, constantly resorted to, now as a means for proving and now as an instrument for making more exact conclusions inductively maintained; and, furthermore, deduction plays the important part of drawing from these conclusions by induction new conclusions of its own. (1) induction,

(3.) Deductive reasoning plays the most important part in establishing the theory of circulation and distribution. A few psychical, physical, and physiological premisses once gathered from internal and external observation, the scientific laws of phenomena are established, and these enable us not to predict actual occurrences which will necessarily take place, but only the universal and unintermittent tendency of certain causes apt to produce given effects under determinate (2) deduction,

conditions, among which is the absence of disturbing forces.

(4.) In order to diminish the divergence between the results of initial deductions and the complexity of phenomena, with all their varying conditions and countless disturbing influences, economists resort to two expedients: (*a.*) The alternative assumption of new hypotheses successively dictated by observation. These are associated with the first hypotheses for the study of cases whose greater complexity brings them nearer to the course of real events. (*b.*) They also resort to qualitative and quantitative induction for the scrutiny of secondary causes, whose intensity they try to gauge, or at least they struggle to find empirical laws for them. With such laws they sometimes have to be content, the more so since from them they are at times enabled to reach real scientific laws by a new process of deductive reasoning.

(3) hypotheses,

(4) empirical laws.

Economic policy prefers induction.

(5.) Political economics, or economic policy, prefers induction without insisting upon it always. Historical and statistical induction is the best means for providing the legislator with general laws or forms of sound economic and financial government. The administrator, on the other hand, in applying the norms thus supplied to concrete cases, resorts to the aid of specific experience and individual induction.

§ (3) THE HISTORICAL METHOD

Importance of history.

No one dreams of making light of history as an important factor in the method of political economy, but its importance has been persistently exaggerated since the middle of this century. A numerous group of economists is never tired of throwing at the heads of the dominant school,—called the philosophical by some, and by others the classical school,—their great doctrine that economics yields no absolute, constant, or universal truth, but only relative, variable, and special prin-

ciples, which are tied down to different conditions of time, place, and civilisation.

The celebrated Wilhelm Roscher opened the fray by formulating repeatedly the new programme. In 1848 Bruno Hildebrand took up the same idea, and improved upon it by his eloquent and forcible advocacy. Karl Knies went into greater detail, and based a more precise plea upon remarkably sound historical study, as is shown in a valuable monograph of his published in 1853, and subsequently strengthened and greatly improved. Followers from beyond the German borders soon crowded around these notable leaders—Wolowski in France, Cliffe Leslie and Posnett in England, Kautz in Hungary, Hamaker and Levy in the Netherlands, Cognetti and Schiattarella in Italy. Roscher.

Karl Knies, *Die Politische Oekonomie vom Standpunkte der geschichtlichen Methode.* Brunswick, 1853; second edition, Berlin, 1881-83.

S. Cognetti de' Martiis, *Delle Attinenze tra l' Economia Sociale e la Storia.* Florence, 1865.

H. J. Hamaker, *De historische School in de Staathuishoudkunde.* Leiden, 1870.

R. Schiattarella, *Del Metodo in Economia Sociale.* Naples, 1873.

H. M. Posnett, *The Historical Method in Ethics, Jurisprudence, and Political Economy.* London, 1882.

Th. E. Cliffe Leslie, *Essays in Political Economy.* Second edition. London, 1888.

Some slight sketch is needed of the doctrines of the historical school, which were well and briefly criticised by Messedaglia in his now classical work. Menger has dealt thoroughly and subtly with them. Around this arose a somewhat ill-mannered but substantially valuable series of controversial publications.

The historical school of Hugo, Niebuhr, and Savigny, — from which Roscher's disciples differ in some important particulars, — rejected, in dealing with Roscher's predecessors.

jurisprudence, all rational principles so far as they claimed philosophical,—that is, absolute and universal,—validity. Positive jurisprudence—an organic product of the national consciousness—was all they allowed. So the school of Roscher once for all rejects absolute truths and ideal types in economics, declaring that they have no bearing on sound government. Like List, Roscher recognises only national economics, which he contrasts with cosmopolitan economics. Each people and each age has its own economics. What people have called general principles are only erroneous or incomplete abstractions made from facts as they happen to stand in the country where the author lives. The economist, they say, is bound to limit himself to the description of the characteristics of various epochs in economic civilisation, and to the statement of maxims for government adapted to each one of them.

Denial of general principles.

Against this the following propositions may be maintained: (1.) We are nowhere bound to create confusion between scientific truths and the rules of art. The former are always to some extent absolute and universal; the latter are always relative and subject to change, since their virtue lies in their application to concrete cases; and this requires not only that the various conditions of time, so much insisted upon and so justly by the historical school, should be taken into account, but also that geographical and ethnographical conditions should be heeded, as indeed all noteworthy writers on politics have consistently done in speaking of what they term the relative excellence of laws, which must run parallel with their absolute excellence. Aristotle, Bodin, Montesquieu, and Filangieri have taken this view. Few, if any, of the advocates of free trade, for instance, fail to recognise the temporary qualifications and adaptations which should characterise any skilful application of their system to countries that have long been subject to tariffs.

(2.) Again, though the conditions of civilisation are

variable in their very nature, this does not force us to ignore that the laws of the physical world, the psychical qualities of individuals, together with certain familiar tendencies in social organisations, are now, always were, and will be always, the same. Accordingly those numerous economic facts which spring from them can never undergo any substantial change. Who is so bold, for instance, as to maintain that the principles of profit and loss, of the influence of scarcity on value, and of the price of merchandise upon the output, have purely local and provisional value?

The constant element in man and society.

(3.) Reduce political economy to nothing but a practical and descriptive balance-sheet, and you destroy it as a science and sterilise it as an art, since in both of these fields it is left with no power to criticise or to guide progress by an appeal to general criteria. The analogy of natural sciences breaks down, though the new doctrine is always appealing to them. Organic as well as inorganic nature has its general laws. Roscher says that food for babes is not food for men, but Messedaglia answers that both alike require food of some kind, and that we look to physiology for the laws of the function of alimentation as such.

Historical economy neither a science nor an art.

(4.) Substitute the historical for the inductive method, and your progress is backwards. You discredit individual observation and quantitative induction. Moreover, you fly in the face of the recognised relativity of economic institutions, because you propose to shape economic legislation for to-day on an imperfect knowledge of yesterday's facts.

The historical and the inductive methods.

(5.) Let Schmoller, Ingram, and others of the strictest sect of the historical school insist as they will upon the rashness attaching to any constructive political economy as yet possible, let them demand as they do a complete array of historical and descriptive details regarding the conditions of all epochs and all countries; for all that, it is palpable that they are dreaming of impossibilities which, if attainable, would be useless, and that

they are quaintly ignorant of what complexity in economic facts involves. In any case they propose more than a change of method, and demand really a radical alteration in the function and the whole scope of economics. In fact, they would refashion it into a historical, or a historico-philosophical, branch of learning.

Value of the historical school.

In spite of its obvious and serious errors, this new historical school has performed invaluable services to the science. It has acted as a useful counterpoise to the ultra-idealistic or *doctrinaire* school, which went to the opposite extreme and sought to make positive laws out of the principles of economic art, devoid though they are of anything to give them universal applicability, or to make them absolute. Furthermore, the historical school entered a *caveat* against optimists of Bastiat's kidney, and against individualists who had been lulled to sleep by their own gentle tune of economic harmonies, and had adopted a pleasant easy-going faith which ignored social evils, and opposed even the most moderate form of State intervention as a violation of the great doctrine *laissez-faire*.

The historical school, and particularly Roscher, its illustrious leader, has dowered our science with a rich store of historical and geographical knowledge, to which it has applied a comparative analysis of the characteristic marks of successive periods of economic civilisation. This last, though anything but faultless, is always suggestive, but it has not carried our historians to their promised philosophy of economic history. The laws of the historical development of phenomena are not in fact, as these economists would make them, coincident with the underlying laws of reason, and hence what they consider the one and only legitimate object of their investigation is not one but two. But the greatest debt which we owe to this school is the array of fruitful monographs on matters concerning the history of the science produced by its various groups. Nothing could be more perfect in form or in method than the treatises

based on Schmoller's excellent work, where Roscher deals with institutions and conditions of fact. His most laudable aim in these masterly works has been to deepen our knowledge of the present, and increase our chances for the future, by enlightening us concerning the past. Italy has been by no means backward, though here may not be the place to boast of it, in furnishing Roscher with disciples who, in spite of their opposition to his theory of method, are eager to use such powers of mind as they possess in promoting a genuine love of historical studies bearing upon economic science. Roscher's disciples.

In closing these critical hints let us remark that the services of the historical school have been chiefly indirect ones. The history of economics has been brought into prominence for study without really making any change in its fundamental principles, although some of the extremest sect of the historians have misled young men into the abandonment of the study of pure science, which they stigmatise as barren. This is not, of course, a verdict which the historical school accepts, but its self-delusion is easily confuted by contrasting Roscher's four volumes,—his *System*, which contains the leading doctrines of Adam Smith, Malthus, and Ricardo,—with the works of the German classical school, Thünen, Hermann, and Mangoldt. Nor has Cliffe Leslie obtained any notable triumph in England by his enthusiastic declaration in favour of the historical school. In his work on international exchange, on the relations between profits and interest, he uses the deductive method,—there being no other. Finally, Knies himself, though he began with what amounts to a codification of the new historical method, afterwards published monographs on value, on money and credit, where he entirely neglects his own favourite method, and works in just the lines that he has himself attacked. Only he seeks to save himself by drawing distinctions so hard to understand that even his own countrymen Harm done by the historians.

find many difficulties in getting out of his remarkable works all the good which they undoubtedly contain.

§ (4) THE MATHEMATICAL METHOD

Connected with the question just discussed is the whole matter concerning the application of mathematical analysis and the use of geometrical figures in economic reasoning. Here preconceived notions and a careless use of terms introduce misunderstandings which can easily be removed in spite of the economical incompetence of mathematicians, and the mathematical helplessness of economists.

Mathematics and economics.

After mentioning one or two facts, let us summon up all our moderation in making a few general and to some extent far-fetched remarks on the possibility and the limitations of a mathematical method in economics. What uses can it have? What advantage is there in using just this method? How does such a method suit the needs of learners and teachers?

Geometrical figures.

Early in the last century, and especially in Italy, algebraic symbols and geometric figures were applied in a rudimentary way. Ceva used them for discussing currency, Verri, Ferroni, and Lloyd in explaining prices, Beccaria and Silio in dealing with smuggling. Then Canard made an unfortunate, and Whewell a misleading and absurd, attempt to use them in a broader fashion for more general problems. But finally Cournot, in 1838, and Dupuit, who began in 1844, hit upon the fruitful idea of using the calculus in framing a theory of value, and made an especially telling application of it in the case of monopolies. Later on came Gossen in 1854, and Jevons in 1862, as well as Walras, in 1873, who arrived, all three of them independently, at important and substantially identical conclusions touching use and exchange, and made certain applications of the doctrine of distribution. The results of their studies were compiled and developed by Launhardt,

and better still by Auspitz and Lieben in Germany, in Holland by D'Aulnis de Bourouill, Cohen, Stuart, and the younger Mees, by Wicksteed in England, by Antonelli and Pantaleoni in Italy. Of course these various authors take various views, some confining themselves to the use of elementary, synthetic, and analytic geometry, others taking algebra only, while Cournot, Jevons, Walras, and several besides, have recourse to the theory of functions and to other features of differential and integral calculus.

The mathematical side of economics.

Most undoubtedly the mathematical method applies to deductive economics, where, as Messedaglia well says, there is involved a more and a less, a most and a least, where proportions and limits of size and measure are always coming up. Hence Mill, Cairnes, and Ingram cannot be right in denying that economics have a mathematical side, simply because its premisses do not admit of exact arithmetical statement. Fuoco had met this objection before it was made (see his *Saggi Economici*, vol. ii., Pisa, 1827, pp. 75 ff.), and so had Cournot in the preface of his earliest work, *Principes mathématiques de la théorie des richesses* (Paris, 1838), where he says that mathematical analysis has not merely the duty of calculating numbers, but is also useful in determining the relations between quantities not susceptible of numerical expression, and between functions whose law is not reducible to an algebraic symbol.

Convenience of mathematical statements.

Ask of mathematics only what it can give, and you will have a precious instrument for investigation, a precise, clear, and elegant language often preferable to ordinary words, and above all you will have a wonderful means of demonstration. Mathematics will never yield you a premiss, or supply your arguments with facts, far less will it ensure infallibility to your conclusions. Read in illustration of this pp. 499-508 of the *Journal des Savants* (1883) and the *Bulletin des sciences mathématiques*, where Bertrand censures the

Mathematics alone proves nothing.

method of Cournot and Walras, and also p. 504 of Walras's *Éléments d'économie politique pure* (1889), where he in turn points out the grave errors of Dupuit. Jevons himself in a valuable passage of his *Principles of Science* (London, 1874, book vi. cap. 21, ii.), which Messedaglia has recently cited—Jevons, I say, mentions certain equations necessary in a completely mathematical economics which would be so complex as to defy analytic treatment of any kind. This comes with all the more force from a writer like Jevons, who had himself repeatedly urged that economics cannot but be a mathematical science. This rather sweeping statement is capped by Walras, a by no means incompetent authority, in the *Mémoires de la société des ingénieurs civils* for January 1891, where he recognises two schools, and two only, in economics,—the mathematical school, whose arguments are proofs, and the literary school, whose arguments prove nothing.

The employment of symbols and mathematical figures, if kept strictly within bounds, has many advantages. Brief and shapely formulæ take the place of tiresome and exasperating arithmetical examples. A series of reasoned steps easily presented to the eye, and offering every facility for the detection and correction of possible errors, is most satisfactory. There is every inducement to exercise care and precision in determining premisses, the mind is led to appreciate as it should the element of continuity and reciprocity in the play of economic facts, and there is every chance of avoiding the besetting sin of non-mathematical economists, who are always talking of variable data as if they were constant. Take for capital instances demand and supply, cost of production, and many other topics too numerous and obvious to mention.

Mathematics leads to discovery.

Nor does the mathematical method solely apply to deductive reasoning; it can also lead to discovery, as has indeed been frequently the case. The celebrated Professor Marshall in his theory of value offers a model

instance of this, although he frequently suppresses, with a modesty which does him credit, the analytic processes which he has used, and even in the text itself of his great work abstains from the use of symbols, which are relegated to notes and appendices. On the other hand, quantitative theories correctly and clearly expressed have very frequently been arrived at without any use of mathematical symbols or diagrams. Menger's theory of value, hardly inferior in the soundness of its conclusions to that of Jevons, was thus reached, and reached too, as I am convinced, and as is acknowledged now in France (Walras, *op. cit.* p. 191) and also in England (Keynes, *Scope and Method of Political Economy*, p. 250), in such an absolutely independent way that he is absolved from all suspicion of plagiarism.

Use of the calculus.

The use of mathematical language for teaching and learning depends necessarily upon the qualification and training of the learners or readers addressed. Cournot, be it remembered, was so hurt by the listlessness of economists, that he abandoned all use of the calculus in his latest writings. Certainly, when the argument deals with simple matters, mathematical method has little in its favour. It does not avoid circumlocutions, for, as Walras makes abundantly evident, whole pages are sometimes needed in order to arrive by mathematical analyses at results which could have been reached much more briefly and easily in the ordinary way. Let us, however, close the question by quoting a most wise saying from a learned mathematical economist, Edgeworth, who, in his address at the British Association (Newcastle, September 1889), declares that "the parsimony of symbols which is often an elegance in the physicist is a necessity for the economist."

W. Stanley Jevons, *The Theory of Political Economy.* Third edition. London, 1888. (It contains a rich but not an exhaustive bibliography.)

F. Y. Edgeworth, "On the Applications of Mathematics

to Political Economy," printed in the *Journal of the Statistical Society.* London, December 1889.

A. Beaujon, "Wiskunde in de Economie," in the *Economist.* Amsterdam, October 1889.

M. Pantaleoni, *Principii di Economia Pura.* Florence, 1889.

J. N. Keynes, *The Scope and Method of Political Economy,* London, 1891, ch. viii. pp. 236-251.

A. Messedaglia, *L' Economia Politica.* Inaugural Lecture. Rome, 1891.

CHAPTER VII

THE IMPORTANCE OF POLITICAL ECONOMY

WHAT has been said in the preceding chapters about the conception, limits, divisions, names, and definitions, as well as about the methods of political economy contains an implicit assertion of its importance. That must now be made explicitly, and justified by considering the subject-matter and the function as well as the scope of our study.

Theory and practice in political economy.

The importance of political economy has a twofold aspect,—it is theoretical and practical. How does it serve the purposes of pure scientific truth, what practical advantages attach to a knowledge of its rules as an applied science, that is, to a knowledge of the art of economics?

A. E. Cherbuliez, *Précis de la Science Économique*, Paris, 1862, vol. i. cap. iv. pp. 36-48.

A. S. Bolles, "Political Economy, its Meaning, Method, etc.," in the *Banker's Magazine*. New York, January 1878.

J. S. Nicholson, *Political Economy as a branch of Education*. Edinburgh, 1881.

A. N. Cumming, *On the Value of Political Economy to Mankind*. Glasgow, 1881.

S. N. Patten, *The Educational Value of Political Economy*. Baltimore, 1891.

The pure science.

As a pure science, political economy is of very great

general use, since a knowledge of the laws of man's business with wealth as a social system is part and parcel of any scheme of broad and solid culture. Such an interesting and extensive group of social facts as those dealt with by economics can neither be neglected nor superficially heeded by any cultivated and civilised mind. Always very useful, this knowledge is becoming more and more indispensable in these days of ours, when great political and social questions turn more and more upon economic considerations which are now uppermost in all State regulations.

Political economy and (1) education.

This is why political economy must have its due place in all schemes of superior education, as well as in secondary schools. It has outgrown the place assigned it in purely industrial schools, which exist solely for professional education. Why single out economics for neglect any more than Latin, Greek, or mathematics; and why should our youth be more ignorant of the laws of social life than of those of physics, chemistry, and natural history?

(2) History, law, politics.

Cultivators of history, jurisprudence, and politics have special motives for giving a particularly thorough attention to economics, because from it only can they borrow standards which are indispensable for guiding their choice, arrangement, and criticism of facts. This is dwelt upon above in a discussion of the relation between political economy and the various sciences just enumerated.

(3) Public and private life.

The practical importance of economics, both in a general way, and in various special cases, is constantly illustrated by opportunities for its application both in public life and in private concerns.

Economic laws.

Remember first of all that economic laws are irresistible and universal, influencing all men, because all men are members of civil societies. Accordingly men find their account in something more than a rudimentary study of economics both for securing gains and avoiding losses.

Political economy enlightens the people as to the real causes of political perturbations, and also combats harmful prejudices whose periodic vogue threatens public tranquillity. The most familiar of these have affected people's notions about crises in the wheat-market, in banking, and in matters of currency. In private life capitalists and joint-stock operators, as well as workmen, get the greatest assistance from the study of political economy. Economic enlightenment

Joint-stock operators, as well as capitalists, must have more than the technical knowledge attaching to their branches of industry; they require also an equipment of wide knowledge in economics in order to guide aright their proceedings for the establishment as well as for the general control and management of particular enterprises. A full knowledge of what the market requires, enlightened and detailed information as to how various means and machines for production should be grouped together for practical usefulness, shrewdness in purchasing raw materials and in the sale of their manufactured output, are among the requisites for success in guiding the delicately-adjusted mechanism of joint-stock enterprises; and a diligent study of industrial economy, together with a wide familiarity with political economy, is therefore imperatively required. (1) for large private concerns,

For workmen, too, even a rudimentary knowledge in this field is useful. It shows them what are their own interests, what opportunity there is for asserting them without infringing on the rights of others. They learn from it that capital is indispensable, that saving is imperative, that strikes are dangerous, and that provident and co-operative institutions are fruitful of benefit. Moreover, such elementary instruction for the working-men preserves society from many crises and dangers by fortifying ignorant minds against subversive doctrines. (2) for working-men.

That this last is true may be gathered by noting that the subversive ideas of socialism have far less hold Socialism in England.

in England than in France, because of the far wider diffusion there of sound economic teaching. This is due to the existence in England of certain schools open to the resort of working-men. A recognition of the influence of these schools need not, however, involve our trusting all the wild and exaggerated accounts of the numbers attending them which are in currency. Indeed it should be remembered that the instruction of working-men in economics is by no means neglected in Paris.

Economics and public affairs.

The merest glance at the forms of government used by States on an inferior plane of civilisation points quite sufficiently the moral that the study of political economy is of vital importance for all who are to perform any active part in public affairs. This study is peculiarly imperative for all intending members of deliberating assemblies, or consultative boards and committees in the State at large, as well as in its least component parts and subdivisions. These men influence the framing of laws and ordinances which invariably touch general or private economic interests, and they should, therefore, really be disqualified, if ignorant of economics. Is it unreasonable or off the point to hint, just here, that a certain alarming prodigality which threatens in our day to go beyond all bounds in State affairs is at least in part attributable to unsound economic ideas?

Even the officers of the executive arm, entrusted as they are with the right application of financial administrative and judiciary laws, are more or less bound to study political economy, since public and private undertakings of an economic character come under their control and surveillance.

Furthermore, in the case of free States, where public opinion has decisive influence by means of the press, of public associations and meetings, and by the right of petition, no person who is properly regardful of his country can shirk some part in local or general

government, and therefore no such person can afford to neglect the study of economics, without which his participation in affairs can only do harm.

The importance of a scientific study of political economy is made especially obvious if you consider the leading obstacles which it tends to remove. They are three: 1. Dilettantism, always ready to pronounce a bold opinion on economic questions, is based upon a most inadequate study, because it is always oblivious of the great complexity of economic phenomena, and possesses at most a one-sided and superficial acquaintance with isolated problems. 2. Inherent looseness in the use of economic phraseology, based upon an insufficient appreciation of the difference between certain words, as used in economics, and the same words as ordinarily current. 3. The resistance of interested classes to reforms urged by political economy, as well as the aggressions of visionaries, who are always going about with reforms vetoed by political economy, either because they are impossible or because they involve serious harm.

Dilettantism.

Confusion of terms.

Reforms.

Touching its dealings with dilettantism, political economy is unfortunately far from occupying the strong ground upon which astronomy and chemistry, having parted company centuries since with astrology and alchemy, are now entrenched. Your dilletantist in economics is a journalist or a *littérateur* or what not; he does not hesitate for a moment, being nothing if not modest, to declare that he is one of the profane when questions in philosophy, the calculus, or obstetrics, let us say, arise, but he clings to the delusion that there is one group of sciences at least where, without having qualified himself in any way, he is a competent authority. This group covers what are known as social sciences, and if such a man knows nothing else he at least knows all about political economy. He has never taken to heart what Rousseau was always saying, that you need a great deal of philosophy before

Journalism and economics.

you can successfully explain what happens every day of your life under your very eyes. Parliament, public meetings, newspapers, and pamphlets, bring forward our dilettantist, who fights endless battles with the greatest masters of political economy, and unhesitatingly advocates his own views on the most intricate questions of a science whose subject-matter, office, and characteristics he could not begin to describe. This encourages and perpetuates a habit of frivolously discussing what seem to be very simple matters, and makes it more and more difficult to root out prejudices which have fastened upon the common mind. A student of physics, chemistry, or geology has everything to learn, but he is better off, as Macvane acutely observes, than the student of economics, who, before he can learn anything, has everything to forget.

No strictly technical terms in economy.

As to the second obstacle,—a vague use of terms,—it must be remembered that, while other sciences are free to coin suitable and purely technical terms, political economy, even when it has made all possible efforts to define wealth, use, value, capital, and interest, can never be safe from the accidental intrusion into its discussions of the looser current meanings of these, its only possible technical words. The obvious liability to sophistical and unscientific error which results needs no detailed explanation.

Opposition to applied economics.

As to the third obstacle above mentioned,—the resistance of interested classes, and the insistence of wild theorists, — difficulties caused by interested persons connect themselves with the part played in politics by one of its departments, which is applied economics. Monopolists and privileged people defend themselves vigorously against political economy as applied to their affairs. Even more determined, perhaps, is the onslaught of certain reformers, whose pet improvements science cannot but attack in the interests alike of sound doctrines of progress, and of the common weal. Whately has rightly said that the theorems of Euclid

himself could never obtain the universal assent of learned men, if they came into contact with private wealth and the business prospects of individuals.

N. W. Senior, *Four Introductory Lectures*, London, 1852, pp. 12-17.

F. A. Walker, *Political Economy*, second edition, New York, 1887, pp. 29-31.

S. M. Macvane, *The Working Principles of Political Economy*, New York, 1892, pp. 12-16.

CHAPTER VIII

CERTAIN OBJECTIONS ANSWERED

Attacks on economics.

THE importance of political economy is not universally recognised, and hence its study has opponents who wage a decidedly vigorous war against it, and do not see the force of the arguments already advanced in this book.[1] According to some, economics is absurd on the face of it, others condemn it as of no use, while some consider it worse than useless, and assail it as pernicious. It is quite possible to prove that all these lines of attack,—though the attacks never seem to end, — lead to absurd conclusions because they are always based upon (1) errors of fact, (2) ignorance of the real character of economics, or (3) palpably fallacious reasoning.

Rich. Whately, *Introductory Lectures on Political Economy* (1831). Fifth edition. London, 1855.

F. Ferrara, *Importanza dell' economia Politica.* Turin, 1849.

[1] This chapter, though very much shortened, has nevertheless been retained in spite of the undeniably relevant objections to the original form of it as given in the last edition. My kindly and competent critic, A. Salandra, reproaches me with battering down an open door. My answer is that our ears are constantly assailed by the noise made in banging this very open door, which no end of reformers are at great pains to lock behind them, as they proceed to establish what they please to call new schools. This is my justification for an attempt to reopen it once more, and to leave it ajar.

Jul. Kautz, *Die National-Oekonomik als Wissenschaft*, Vienna, 1858, pp. 423-442, and *ibid.* the authorities cited.

J. L. Shadwell, *A System of Political Economy*, London, 1870, pp. 1-8.

C. F. Bastable, *An Examination of some Current Objections to the Study of Political Economy.* Dublin, 1884.

H. Sidgwick, *Scope and Method of Political Economy.* Aberdeen Meeting of the British Association, 1885.

I. Impossibility of economics.

I. The most radical objection made to our science may be summarised as a denial of the possibility of a science of political economy, which is arraigned on four counts—

(1) The hypotheses on which it is built up.

(2) The abstract ideas involved in it.

(3) The problems which it fails to solve.

(4) The disputes which it fails to settle.

Social economics and observation.

As to (1) its hypotheses,—those of social economics are not intrinsically hypothetical, being founded on observation. They are hypothetical simply because they are mentally isolated from other perturbing causes, of which abstraction is made simply as a measure of precaution. Let it also be remarked that hypotheses with which facts agree have constantly served the purpose of most precious scientific discoveries, whereas absolutely arbitrary hypotheses have no defenders, and are solely due to inefficiency on the part of bunglers. We have an obvious appeal to the history of physics and mathematics in this case, since history teaches that certain familiar theorems in those sciences are founded upon hypothesis pure and simple, and since other propositions in the same branches, after being long considered axiomatic or self-evident, are now admitted to be purely empirical.

Political economy and abstractions.

As for (2) the abstractions which political economy involves, no science does anything else than involve abstractions either analytic or synthetic as the case may be, on pain of ceasing to be a science, and becoming a

random and fruitless account of individual phenomena. Grammar, logic, algebra, and jurisprudence proceed by way of abstraction, and regard it as not useful only, but as necessary; no doubt abstractions may be abused in economics as elsewhere, but this is far from discrediting political economy as a science.

Problems unsolved.

As for (3) the problems left unsolved, these are doubtless many in this, as in every branch of human knowledge. Some problems, like squaring the circle, the tripartition of an angle, and perpetual motion, are insoluble, but the solution of others may be expected in the course of scientific progress through research.

Finally (4) the disputes left unsettled cannot reasonably be considered as discrediting economics. This attack bases itself on existing controversies concerning the nomenclature and principles of the science.

Dillon's attack.

Among many assailants on this ground may be mentioned a well-known Irish writer and politician whose very bitter arraignment is made in a work little known in Italy.

W. Dillon, *The Dismal Science.* Dublin, 1882.

On the points here in dispute the following observations are in order :—(1) All the arguments are apparent rather than real, rather of form than of substance, and would therefore come to nothing if a little pains were taken to define terms and remove ambiguities, and if all parties to the dispute could take the good faith of their opponents for granted. (2) Often these disputes centre round matters of subordinate importance which attach themselves to this or that application of economics, rarely being connected with the science as such. That these difficulties should arise is as inevitable as that they should be enhanced by the play of conflicting interests which political economy as an art seeks to reduce to order and to conciliate. (3) Political economy ought not, and must not, lie under the imputations to which certain wretched students are open when, in defiance of

Some questions are settled.

common sense, they persist in reopening questions long ago closed. (4) Finally, all serious disputes which have any basis in facts, all rational doubts,—quite different these from a systematic scepticism,—yield unquestionable proof of the imperfections of the branch of knowledge where they arise, but on the other hand they offer a valuable means to be utilised in proceeding to new and fruitful discoveries.

II. Another swarm of adversaries deny the utility of political economy, and assert that either it cannot yield results of importance in their eyes, or that it can only yield results equally obtainable by the simple use of common sense and individual experience. II. Uselessness of economics.

The sterility of all results in our science is deduced from three of its real or supposed characteristics :

(1) The small importance of its special field.

(2) The simplicity of its fundamental ideas.

(3) The negative character of its conclusions.

As to (1) the very humble field to which some say political economy confines itself, there is nothing there less worthy of the attention of a scientific mind than in the field of physics. Material comfort is bound up so closely with the possibility of moral excellence that it is a manifest absurdity to gird at the study of economics as an inferior pursuit. Can it be denied that misery, which is the climax of economic calamities, often produces, and often accompanies and exacerbates, ignorance and crime, the climax of moral and intellectual disasters? (1) Its humble field.

To start from (2) simple ideas such as need, use, value, capital, and all the rest, in order to reach more complex conceptions, is but the necessary logical procedure of any and every form of scientific investigation. Who will incline to reproach geometry with its definitions of the point, the line, and the surface, or with its axioms, all used in establishing by deduction most interesting and useful theorems? Ferrara has very subtly remarked that economics has performed the great service of (2) Its fundamental ideas.

drawing conclusions of fundamental importance for general wellbeing from utterly elementary premisses. So true is this that just as conflicting interpretations of liberty, sovereignty, and nationality have caused factions, wars, and revolutions in politics, so also in economics fallacious combinations between capital and labour have produced the most famous logical theories of scientific socialism. Manzoni has electrified us in his *Dialogue on Invention* by showing how Rousseau's most simple and straightforward ideas received their logically inevitable outcome in the terrific applications of them made by Robespierre.

(3) Its negative result.

As for (3), the negative character ascribed to its conclusions does not afford a sound basis for arguing that political economy is useless. There are those who sum up the whole science in the law of *laissez-faire*, but they forget that social economics investigates laws and does not as such yield principles or rules; they forget also that the principles or rather the norms of political economy are by no means all of them negative, and that those which are negative among them are not on that account the least important; they forget that *laissez-faire* is anything but a scientific dogma. It is nothing but a hypothesis in social economics, and in political economy it is a rule of art, subject as such to noteworthy exceptions.

Common sense.

The opposition of theory to common sense and individual experience, and the glorification of these last as wells of truth undefiled, and sources from which alone trustworthy rules can derive, exemplify nothing more formidable than a rudimentary sophism which vulgar ignorance indulges in on the field of every science alike.

Practice and theory.

The real contrast between theory and common sense, which is merely the ordinary manner of comprehending or doing a thing, and the contrast of theory with individual habit and experience, which is nothing more than a rule of thumb gained by repeating a given

performance yourself or watching others doing the thing again and again,—both these contrasts suggest that although practice or individual experience is based upon a certain number of empirical acts of judgment, yet it differs substantially from theory. This last is based upon the systematised practical experience of ages, is the fruit, as has been said, of the mind of all nations, whereas practice and common sense depend upon observations which are necessarily less numerous, less exact, and therefore work by means of reasoning which is far less perfect and rigorous. Hence to set up practice and common sense against theory is to declare either that the lesser equals the greater or that a part is greater than the whole. The real case is that this whole dispute amounts to a rivalry between a broader and a narrower study, between the whole of our science and half of it, since the half doctrine domineers over the minds of so-called practical men, who congratulate themselves upon their emancipation from theories.

Without substituting practice for theory, let us admit that both are equally necessary in the solution of concrete difficulties, and that *doctrinaires* who spurn all aid from practice are just as much in error as empiricists who are never tired of closing their eyes to the light of theory.

III. Unworthiness of economics.

III. A still more marked opposition to economic studies is that of men who are more or less completely indifferent as to its scientific soundness because they maintain that it is morally pernicious.

Their arguments against it on this score are based upon four main considerations.

(1) The material character of wealth, the subject of Economics.

(2) The utilitarian character of the major premiss of Economics, profit and loss.

(3) The reprehensible opinions of certain economists.

(4) The immorality of the theory of interest, population, almsgiving, and so on.

Such accusations, made often in perfect good faith and from the best motives, are by no means hard to meet, because they simply involve an insufficient acquaintance with the characteristics of economics.

Wealth as such and economics.

As for (1) the material character of wealth, the subject of our science. Wealth as such is not its subject, but human activity about wealth; and political economy selects one aspect of social phenomena for its study, simply because scientific progress imposes an ever-increasing division and subdivision in various branches of learning. Will any one nowadays call in question the theoretical value of natural history and physics, because their respective subjects are far more circumscribed than those of Aristotle's *Physics*, Pliny's *Natural History*, and the science of Thales?[1]

Political economy not immoral.

Equally unjust and unfounded is the arraignment of political economy on the score of immorality which is supposed to attach to (2) the leading principle of profit and loss. The school of Carlyle and Ruskin, with all its literary ability, has shown very little scientific competence, but nevertheless the well-merited literary reputation of those great writers has secured many converts, especially in England. Carlyle indeed originated the epithet of 'dismal' which has been fastened upon economic science.

T. Carlyle, *Past and Present.* London, 1843.

First of all, it must be remarked that the principle of

[1] Such limitations in various fields of scientific investigation involve no denial, no misappreciation, of the questions ruled out. Are mathematicians, physiologists, and technologists to be atheists, because their scientific writings do not contain the name of God, or say anything about the whole duty of man? Condemn as strongly as you choose any economist who asserts that acquiring wealth is the only end, or even declares it to be the chief end, of man or of communities. But by so doing you have left economics untouched, for that science does not deal in nonsense of this kind, which is quite on a par with asserting that digestion or war is the chief end of man and of States. Nobody attributes such absurdities either to physiology or to military science.

profit and loss is not a rule suggested by political economy, but simply a hypothesis made by social economics in order to explain the phenomena of wealth by connecting them with their leading and most conspicuous cause. Secondly, it must be noticed that profit and loss is not a creation of social economics, which does not pass judgment upon it, but simply studies its action in the very same fashion that physiology studies nutrition and its laws. In fact, the power of the principle of profit and loss which prompts men to aim at the greatest possible result for the least expenditure of effort is undeniable. Social economics and profit.

Of course no attempt is made in any quarter to represent the principle of profit and loss in political economy as anything more than a psychical fact. It is certainly not a moral fact, because the law of the least sacrifice does not necessarily touch either the right or the wrong employment of wealth. Dietzel has made the excellent observation in his admirable exposition of this whole question, that a man will ask the highest price for what he sells and offer the lowest for what he buys, no matter whether he squanders his income in riotous living, or devotes it to the foundation of schools or charitable institutions.

Moreover, profit and loss need not and should not be confounded with purely individual interest, to the exclusion of the family, nor has it any connection with egoism, which seeks one man's individual advantage at the expense of his neighbour's rights. Again, profit and loss as a motive is certainly not in itself reprehensible. It has, in fact, no moral status, and may be called indifferent or non-reprehensible in economic concerns when it governs the choice between various possible modes of action, all of them quite compatible with equity and justice. Such a principle is a source of disturbance, and even becomes absolutely immoral and, as Manzoni has well shown, really impracticable when people like Bentham and his school Egoism and profit and loss.

undertake to magnify its office, and make of it the ultimate and regulating principle of human activity. But what have such gross errors to do with social economics, which holds completely aloof from discussions of this nature? Applied economics, on the other hand, is equally untainted by such theories, inasmuch as it assails, from a purely utilitarian point of view to be sure, but still it does assail, idleness, improvidence, and extravagance, which are actions falling under moral condemnation.

H. Dietzel, "Beiträge zur Methodik der Wirthschaftswissenschaft," *Jahrbücher für Nationalökonomie*, vol. ix. Jena, 1884.

Reprehensible opinions in economics.

As for (3), even though certain economists have advanced opinions palpably and confessedly open to censure, no valid inference to the discredit of the science can legitimately be drawn from the fact, so long as the opinions thus reprehended are purely and entirely their own, and in no sense belong to the accepted body of economic doctrine. Turgot was an idealist, Adam Smith was a rationalist, Say was an agnostic or, if you choose, an infidel, Roscher was a Lutheran. Cherbuliez was a Calvinist, and Droz was a Roman Catholic,—but they all inculcate the same economic truths. Nothing is simpler than to subtract from Mill, Garnier, and all the rest every erroneous affirmation in religion and morals which their writings contain; the remainder is unchanged, and is sound economic doctrine.

Religion and economics.

As to (4), the much-talked-of immorality of theories of interest, population, and almsgiving, enough will have been said by insisting that political economy can do three things. It can prove demonstratively that prohibitive laws and restrictive ones touching current rates of interest are a dead letter, without in the least degree affecting or qualifying the moral reprobation or the legal criminality of usury. It can call attention to the dangers of a particular excess in population, without

Usury.

Population.

invading the field of morals, and with perfect regard for its supreme principles. It can note the complications arising from indiscriminate almsgiving, without in the least ignoring the divinely-ordained duty of charity or making light of the specifically economic advantages of beneficence. Private beneficence in particular, when governed by wise discretion, does more than mitigate the effects of poverty and misery; it attacks their causes. Almsgiving.

IV. Last among the assailants of Economics come those who declare it to be politically pernicious. Of these there are two factions, each contradicting the other. On the one hand we get as the reason, that economics is anarchical, and at war with authority, because it foments administrative nihilism. Again we hear that it is reactionary, because it is at war with equality and progress. Economic science and politics.

One answer meets both cases. These objections cannot concern economic science as such, since it is concerned with no form of government, good or bad, but confines itself to the explanation of phenomena. Its explanations must be true or false, and can never be either bad or good.

Now political economy, in its narrower sense of economic policy, remains, and may be defended by two separate answers. Political economics is not anarchical, for it limits the economic competence of public powers, always making due qualifications concerning time, place, and precedents of all kinds. By so doing it rather fortifies than weakens authority, because it assigns to it just its right position, and limits it by rational considerations. Economics neither (1) anarchical,

In answer to those who say political economics is reactionary, let us say: (1) that political economics as generally taught has always urged wise reforms, and opposed only those by which civilisation and progress would have been endangered; (2) that political economics can never be the cause of natural inequality nor (2) reactionary.

between man and man. This flows from our various mental and moral endowments, and must be thankfully accepted as the most invaluable factor of social progress; (3) that political economics has never ceased from assailing artificial inequalities, bred by privilege and unsound political institutions. Indeed, the disappearance of such things is not a little due to reforms suggested by our study.

Economics justified by its assailants.

On all these grounds I think it reasonable to conclude that the objections made to economics by extremists, empiricists, *doctrinaires*, individualists, socialists, reactionaries, utopians, and all the rest of them, may be looked upon as so many indirect arguments proving the theoretic and practical usefulness of its teachings.

HISTORICAL PART

CHAPTER I

THE HISTORY OF POLITICAL ECONOMY

Economic history defined.

THE history of political economy is a critical account of the origin and progress of economic theories considered in relation to social conditions, ideas, and institutions. It does not limit itself to a simple chronological exposition of theories, but undertakes to appreciate their absolute and relative worth. It seeks out the origin of particular theories in their isolated, accidental, and partial manifestations, showing how from these could be built up later on a distinct body of doctrine more or less systematically co-ordinated.

Between economic theories and those facts, opinions, and institutions which come under its consideration, it is necessary to point out a twofold connection.

Influence of institutions.

Economic writers are almost always influenced, though in varying degrees, by the special conditions, ideas, and institutions of the country and the period to which they belong, or to which they have by preference turned their attention. The effects of this influence are very great, although often unobserved or denied by those who feel them. Economists not infrequently make a special boast of their philosophic independence, which they picture in a fashion quite incompatible with the truth, or rather with the very nature of things.[1]

[1] Instances showing the influence of circumstances on economists may be found in the contempt of certain ancient philosophers for manufactures,—a very natural result of slave-labour,—and in the

Indeed, if you look beneath the surface of theories and strip off their accidental peculiarities, they often turn out to be disguised apologies for existing institutions. These your author idealises if he approves, or again, if he disapproves of them, his theory may become a means for constant attack. Hence we may say of many economists what Bacon said of certain philosophers, *tanquam e vinculis ratiocinantur.*

Reforms in government.

On the other hand, writers may exert a remarkable influence on the opinions both of their contemporaries and of posterity, and such an influence has often led the way to legislative and administrative reforms of great moment. The writings of the *physiocrats*, for instance, inspired some financial laws passed during the first years of the French Republic; a great impulse was given by the teachings of Adam Smith to reform in the economic systems of many European countries; and to Malthus's book were due the important modifications introduced into the English Poor Law in 1834.

History of institutions.

Although in the history of economic theories we are obliged to investigate the influence of institutions, it must be clearly perceived that the history of institutions has its own distinct and special aim, and is a distinct branch of study, though, to be sure, it should be an integral part of a completely elaborated history of economics understood in the widest allowable sense. In the meantime Blanqui and others who have followed in his footsteps seem to confound the science of economics with its subject-matter when they argue the antiquity of a theory from that of the facts and institutions to which it relates. To say, as they do, that where you have wealth, exchange, money, and taxation, there must also exist an economic science, is equivalent to saying that astronomy and physiology

hostility of medieval theologians, and writers on canon and civil law, to interest on loans, which was plainly due to the prevalence of loans for consumption.

are necessary consequences of the motion of the stars and of the phenomena of vegetable and animal life.

P. Rossi, "Introduction à l'Histoire des Doctrines Économiques," in the *Journal des Économistes*, vol. ii., Paris, 1842, pp. 201-223.
H. Baudrillart, "De l'Histoire de l'Économie Politique," *ibid.*, vol. ii., third series, 1867, pp. 57-75.

The history of economic theory comprises—

External accounts of systems.

1. EXTERNAL HISTORY, which studies the origin and development of theories and systems considered as wholes, giving their main features without going into minute particulars. It is either general, embracing all times and periods; or special, dealing with one epoch, nation, or system, or with one or more writers.

Internal accounts of special theories.

2. INTERNAL, or DOGMATIC HISTORY, as the Germans call it, which investigates the formation and progress of particular theories, as, for example, those of value, money, rent, and taxation, and then proceeds to a theoretical summary, unless that has been given at the outset. The materials for such a history are scattered about in innumerable monographs. Among the authors of general and systematic works who, for the purposes of their special undertakings, gathered together a plentiful mass of information relating to the inner history of the science, my own revered master, Wilhelm Roscher, undoubtedly holds the first place.

W. Roscher, *System der Volkswirthschaft.* Stuttgart, 1854-86. 4 vols., each of which has been several times separately reprinted.

The economic historian, whichever branch he chooses, should take care—

(1.) That his choice of materials is judicious, and that he selects only those writings and authors who are remarkable for merit, originality, or influence.

(2.) That the exposition of facts, whether intrinsic,—concerning books, theories, teachings,—or extrinsic,—concerning individual and social conditions,—is sober, clear, and accurate.

(3.) That his criticism of theories is large and impartial, bringing into relief their originality, the influences which helped to produce them, and which they themselves exercised, and their substantial merit, whether in relation to the times when they arose, or to the later condition of the science.

Critical history and dogmatic teaching.

Thus the history of economic ideas, although it cannot supersede the authoritative form of statement necessarily used in teaching the science, is really necessary for a complete understanding of it. If pursued in a genuinely critical spirit, it is far removed from systematic scepticism or irrational eclecticism, and can never lead to a blind apology for obsolete theories and institutions. On the contrary, it may make important contributions to the history of civilisation, by bringing out the noteworthy influence of economists on such social reforms as have already been effected, and it may even prepare the ground for further reforms to be realised in the future. Again, there is no doubt that a more profound appreciation of the worth of theories is possible to those who have accurately studied their origins and the gradual modifications which they have undergone.

General works.

But since there are many for whom it is not possible to turn to original sources, those general and special works which summarise them will be found useful. Here may be cited, with a few critical remarks, the principal works concerning the general external history of economics, special works being reserved for later mention.

A summary of the various histories of Political Economy was given by—

R. v. Mohl, "Die Schriften über die Geschichte der

Politischen Oekonomie," in his *Geschichte und Literatur der Staatswissenschaften*, vol. iii., Erlangen, 1858, pp. 291 ff.

Jul. Kautz, the work cited above (p. 5), pp. 34-50.

K. Knies, *Die Politische Oekonomie*, new edition, Braunschweig, 1881-83, pp. 9-22 and 521-533.

Historical sketches.

The historical notices, generally brief and exclusively bibliographical, which may be read in the form of introductions or appendices to many treatises on the science, fail in giving any thorough notion of the gradual development of its teachings. The same may be said of the articles, excellent in many ways, to be found in some dictionaries and in the best encyclopedias. We may cite, by way of example, the economic treatises published in England by MacCulloch, Shadwell, and Marshall; in France by Say, Garnier, and Courcelle-Seneuil; in Germany by Lotz, Rau, Wirth, Marlo (Winkelblech) the socialist, by Cohn, and more especially those by Von Scheel, in Schönberg's *Manual*; in Italy by Bianchini and his follower Trinchera; in Holland by Pierson; in Spain by Florez Estrada, Carballo y Vanguemert, and Carreras y Gonzalez; by Torjaz de Sampajo in Portugal; by Wreden in Russia; by Bilinski in Poland; by Hamilton and Leffler in Switzerland; by Frederiksen in Denmark; and in the United States of America by Perry, Ellis, Thompson, Laughlin, and James (in Lalor's *Encyclopedia*).

Passing to works devoted exclusively to the general history of political economy, the following writings deserve a special mention :—

Ad. Blanqui, *Histoire de l'économie politique en Europe, suivie d'une Bibliographie.* Paris, 1837-38. 2 vols. Fourth edition by Ott. Paris, 1860. English translation by E. J. Leonard. London, 1880.

Albert de Villeneuve-Bargemon, *Histoire de l'économie politique.* Paris, 1841. 2 vols.

Travers Twiss, *View of the Progress of Political Economy in Europe.* London, 1847.

Jul. Kautz, *Die geschichtliche Entwickelung der National-Oekonomie und ihrer Literatur.* Vienna, 1860.

Eug. Dühring, *Kritische Geschichte der Nationalökonomie und des Socialismus.* Berlin, 1871; third edition, 1879.

H. Eisenhart, *Geschichte der Nationalökonomie.* Jena, 1881; second edition, 1891.

J. K. Ingram, *A History of Political Economy.* Edinburgh, 1888. Translated into German by E. Roschlau. Tübingen, 1890.

A. Espinas, *Histoire des doctrines économiques.* 1892.

Blanqui's and Villeneuve's histories.

The compilations of Blanqui and Villeneuve had very different fortunes, though in many ways they were both equally faulty. They were wanting in method, arrangement, and judgment, scanty and inexact in their information, which was rarely drawn from original sources, and they both showed almost absolute ignorance of all works not accessible in French. Villeneuve's work, inspired by the notion of a christianised political economy as opposed to Adam Smith's, was very soon forgotten. But Blanqui's, with its remarkably elegant style, found a large public for want of anything better that was accessible to the mass of readers. Blanqui was to a certain extent under the influence of Sismondi, and his conclusions are founded upon the idea of a French political economy which should be generous and philanthropic in contrast to the English view of the science, which he considered sordid and narrow.

Travers Twiss.

We find something rather better in the lectures of Travers Twiss, although they consist of a simple historical review of the science, starting from the sixteenth century. He confines himself to a few English, French, and Italian authors, his knowledge of them being too often at second-hand. But some of his criticisms are very good, and he is most clear and care-

ful in distinguishing the history of theories from that of institutions.

The work of the Hungarian professor, Julius Kautz, a disciple of Roscher, is better than the previous histories, and in some ways even than those that followed it, since it contains an abundance of information and an extensive knowledge of special histories and of the monographs relating to them. He is a follower of the historical school, from which he takes his principles of criticism. Nevertheless his judgments, besides lacking an impartiality which could hardly be looked for in the pronounced disciple of one particular school, are often vague and superficial. The usefulness of this learned work is also seriously impaired by its bombastic style, the inaccuracy of its language, the unfortunate arrangement of its material, and the want of an index of authors. Moreover, through no fault of the writer, a great part of the work is now out of date, owing to investigations made during the last thirty-five years in special departments of economic history, and to the general progress of the science. Kautz.

The histories of Dühring and Eisenhart have the merits of good arrangement and sobriety of treatment, and they give due prominence to the most important writers; but they are quite insufficient in their bibliographies, paying scant attention either to those works which, though of the second rank, have a relative importance, or to monographs in general. Eisenhart more especially gives nothing beyond a very much condensed historical sketch, and is sometimes partial and prejudiced in his views, as when, for instance, he insists with Dühring upon the entirely modern origin of the science. Dühring, who enters at length into the theories of List, Carey, and certain socialists, is altogether too much in love with American protectionism, and is entirely unjust to such great writers as Malthus and Ricardo, while he deals in a quibbling spirit with the scientific work of some of his own illustrious country- Dühring and Eisenhart.

men. Perhaps little need be said of his pretensions to have founded a new political economy which is to reconcile the controversies between the old economics and modern socialism.

Ingram. There is no doubt that Ingram's history has many points of superiority to all those hitherto mentioned. Ingram, an Irish writer, is a learned and accomplished disciple of Auguste Comte, and before his history appeared he was known by his attack already cited above upon the classical school. Although less rich in information about foreign and minor authors, and less known than Kautz's work, his book gives a sufficient and exact account of the development of economics in Germany and Italy. So far he is but following the lead of Roscher, Eisenhart, Scheel, Meyer, and Pecchio, and working in the lines of the present writer's *Guide to the Study of Political Economy* (Milan, 1876; London, 1880); but the case is altered when he enlarges more particularly upon English and French authors, whom he knows for the most part at first hand. He may safely be relied upon in his exposition of theories, but reserve is necessary in considering his judgment of authors like Malthus, Ricardo, Cairnes, and others. They are too entirely out of sympathy with the German historical school and with the school of sociology, from which he takes his principles in judging of the past and predicting the future of the science.

Vernadsky. There is no need to expatiate in detail upon the merits of certain historical compilations, among which none of those written by Italians rise above the level of mechanical and commonplace book-making. Among those of other nations we may mention the following, because they contain some remarks, palpably insufficient to be sure, upon the literatures of the subject. That of the Russian professor, Vernadsky, is rather the best.

J. A. Molster, *De Geschiedenis der Staathuishoudkunde.* Amsterdam, 1851.

E. W. De Rooy, *Geschiedenis der Staathuishoudkunde in Europa.* Amsterdam, 1851.

Ivan Vernadsky, *Historical Compendium of Political Economy* (published in Russian). St. Petersburg, 1858.

Alex. R. Balchen, *Grunddragen af den Politiska Ekonomiens historia.* Stockholm, 1869. (A very brief sketch.)

Monographs and special histories.

We find more that is profitable among those works which treat of the special history of political economy in various countries and periods, and the still greater number of monographs founded upon original sources and dealing with certain authors who are worthy, for one reason or another, of special attention. There exists such a mass of material of this kind that it would be a severe undertaking to master it all, but there is no field that offers results of more solid importance to sound historical research.

France before the physiocrats.

It is much to be regretted that there exists at present no history[1] of political economy in France before the physiocrats, and none of the work done in England before Adam Smith. These defects are partially supplied by a few monographs, among others two volumes clumsily written in Russian by Professor Yanzhul on the history of free trade, and a remarkable essay by Roscher, who probably did not know all the authors, and could not always directly consult those he did know. A distinguished pupil of Menger's, Dr. Stephan Bauer, a *privat-docent* at Vienna, who has already written some meritorious essays, is preparing a history of political economy before Adam Smith, and has already, in his journeys to London and Paris, gathered together much valuable material.

Germany.

There is not much to be done in German economic

[1] This has fortunately ceased to be true since the publication, by Professor Espinas of Bordeaux, of his *Histoire des doctrines économiques* (1892), referred to on p. 118 above.

history after the colossal work of Roscher, which is a model of accuracy both in matter and form, and of which the only possible criticism would be that the subject is hardly worthy of the infinite amount of pains he has bestowed upon it.

Spain and Holland.

Equally learned and praiseworthy are the economic histories of Colmeiro and Laspeyres treating respectively of Spain and the Netherlands. The latter was the occasion of a more profound work by Professor Van Rees, left incomplete by his unexpected death. Both Colmeiro and Van Rees pay great attention to the connection between theories on the one hand, and actual conditions and institutions on the other. The smaller works of Arnberg upon Switzerland and of Kautz on Hungary are also good. An accurate history of economic theories in the United States of America is much needed, especially for the last ten years. This we may hope soon to have complete from the hand of Dr. Furber, an able Chicago economist, who, at the suggestion of Menger, communicated to me in manuscript the first part of his work, which is written with great moderation and clearness.

W. Roscher, *Geschichte der National-Oekonomik in Deutschland.* Munich, 1874. 2 vols.

M. Colmeiro, *Historia de la economia politica en España.* Madrid, 1863. 2 vols. (ending with the eighteenth century). A continuation of this work may be found in the same author's next book, *Biblioteca de los economistas españoles de los siglos* 16, 17 *y* 18. Madrid, 1861. Reprinted in 1880.

Et. Laspeyres, *Geschichte der volkswirthschaftlichen Anschauungen der Niederländer.* Leipzig, 1863. (Dealing solely with the seventeenth and eighteenth centuries.)

O. van Rees, *Geschiedenis der Staathuishoudkunde in Nederland.* Utrecht, 1865-68. 2 vols.

J. W. Arnberg, *Anteckningar om frihetstidens politiska*

ekonomi. I. Upsala, 1868. (Covering the period from 1719-72.)

Jul. Kautz, *Entwickelungs-Geschichte der volkswirthschaftlichen Ideen in Ungarn.* Buda-Pesth, 1876. (This is a German summary of the Hungarian original published in 1868.)

Italy.

In Italy the Baron P. Custodi led the way with a very incomplete biographical catalogue of Italian economists. A historical account of certain writers attempted later by Giuseppe Pecchio had a wide circulation, both in Italy, where it was helped on by the prohibition of Austrian censorship, and abroad, owing to a French translation. At that time there grew up theories as to the absolute pre-eminence of Italians in economic science, maintained by Gioja and Mugnai, while Romagnosi contented himself with asserting that Italians were the first economists in order of time. These theories, long accepted by many people, were sharply attacked by Ferrara (*Biblioteca dell' Economista*, first series, vol. iii., Turin, 1852), and after him, with the same excessive acrimony, by an anonymous writer. Yet it must in fairness be stated that more recent investigations, and the study of important works that had escaped the diligence of Custodi, led to the conclusion that Italy had in the thirteenth, fifteenth, and sixteenth, as well as during the first half of the seventeenth centuries, writers of the first rank, more especially on financial matters; while again in the second half of the eighteenth century the Italian contributions toward the building up of the science were by no means contemptible. There are two historical sketches based upon Custodi's catalogue,—the first a juvenile essay by Vernadsky, who has been mentioned above, and the other, more learned and profound in character, was written in Dutch, by the distinguished N. G. Pierson.

Italian pre-eminence.

Scrittori classici Italiani di Economia Politica. Milan, 1802-16. In 50 vols.

Giuseppe Pecchio, *Storia dell' economia politica in Italia.* Lugano, 1829. Often reprinted, the last edition being of Turin, 1852. Translated by L. Gallois into French. Paris, 1830.

Ivan Vernadsky, *Historical and Critical Researches concerning the Italian Economists.* An academic thesis published in 1849 at Moscow.

N. G. Pierson, *Bijdrage tot de Geschiedenis der economische studien in Italie.* Amsterdam, 1866. Translated into German by somebody called Schwarzkopf, who nowhere mentions Pierson's name. Strassburg, 1872.

Italian monographs.

During the last twenty years some excellent monographs on economic history have been published by certain professors—Ricca-Salerno, Cusumano, Gobbi, Fornari, Morena, Supino, Graziani, Montanari, Balletti, Alberti, and others, whom we shall have occasion to mention below. These make us wish all the more earnestly for the speedy completion of other monographs, long promised by Toniolo, Conigliani, Magugliani, and also by Graziani, Morena, and Balletti, whom I have already had occasion to mention. A good provincial history dealing with Sicily was written by the late lamented Albergo just before the new departure in economic history of 1870. I myself had hoped to bring out a reasonably complete bibliography of Italian economists down to 1848, but the task is a thankless one, and I have little hope of its publication.[1]

Giulio Albergo, *Storia dell' Economia Politica in Sicilia.* Palermo, 1855.

Periods in economic history.

And now the work in hand is to present a simple summary of the external history of economic theories,

[1] Fortunately the event has not justified our author's forebodings, and the publication despaired of actually began in the Bologna *Giornale degli Economisti* for 1892.

accompanied by indications for the guidance of those who in the future may make wider and profounder investigations. For the convenience of exposition, therefore, we will map out the course of economic history into the following periods:—

(1.) The first or the fragmentary period, which takes in ancient and medieval times, and certain writers of the seventeenth century. The fragmentary,

(2.) The period of monographs and empirical systems, which begins with the end of the sixteenth and extends through the middle of the eighteenth century. the empirical,

(3.) The period of scientific systems, especially Quesnay's and Adam Smith's. These systems, although foreshadowed in the seventeenth century, found their perfect development in the second half of the last and the earlier years of the present century. the scientific,

(4.) The present critical period, in which, by comparing the teachings of different schools, and by discussing the foundations of the science, an attempt is in progress which seeks to remove ambiguities, to perfect methods of study, to gather together in greater mass and detail the fruits of observation, to make scientific conclusions more complete and exact, and with the utmost care to frame rules for the practical economist. the present period of revision.

CHAPTER II

THE FRAGMENTARY PERIOD

Beginnings of economy.

THERE is a remarkable difference of opinion among economic historians as to the origins of the science. Villeneuve-Bargemon traces it to the garden of Eden, Kautz to the East, Blanqui to Greece. Bianchini begins his history with the fall of the Roman Empire in the West, Twiss opens with the sixteenth century, Eisenhart with the mercantile system, which Dühring relegates to what he calls prehistoric times, beginning his own history, as do many others, with Quesnay. Others, again, begin with Adam Smith. Another class of writers attributes the founding of the science to individual Italian, French, or English writers of the sixteenth and seventeenth centuries, as, for example, to Davanzati, Scaruffi, Botero, Serra, Bodin, Montchrétien, Boisguillebert, Stafford, Mun, Petty, etc. We may see our way clearly through this mass of conflicting opinion if we rid our minds of two things. The first is national prejudice, and the second is the confusion so commonly existing between general opinions about economic phenomena on the one hand, and theoretical ideas on the other. A knowledge of these ideas may be gained either from incidental digressions in works which are concerned with other sciences, or in monographs by specialists, or in more general works which treat the rules of practical economics and the truths of the science as an independent department of learning. These larger works

Prejudice and confusion.

may be either entirely empirical, consisting of a merely mechanical combination of monographs, or else arranged in logical connection, and therefore truly scientific.

Beginnings of science.

This last distinction being granted, it must be allowed, as a matter of fact, that no independent economic systems, with a more or less determined field of investigation, and with their own specially adapted methods of research, are to be found before the second half of last century, the period of Quesnay and Smith. But on the other hand, in spite of what has been said by Dühring, Eisenhart, Cohn, and many others, important economic ideas of a scientific character have been handed down to us either as fragments, or in works treating of applied philosophy, law, and theology, both from ancient and from medieval times, constituting altogether a remarkable portion of our intellectual patrimony.

Earliest and fragmentary notions.

Dumesnil-Marigny, *Histoire de l'économie politique des anciens peuples.* Paris, 1872. 2 vols. Third edition, 1878. 3 vols. (A retrospective defence of protectionism.)

Franc. Trinchera, *Storia critica dell' economia pubblica.* Vol. i. *Epoca antica.* Naples, 1873. (Not a good compilation.)

Büchsenschütz, *Die Hauptstätten des Gewerbfleisses im klassischen Alterthum.* Leipzig, 1869.

H. Wiskemann, *Die antike Landwirthschaft.* Leipzig, 1859.

A. Böckh, *Die Staatshaushaltung der Athener.* Berlin, 1817; second edition, 1851. 3 vols.

Dureau de la Malle, *Économie Politique des Romains.* Paris, 1840. 2 vols.

§ (1) POLITICAL ECONOMY IN ANTIQUITY

Ancient thinkers were prevented by various causes from getting at the conception of rational laws govern-

Rational economics in antiquity.

ing the phenomena of the distribution of wealth, a conception which must lie at the root of any complete, independent, and competent treatment of economic doctrine. Among these causes were their social conditions, their political government, their religious and philosophical opinions, and the conviction, especially strong at Rome, that all individual activity must be in close connection with the always omnipotent State.

Hindrances in antiquity.

Indeed the very character of the social organism in the ancient world operated against the growth of our science, vitiated as their societies were by the institution of slavery, which corrupted and degraded wealth at its very source. Moreover the ancient world was so pervaded by the spirit of war and conquest that the most powerful and civilised States of antiquity were constantly distracted from the fruitful and peace-loving rivalries of industry. And again, the nature of ancient political constitutions was in itself a hindrance to economic development, for the activity of all citizens both in Greece and at Rome was practically engrossed in public affairs. Boasting as they did of liberty, their conception of it was most imperfect, for they thought that it meant a large share in the functions of an omnipotent State which tended to crush all private enterprise, whether in individuals or in smaller political societies. And finally a most fatal hindrance lay in the religious doctrines of paganism, which, in agreement with the teachings of philosophy, condemned all the productive arts, with the exception of agriculture, holding them to be highly dangerous to bodily health, to the culture of the intellect, and to the exercise of domestic and civil virtues.

(A) THE EAST

No science in the East.

The economic ideas of the ancient peoples of the East, which may be gathered from their sacred books, have but a slight interest from the point of view of

modern science. They can all be reduced to a few moral precepts about the virtues of industry, temperance, and economy, and about the duty of only desiring wealth for the purposes of worship and charity. Commerce and the arts were, as a rule, despised in comparison with agriculture, which prospered very considerably, especially in India and Egypt. The division of labour, very far from producing the wonders of which it is capable when industry is free, ran to seed, and became as it were crystallised in a system of hereditary castes which barred the way of progress, and impressed on Oriental civilisation the stamp of immobility which it bears to-day. Standing out as exceptions there were certain learned Chinese statesmen who judged with greater correctness of the functions of commerce, and had fairly exact notions on the nature of money and of its substitutes in various forms of credit. From a fragment of Kwan-tsze, written in the seventh century of the current era, and from the works of two other learned writers who lived in the eleventh century, one may see that they anticipated by their institutions many of the customs, some good, and others mistaken, of modern finance. Chinese economics.

F. Eb. Kübel, *Die soziale und volkswirthschaftliche Gesetzgebung des Alten Testamentes.* Wiesbaden, 1870.

Giac. Lumbroso, *Recherches sur l'économie politique de l'Égypte sous les Lagides.* Turin, 1870.

W. Vissering, *On Chinese Currency, Coin, and Paper Money.* Leyden, 1877.

E. A. Abbott, M.A., in his *Bible Lessons* (London, 1870), sketches the economic features of the Jewish dispensation.

(B) GREECE

Many States in ancient Greece, endowed with natural resources and a most fortunate maritime Predominance of politics.

position, attained to a high degree of mercantile and political power, which might have induced some of the eminent thinkers of the time to seek for the causes that underlay this prosperity. But, for the reasons that have been already stated, including the predominance of strictly political interests, the theoretical researches of the Greeks into economic phenomena were always made as a subordinate part of practical philosophy, or of morals in its widest sense. They divided morals into the three branches of economy, that is, domestic economy, ethics in its strict sense or the doctrine of duties, and politics or the art of government.

K. H. Rau, *Ansichten der Volkswirthschaft.* Leipzig, 1821.

W. Roscher, *Ueber das Verhältniss der National-Oekonomie zum klassischen Alterthume* (1849). Inserted in *Ansichten der Volkswirthschaft*, Leipzig, 1861, pp. 3-46.

J. C. Glaser, *Die Entwickelung der Wirthschaftsverhältnisse bei den Griechen.* Berlin, 1865.

L. Cossa, *Di alcuni studii storici sulle teorie economiche dei Greci. Saggi di Economia Politica*, Milan, 1878, pp. 3-14. (Critical and bibliographical hints.)

Herodotus and Thucydides.

Among historians Herodotus is not without economic interest, though inferior in that respect to Thucydides, who singles out the economic element of history with great acumen, and especially the importance of exchange and its influence on social and political facts. The enthusiasm of Roscher on the subject is perhaps slightly excessive, as displayed in his learned biography of this writer, published in 1842.

Guil. Roscher, *Disputatio prima de doctrinae oeconomico-politicae apud Graecos primordiis.* Leipzig, 1866.

Writers before Plato.

Even before Plato several writers may have occupied themselves in special works with domestic economy, and with certain branches of technology, the rules of

hunting, mining, and agriculture, for instance. And probably there were, as Stein conjectured, controversies on certain special points regarding "chrematistics,"—the science of wealth, which was presumably considered a subordinate part of ethics,—and especially on the distinction between wealth and money. At any rate it is certain that the economic and political problem of slavery was the occasion of disputes which are vividly presented in the writings of Aristotle.

Salv. Talamo, "Il concetto della schiavitù secondo Aristotile." Rome, 1881. *Atti Della Accad. di S. Tommaso d' Aquino*, Vol. i.

L. Stein, "Die Staatswissenschaftliche Theorie der Griechen vor Aristoteles und Platon," *Zeitschrift für die ges. Staatswissenschaft*, 1853, Tübingen, pp. 115-182.

The Socratic school.

A somewhat larger amount of information on the economic views of the Greeks in regard to wealth may be gleaned from the works of philosophers, and especially from those of the Socratic school, dating from about 399 B.C., which gave a more practical turn to speculative researches. But even they only consider economic goods as means for attaining to the more elevated ends of life, so that they deal rather with economic ethics than with political economy properly so called, taking much trouble to show that true happiness does not consist in wealth. This is the main idea of the Stoic or perhaps Socratic author of a philosophical dialogue called Eryxias, found among those of Plato, and sometimes attributed to Aeschines, the disciple of Socrates.

C. H. Hagen, *Observationum oeconomico-politicarum in Aeschinis Dialogum, etc.* Ratisbon, 1822.

But the economic ideas of the Greeks are more broadly and faithfully represented in the writings of Plato and Xenophon, not to mention Aristotle, the

most important of them all. Plato (429-348 B.C.) gives us in his *Republic* the picture of a State governed by philosophers, where a community of life and of goods is established for the warrior class and for philosophers alike. The State is provided for by the labour of slaves and strangers, who share in the produce with the ruling classes. In his later work, the *Laws*, Plato somewhat moderates his devotion to the ideal, and seeks to adapt his political and economic system to the actual conditions of the time. He defines as rich those who possess more than others; he distinguishes between human goods—as health, strength, beauty, riches,—and divine goods—as wisdom, virtue, temperance; also between those that serve for enjoyment and luxury, and those that serve for gain.

Plato's *Republic* and *Laws*.

He gives his estimate of labour and insists upon the division of labour, without of course having a very clear notion of the developments in this field which the future had in store; he is familiar with the use of money as an instrument and a token of exchange, and recognises the advantages of commerce. Nevertheless the interests of the State, as he conceived them, prompt him to propose, though doubtless in a slightly ironical vein, a State prohibition of the use of money and of the practice of money-lending, and a State supervision in detail of manufactures and commerce, because they tend to the deterioration of manners and of agriculture. For such a supervision, which he considers of paramount importance, he gives abundant, though perhaps intentionally impracticable, precepts, and guiding rules tending to make it more and more effective. He was by no means unfamiliar with the trend in human nature which favours individual property, but nevertheless inclines, in the *Laws*, to advocate the utmost attainable parity of private fortunes; they must not be allowed to overpass a definite maximum. He also formulates a scheme of practicable communism which is far less thoroughgoing than the ideal communism required, as he thinks,

Division of labour.

Supervision.

by abstract justice. All this met with an elaborate refutation in the second book of Aristotle's *Politics*.

Rob. v. Mohl, "Die Staatsromane," in his *Geschichte und Literatur der Staatswissenschaften*, vol. i., Erlangen, 1855, pp. 171-176.

G. B. Salvioni, *Il Comunismo nella Grecia antica*. Padua, 1883.

Fr. Kleinwächter, *Die Staatsromane*. Vienna, 1891.

Xenophon on wealth.

Xenophon (444-354 B.C.) was less profound but more definite than Plato. His economical works are shorter than his historical productions, and comprise a treatise on domestic economy, one on hunting, and one on Athenian revenues. Wealth he defines as the possession of more goods than are enough to satisfy one's actual needs, and goods are, according to him, things useful to life. Nature, he says, is the source of all production, and yields materials which labour proceeds to modify. Such modification he considers praiseworthy, in so far as the labour which produces it is applied opportunely, and governed by legitimate ends. Xenophon, like Plato, perceives the gain to be derived from a division of occupations, but he is more tolerant of manufactures and of commerce, although he adheres to the notion that agriculture is of all pursuits the one best adapted to strengthen the body and the mind, as well as to increase wealth. Taking this for his text, he goes into the minutiæ of soils and climates, and discusses the best methods and regulations for labour with a view to the promotion of husbandry as an art. Indeed, within narrower limits, he foreshadows the modern doctrine of the margin of cultivation. Still, he never goes beyond the current prejudice in favour of slave-labour, though insisting upon humane treatment for slaves. Finally, he expresses enlightened views on money and on prices; but when he discusses the value of precious metals he falls into serious error about that of silver, declaring it to be constant and

Margin of cultivation.

totally independent of any variation in the amount of that metal which may from time to time be produced.

B. Hildebrand, *Xenophontis et Aristotelis de oeconomia publica doctrinae illustrantur.* Part I. Marburg, 1845. (The work was never carried farther.)

Ad. Front de Fontpertius, "Filiation des Idées Économiques dans l'Antiquité," etc., *Journal des Économistes.* Beginning in September 1871.

Victor Brants, "Xénophon Économiste," *Revue Catholique de Louvain.* 1881.

Aristotle and the middle-ages.

Aristotle (384-322 B.C.) stands first among all the Greeks who have dealt with economics. As an observer he was patient,shrewd, and of well-balanced mind, so that he not only greatly advanced scientific investigations concerning wealth, but gathered together the whole knowledge of economics in antiquity, and anticipated, in his presentation of it, nearly, if not quite all, that was achieved during the middle-ages. The *Nicomachean Ethics* and the *Politics* contain his economic theories, for the Aristotelian *Economics* is a compilation made by various writers on the basis of the master's own works, its second book being especially based, according to Zeller, upon the *Politics*, while Göttling connects its first book with other works of Aristotle.

Patrimony.

His definition of patrimony includes wealth used for consumption, and wealth used for the production of profit. This distinction leads him to contrast value in use and value in exchange, the former being a mark of primitive economical conditions, the latter belonging to communities accustomed to the use of money, and already in an advanced stage of civilisation, where there exists a more minute division of labour. These sound conclusions are the more remarkable because of Aristotle's prepossession, on ethical grounds, in favour of

Money.

the more primitive scheme of economics. He correctly appreciates the two functions of money, as a measure of value and as a means of exchange, and he avoids

all confusion between money and wealth, pointing the distinction by the example of Midas, whose too plentiful supply of gold by no means prevented starvation. On the other hand, he has a false notion about capital and interest, which last he condemns as an unjust usurpation, because money as such is sterile and cannot 'multiply in the land.' He divides population into farmers, artisans, traders, and those who qualify themselves for services more or less professional in their character, such as warriors, priests, judges, magistrates, and the like; but he debars from any share in government all those who are engrossed by money-getting—a base pursuit unworthy of a really free man. Slavery he defends as an economic necessity to which the slavish nature corresponds, although he does not deny that, if ever harps could play themselves and shuttles could weave of their own motion, the need for slaves and their labour would come to an end. Population should, he urges, be exactly proportioned to each territory, because too sparse a population compromises national independence, while overcrowding brings with it turbulence, disorder, and personal insecurity.

Population.

Slavery.

J. C. Glaser, *De Aristotelis Doctrina de Divitiis.* Ratisbon, 1850. (Not very satisfactory.)

W. Oncken, *Die Staatslehre des Aristoteles.* Leipzig, 1870-75. 2 vols.

See the article "Aristotle," by D. G. Ritchie, in Palgrave's *Dictionary of Political Economy.* Part I. 1891.

(C) ROME

In dealing with economical problems the classical writers of Rome show no such diligence and acuteness as is to be found among the Greeks. In fact, Roman philosophers chiefly distinguish themselves by a more or less verbal repetition of what Greeks had thought out before them.

Lack of originality.

F. B. G. Hermann, *Dissertatio exhibens sententias Romanorum ad oeconomiam Universam sive Nationalem pertinentes.* Erlangen, 1823. (A superficial essay.)

It will be enough to glance at Cicero, Seneca, Pliny the elder, the Roman agricultural writers (*Scriptores rei rusticæ*), and certain Roman writers on jurisprudence.

Cicero.

One of Cicero's boyish efforts was a translation of Xenophon's *Economics*, nor was he ever backward in giving vent to his well-known views in favour of agriculture, and in opposition to manufactures and retail trade. See especially *De Officiis*, i. 42. Nevertheless, in his rhetorical, philosophical, and political works may be found not a few noteworthy economical observations which the learned industry of Calkoen has gathered together into a useful book.

Calkoen, "Over eenige Staathuishoudkundige Gevoelens en Stellingen in de Geschriften van Cicero," etc., in Van Hall's *Bijdragen tot Regtsgel. en Wetgeving*, 1831-32, vol. vi. pp. 413 ff.

Seneca and the Stoics.

Seneca, guided by the Stoics, chose the ethics of political economy as his favourite theme, and never grew tired of denouncing avarice, luxury, and riotous living. He makes war upon slavery, and pleads the cause of industry and frugality.

In his *Natural History* the elder Pliny admits the superior productiveness of farming on a large scale, but deplores the conditions of life upon large estates cultivated by slave labour (*latifundia*). He too protests against luxurious living, and opposes the exportation of money in exchange for foreign goods, which leads him into some account of the causes of value and its fluctuations.

Agricultural writers.

Rather more important are the writers on agriculture, called *Scriptores rei rusticæ*, who must be carefully distinguished from writers on the distribution of land, *Scriptores rei agrariæ*. These agricultural writers,

notably Cato, Varro, and Columella, lived at a time of more or less pronounced economic and moral decay, and strove to restore happier and healthier conditions for agriculture. Their technical precepts are chiefly inspired by a desire to make agriculture a more rational pursuit, and to introduce superior methods in husbandry from abroad, from Carthage especially. They aim at a revival of the genuine love for country life, seeking to impress upon owners the duty of residing and taking personal charge on their farms, and inveighing against the prevalent tendency to acquire tracts of land so vast that they require an extensive employment of slave-labour.

The *Corpus Juris.*

But after all, so far as economics goes, the only genuinely Roman views, clearly expressed as such, are those of the Roman jurists, which may be found here and there in the *Corpus Juris.* Still, although Tydemann has done his best, and Kautz has followed suit, no compendium of political economy on the modern pattern can be constructed out of piecemeal extracts written centuries apart by a host of authors. Far less forced, because more in harmony with the facts of the case, are the scrupulously historical essays of such recent writers as Scheel and Bruder, who have been content to throw light upon a few passages in the *Corpus.* These passages have decisive economic value, since their influence has shaped many modern attempts at economic legislation. Indeed these very passages, long before Tydemann's day, taxed, and to some purpose, the ingenuity of numerous writers, not a few of them Italians. There is, for instance, the well-known fragment of Paul (Leg. i., *Dig. de contr. empt.* xviii. 1) dealing with the origin and functions of money, on the strength of which learned economists, like Carli and Neri, have not hesitated to argue that Roman ideas, far from contradicting our science,—Pagnini and many others insist upon the contradiction,—were completely in accordance with sound modern doctrines concerning money.

P. Neri, *Osservazioni sul Prezzo Legale delle Monete.* Milan, 1751, pp. 105 ff.

G. G. Tydemann, *Disquisitio de Oeconomiae Politicae notionibus in Corpore Juris Civilis Justinianeo.* Leyden, 1838.

H. von Scheel, "Die wirthschaftlichen Grundebegriffe im Corpore Juris Civilis," in Hildebrand's *Jahrbücher für Nat. Oekon.* Jena, 1866.

Ad. Bruder, "Zur oekonomischen Charakteristik des römischen Rechtes," in the Tübingen *Zeitschr. für die ges. Staatswiss.* 32-35 Jahrg. 1876-79.

G. Alessio, *Alcune riflessioni intorno ai concetti del valore nell' antichità classica.* Archivio Giuridico. Vol. xlii. Bologna, 1889.

Dr. Paul Oertmann, *Die Volkswirthschaftslehre des Corpus Juris Civilis.* Berlin, 1891.

§ (2) THE POLITICAL ECONOMY OF THE SCHOOLMEN

Pagan antiquity and the modern world.

During the middle-ages there was a long and obstinate struggle between the spirit of pagan antiquity and the modern world, which had come to a new birth under the dispensation of Christianity. The unity of the whole race and the principle of human equality, the sinfulness of slavery and serfdom and the duty of their gradual suppression, the reconstitution of the family by raising the position and enlarging the privileges of women and by curtailing the arbitrary powers of fathers, as well as by a reform of the laws concerning wills and bequests—all these were part of the new order of things. Charitable foundations sprang up and multiplied; for the rich was preached a gospel requiring them to be just and generous, while the poor were exhorted to be industrious and contented, and upon all men alike were laid the commands of faith and self-denial. Here was a new and firm foundation for a more satisfactory organisation of the production and distribution of wealth, wherein the economic

and moral disadvantages of poverty were sensibly diminished.

Hindrance of progress before the Crusades.

But this fruitful and renovating process met in existing ideas, prejudices, customs, and laws, with hindrances which delayed the full effect of incipient reforms. In the melancholy period before the Crusades,—disturbed as it was by constant struggles between Pope and Emperor for political supremacy in Christian Europe, and by wars, more restricted but none the less fierce and unceasing, between the feudal lords,—the development of manufacturing and commercial industry was impeded. There could be no guarantee for order and liberty in the midst of continual war, robbery, and violence. Industry suffered not a little from the deficiency and insecurity of the means of exchange, transport, and communication. Even agriculture languished under the weight of intolerable burdens, and progress was made impossible by the miserable condition of the cultivators, who were bound to the soil and grievously oppressed by the exactions of the feudal system.

L. Cibrario, *Della Economia Politica nel Medio Evo, libri tre.* Turin, 1839. 2 vols. Fifth edition, 1861.

J. E. Th. Rogers, *A History of Agriculture and Prices in England.* London, 1866 seqq. 6 vols.

K. v. Inama-Sternegg, *Deutsche Wirthschaftsgeschichte*, vols. i. and ii. Leipzig, 1879, 1891.

K. Lamprecht, *Deutsches Wirthschaftsleben im Mittelalter.* Leipzig, 1885-86. 4 vols.

W. Cunningham, *The Growth of English Industry and Commerce during the Early and Middle Ages.* Vols. I. f., Cambridge, 1890 seqq.

Growth of the burgher class.

The distracting conditions just enumerated had such preponderance during one-half of the whole period designated as medieval that the emancipation of the towns and the growth of the burgher class did not fairly begin until the middle-ages were half over. These tokens and causes of a new departure in manufactures

found their encouragement and their opportunity in the fresh sphere for trade opened by the Crusades. Organised under a system of strong self-governing corporations, which alone could resist the oppressions of feudal lords, manufacturing industry soon became,—first in the Italian republics and later on in Flanders and the German Hanse towns,—a powerful element in economic prosperity and civil progress.

Italian institutions.

It was about the beginning of the eleventh century that there arose in Italy those economic institutions which, even at this distance of time, rouse our admiration. They were upheld by certain statutes and customs of commercial, banking, and maritime law, which are largely embodied in existing commercial codes, having been first introduced into the laws and ordinances of the seventeenth and eighteenth centuries.

A. Lattes, *Il Diritto Commerciale nella Legislazione Statutaria delle città Italiane.* Milano, 1883.

E. Bensa, *Il Contratto di Assicurazione nel Medio Evo.* Genoa, 1884.

V. E. Orlando, *Delle fratellanze artigiane in Italia.* Florence, 1884.

Economics in the thirteenth century.

But the revival of economic studies in the middle-ages only dates from the thirteenth century. It was due in a great measure to the study of the *Ethics* and *Politics* of Aristotle, whose theories on wealth were paraphrased by a considerable number of commentators.

Previous essays.

Before that period we only find moral and religious dissertations on such topics as the proper use of material goods, the dangers of luxury, the undue desire for wealth. This is easily explained when we take into consideration (1) the prevalent influence of religious ideas at that time, (2) the strong reaction against the materialism of pagan antiquity, (3) the predominance of "natural economy," (4) the small importance of international trade, (5) the decay of the

profane sciences, and the metaphysical tendencies of the more solid thinkers of the middle-ages. Later on, when industrial conditions had grown better, when public safety was increased, when the love of knowledge had been developed, when jurisprudence had been reformed and its scientific study revived, and when scholasticism had reached its highest point, the wisest students of philosophy turned their attention more frequently to the investigation of economic phenomena, discussing their relations to the doctrine of ethics and the management of public affairs.

High position of theologians.

It is not surprising that among the economists of the middle-ages the highest place is held by the theologians, though philosophers and jurists also have their word to say. In sermons, dogmatic and moral compendia and summaries, and sometimes in special works on the sacrament of penitence, theologians were led, while treating of the payment of debts, to examine the nature of commerce and the known characteristics of certain contracts and mercantile operations, in order to distinguish acts that were lawful from those that were unlawful and sinful. Thus the Greek notion of ethical economics based upon philosophy is gradually supplanted by scholastic economics based upon theology, which in those days was paramount—a very science of sciences.

Accounts of medieval economics.

The generally slight or second-hand quality of all accounts of medieval economics in histories of political economy makes it advisable to neglect them in favour of a few monographs, the fruit either of painstaking research, or of that combined with a thorough and suggestive critical familiarity with the middle-ages in general. So far no discursive and impartial general account has been written where an exact appreciation of the gradual change in the theories of the schoolmen is given without some underlying bias towards systematic refutation or extravagant apology.

W. Endemann, *Die nationalökonomischen Grundsätze der kanonistischen Lehre.* Jena, 1863.

By the same author, *Studien in der romanisch-kanonistischen Wirthschafts- und Rechtslehre.* Berlin, 1874, 1883. 2 vols.

Ch. Jourdain, "Mémoire sur les commencements de l'économie politique dans les écoles du moyen-âge" (1869), in the *Mémoires de l'Acad. des Inscr. et Belles-Lettres*, tome xxviii., Paris, 1874, pp. 1-51.

H. Contzen, *Geschichte der volkswirthschaftlichen Literatur im Mittelalter.* Leipzig, 1869; second edition (enlarged), Berlin, 1872. (A rather superficial work.)

V. Cusumano, *Dell' economia politica nel Medio Evo.* Bologna, 1876. Reprinted in his *Saggi di Economia Politica.* Palermo, 1887. (Especially detailed in regard to political writers.)

V. Brants, *Coup d'œil sur les Débuts de la Science Économique dans les Écoles Francaises.* Louvain, 1881.

W. Roscher, *Geschichte der National-Oekonomik in Deutschland*, Munich, 1874, pp. 1-31.

W. J. Ashley, "An Introduction to English Economic History and Theory," *The Middle Ages*, London, 1881, chap. iii. pp. 124 ff.; Part II. 1893, chap. vi. pp. 377 ff.

The schoolmen condemn usury.

The schoolmen distinguished themselves in economics by establishing a theory of what they called a fair price, and by their analysis of usury, which enabled them to prohibit the taking of interest for loans of money or of other fungible things.[1]

[1] A *res infungibilis* is the subject of a contract or obligation which can be discharged only by the return of the thing itself. *Res fungibiles = res quae mutuâ vice funguntur, i.e.* they are convertible things so that one can be used for the other. A *res fungibilis* is the subject of a contract or obligation which can be discharged by the delivery of a similar thing, and must in consequence be always ascertainable by measurement, etc. The commonest instances of *res fungibiles* were things which perished in use, and indeed *res*

The theory of a fair price as developed in works on moral theology, usury, contracts, and in certain cognate monographs, contains in a rudimentary form the modern doctrine of value, inasmuch as price is there made to depend upon existing wants, on use, on rarity, and on the cost of production. This was noticed as far back as 1834 by Agazzini, and does not escape other writers who have gone to original sources, as is the case with Gobbi, Graziani, and Montanari. The schoolmen talk of the legitimate and unreducible price of a thing, which was fixed by authority and was for obvious reasons deemed of special importance in the case of the necessaries of life. Then there was the natural price, so determined by use and the higgling of the market that it was variable, and fell under three categories, being (1) the minimum, or (2) the mean, or (3) the maximum price, according to circumstances which allowed the greatest latitude in regard to rare commodities, and the least in regard to things which, although of common use, were not absolute necessities. But now comes an important point,—the legitimate price of a thing as fixed by authority had to be based upon the natural price, and therefore lost its validity and became a dead letter the moment any change of circumstances made it unfair.

Fair price.

Natural price.

Among theologians who have discussed value and price must be mentioned Venusti, Lupo, Filiucci, and particularly Gasparino, although the first two belong to the sixteenth and the last two to the seventeenth century.

Gasparino.

Bart. Gasparino, *De Legitimo et Naturali Rerum Venalium.* Forli, 1634.

The canonical theory of usury with its prohibition of interest has an important practical bearing upon the

Usury and canon law.

fungibiles are generally confounded with things *quae usu consumuntur.* Austin, *Jurisprudence*, p. 807, ed. iv. Mackeldy, §§ 369-374. *Digest XII.* i. 6. See also Hunter, *Roman Law*, 1876, p. 141.

evolution of many economical and legal institutions, and is of great theoretical interest because of the controversies which centred around it. Any exact appreciation of these controversies involves supplementing the abundant materials gathered by Endemann from theological compendia of the sixteenth and seventeenth centuries with those afforded in Funk and in Böhm-Bawerk's works, which are based directly upon original authorities.

F. X. Funk, *Geschichte des kirchlichen Zinsverbotes.* Tübingen, 1876.

E. v. Böhm-Bawerk, *Geschichte und Kritik der Kapitalzinstheorieen.* Innsbruck, 1884.

Appeal to Holy Writ.

All the Church fathers base their explicit and unqualified condemnation of usury, that is, of interest (*quodcunque sorti accedit*) for moneys loaned, upon familiar texts of Holy Writ and upon the universally valid precept of charity. This precept involved the canonical prohibition of interest, which was, however, during the first eight centuries of the Church, binding solely upon ecclesiastics. The Latin Church, but not the Greek, then proceeded to make it binding upon laymen also, as may be abundantly seen in the proceedings of many oecumenical and national councils, whose utterances are increasingly peremptory up to the end of the thirteenth century. Although incompatible with the growing needs of commerce, these commands were enforced from Charlemagne's time onward by prohibitive laws. But from time to time obedience to their provisions was by special exception and excuse dispensed with in the cases of certain Jewish bankers, and of the so-called Lombards, to whose aid princes both civil and ecclesiastical were forced to have recourse in moments of financial embarrassment. These prohibitions by civil law broke down, first in Protestant countries, and finally everywhere, so that, from the middle of the sixteenth century onward, it was customary to

The Latin and Greek Churches.

Prohibition breaks down.

fix a legal maximum rate of interest. Between 1822 and 1838 the ancient prohibitive canon law became absolutely a dead letter, as the result of several decisions made by the Holy See to the effect that, pending a final reconsideration of the whole matter, confessors must not harass their penitents on the score of the sin of usury.

It is indeed common, especially when your author is a Protestant, to find writers repeating the grossest misstatements about the nature, the limits, and the conditions under which interest was canonically forbidden. It is far from true to say that all the schoolmen followed Aristotle's doctrine of the sterility of money, and were correspondingly ignorant of the profit to be made with borrowed money. Their doctrine was simply that the whole profit belonged to the labour of the borrower, and that, inasmuch as the lender lost nothing by loaning his money, he was entitled to nothing but the restitution of his funds. Indeed, the leading schoolmen of the thirteenth century, who were the first to argue this point on grounds of philosophy and jurisprudence, came after those who were exclusively theological, and took a somewhat altered point of view in their argument. The Franciscan monk, Alexander of Hales, who died in 1245, and his two contemporaries, the Dominicans Albertus Magnus (1193-1280) and Saint Thomas Aquinas (1224-74), are not content with appeals to Holy Writ and to the Church councils, but make much of the fact that things fungible, including money of course, cannot, like things non-fungible — lands, houses, utensils—be used by one person and owned by another. A lender therefore is not entitled to compensation for the use of money loaned, but only to its restitution, since the fact of borrowing vested ownership in the borrower; nor can he claim compensation for the time that elapsed between the act of lending and the restitution, for time belongs to God, and cannot be bought or sold. Therefore a loan must be either made outright, or else in the form of a mortgage or bill of

Things fungible and non-fungible.

sale, and cannot involve a thing like money, the very nature of which is repugnant to the rules providing for compensation in cases of borrowing and lending. Still, certain gains to be derived from the possession of money were successively recognised in spite of vigorous attempts to put them down made by the stricter sect of theologians. These rigorists were nothing if not logical, as compared with their opponents, who stretched a point or two to satisfy the multifarious requirements of commerce, and were willing to give a certain elasticity in practice to the application of rules originally framed at a time when primitive economic conditions favoured loans in kind. These rules had become intolerable since institutions of credit had sprung up and opportunities for investing capital had been multiplied.

Recognition of usury.

Elastic interpretation of rules.

The trend of these controversies turned more and more in the direction of certain exceptions to the hard-and-fast rule against usury which, for all that, had to be formally maintained. Gradually certain accepted cases were taken where compensation or interest (*id quod interest*) was deemed admissible. Saint Thomas already allowed compensation in the case described as *damnum emergens*, where the loss or harm for which interest made compensation was plainly established. Then, after a fierce controversy, the case described as *lucrum cessans*, where the lender's profits were cut off during the period of the loan, was excepted from the rule,—at first with a very strict proviso requiring strong proof, and then even where there was presumptive evidence, especially in dealings between merchants. Interest was legitimised in cases of extraordinary risks, as in shipping ventures, and later on in so-called triple contracts, and in various others; and finally the less rigorous canonical writers cudgelled their brains to find substantial differences between an ordinary loan, which was necessarily gratuitous, and loans on realities, on personal estate, or under this or that form of contract.

St. Thomas Aquinas excepted certain cases.

No complete account of works on medieval econo-

mics being feasible, the enumeration of a few especially notable books and monographs must suffice. My fuller account of the literature in question will be found elsewhere. Works on medieval economics.

L. Cossa, *Di alcuni Studii recenti sulle Teorie economiche nel Medio-Evo.* 1876. See also the same author's *Saggi di Economia Politica*, Milan, 1878, pp. 15-38.

(A) THE THIRTEENTH CENTURY

In theology and philosophy Saint Thomas of Aquino, the Angelical Doctor, had no peer, and he was also the greatest writer of the age on politics and economics. For views of his that here concern us see the *Summa Theologica* (II. ii.), his *Adversus Gentiles*, his *Commentaries on Aristotle*, and his tract *De Regimine Judeorum*; the other, *De Usuris*, is not by him. He also wrote the first book, and the four first chapters of Book II., in the *De Regimine Principum*, finished by his pupil Frate Tolomeo Fiadoni da Lucca, Bishop of Torcello. His teachings on usury, his views regarding wealth, and his wise maxims concerning finance and currency, have been given in many works, some of them critical and some biographical, as well as in histories of political economy, but not always with due discrimination. For an account based only on his authentic writings, see: Aquinas as an economist.

J. J. Baumann, *Die Staatslehre des h. Thomas von Aquino.* Leipzig, 1873. Especially pp. 190-203.

Among the minor schoolmen, Jourdain mentions Henry of Ghent,—the author of a work, now lost, *De Mercimoniis et Negotiationibus*, — who appears to have shown a somewhat juster understanding of commerce, its functions and utility, than most of his contemporaries. Henry of Ghent.

(B) THE FOURTEENTH CENTURY

Among many writers, *De Regimine, Institutione, Eruditione Principum*, who for the most part tread in the footsteps of Aquinas, a few may be mentioned.

1. Engelbert, Abbot of Admont, in Styria, who died in 1331, and wrote a work, referred to by Contzen, *De Regimine Principum*, in seven books.

2. Fra Paolino the Minorite, probably a Venetian, who wrote between 1313 and 1315 a tractate in three books, *De Regimine Rectoris*, where ethical, familial, and political government is discussed in so terse and telling a way that no less a man than Adolfo Mussafia has been prompted to publish it with annotations (Vienna, 1868).

Colonna and Philip le Bel.

3. Aegidius Colonna, an Augustinian monk of the school of St. Thomas,—from whose teaching his pupil, King Philip le Bel (1247-1316) derived less profit than he might have done,—wrote a work, *De Regimine Principum*, which preceded Fra Paolino's. Here we have a notable departure from the doctrine of Aquinas, for Colonna maintains that the consent of the people is necessary to justify the levying of unusually heavy taxes.

Petrarch against the publicans.

4. Petrarch (1304-74) also insists in his *De republica optime administranda* upon the necessity of fairness and moderation in the matter of taxation, and denounces the lawless practices of tax-gathering publicans. Elsewhere, especially in his later letters, he gives excellent precepts in regard to agrarian economics.

Among the learned lawyers, Andrea d' Isernia, a Neapolitan (1220-1316) mentioned by Fornari, distinguished himself by declaring crown-lands to be alienable, and by favouring the collection of taxes by special contract.

French writers.

Still more important in respect of finance and politics are the opinions expressed by a group of French

philosophers who were taken into the counsels of their government. Among these are—

1. Philip Dubois, whose *Summa brevis* (1300) and *De recuperatione Sanctæ Terræ* (1306) sharply criticise Philip le Bel for debasing the coinage, pointing out its disastrous consequences. See A. Vuitry in the *Journal des Économistes*, December 1880, pp. 447-459.

2. Jean Buridan, Rector of the University of Paris in 1327, whose *Quaestiones in X Libros Ethicorum Aristotelis* (Paris, 1489) contain, as Jourdain points out, a summary account of the economic functions of money.

3. The Dominican monk Durand de Saint-Pourçain, Bishop of Meaux in 1326, and Philippe de Mezières, Councillor of King Charles V., who were the projectors of the *Monts de Piété*,—public pawnbroking,—by establishing which the State was to rescue needy persons from the oppression of usurious Jews. See V. Brants, *Philippe de Mezières*, in the *Revue Catholique de Louvain*, 1880. *Monts de Piété.*

4. Last must be mentioned the most remarkable of them all, Nicholas Oresme, who died in 1382 as Bishop of Lisieux. He wrote his *De origine, natura, jure et mutationibus monetarum* for his pupil Charles V., and afterwards republished it in French. Here is a simple, well-arranged and clear summary of the theory of money, together with a masterly arraignment of those who were for debasing coin. Roscher, like all the generations of specialists who had read this brief masterpiece, conceived a high opinion of its merits, and his commendation led Wolowski to prepare an admirable edition of it in Latin and French, which was printed in 1864. Oresme's theory of money.

Francis Meunier, *Essai sur la vie et les ouvrages de Nicole Oresme.* Paris, 1857.

G. Roscher, "Un grand économiste français du 14ᵉ siècle," *Comptes rendus de l'Acad. des Sciences Morales et Politiques*, Paris, 1862, pp. 435 ff.

N. Oresme, *Traicté de la première invention des monnoies*, by M. L. Wolowski. Paris, 1864.

The minor schoolmen, Gerson.

No extended mention can be made of lesser schoolmen, such as Heinrich von Langenstein (*Henricus de Assia*) and Heinrich von Hoyta, both of them Professors in the theological faculty at Vienna, and both of them praised by Roscher, and there is barely room to notice Jean Charlier, surnamed Gerson, Chancellor of the University of Paris. He was a pupil of Langenstein, and deals in his *Tractatus diversi* with the same topics that occupied Buridan,—the theory of price. In one respect he is unique among theologians, for he maintained that civil laws could, by way of a *pis aller*, authorise the taking of interest in spite of its prohibition by laws ecclesiastical.

(C) THE FIFTEENTH CENTURY

Sant' Antonio and San Bernardino

During the first half of this century the names of two friends and contemporaries, Sant' Antonio, the Dominican Archbishop of Florence (1389-1455), and San Bernardino, a Franciscan of Siena, stand out among all the rest, because these two men combined learning with an unusual comprehension of the needs of commerce and the aspirations of the people. Sant' Antonio's *Summa Theologica* (Florence, 1741) and San Bernardino's *Sermones* (Venice, 1745) take up, in connection with ethical theology, points concerning the circulation and distribution of wealth, and deal more minutely with value, commerce, and credit. Of money San Bernardino says, *habet quandam seminalem rationem lucrosi, quam communiter capitale vocamus*, while Sant' Antonio justifies the Florentine Commonalty in receiving interest on loans, and defends the negotiability of the notes that represent it.

on value, commerce, and credit.

R. H. Funk, "Ueber die ökonomischen Anschauungen

der mittelalterlichen Theologen," in the *Zeitschrift für die ges. Staatswissenschaft*, 1869, pp. 125-175.

The last of the schoolmen.

Outside of Italy, Kuppener, Summenhart de Calw, and the German philosopher and theologian Gabriel Biel, who died in 1495, deserve mention. Biel's *De monetarum potestate simul et utilitate libellus* (Mainz, 1541) deserves particular mention. It is a short treatise written in the lines laid down by Oresme, and its author is known sometimes as the last of the schoolmen.

(D) THE SIXTEENTH AND SEVENTEENTH CENTURIES

Economic changes.

During this whole period radical economic changes continue to react more and more upon scholastic doctrines, which find fewer and fewer defenders in their original form, while more and more room is made for new institutions of credit, whereby the productive employment of money is facilitated.

Commercial law.

Now that more liberal views begin to prevail, they find expression in works of classic importance upon commercial law by such writers as Stracca, and in the still more remarkable and liberal-minded productions of Scaccia and Della Torre. Two Genoese shared these same liberal views: one of them was a learned lawyer, D. Gaito (1626), and the other was the merchant G. Domenico Peri. Against both of them unavailing protest was made by Antonio Merenda, a Pavian professor, who was fired with zeal on behalf of logic.

U. Gobbi, *L' economia politica negli scrittori italiani del secolo XVI.-XVII.*, Milan, 1889, pp. 52-57, 269-302.

Sig. Scaccia, *De commerciis et cambio.* Rome, 1619.

Raph. de Turri, *De cambiis.* Genoa, 1641.

Ant. Merenda, *De cambio nundinali.* Pavia, 1645.

Giov. Dom. Peri, *Il negoziante*, ecc. Venice, 1672.

Controversies.

A glance may now be taken at the controversies which centred around public loans, *monts de piété*, bills of exchange, and the prohibition of begging.

Money-lending and *monti*.

At Venice, Florence, and Genoa the frequent practice of lending money led to the association of lenders in what were called *monti*, and were corporations of a primitive sort. The right of these bodies to exact payments of interest, especially in the case of forced loans and the sale of shares, which were called *luoghi di monte*, or "lodgments" in the bank,—bank-warrants,—was vehemently assailed in various quarters, particularly by the Augustinians Guido da Bello Regaldo and Gregorio da Rimini. Other theologians and lawyers, such as Pietro da Ancarano, Giovanni Andrea, Cardinal Enrico di Ostia, though loth, yet admitted the right.

Banks of deposit and exchange.

In spite of opposition, banks of deposit and of exchange grew more and more numerous at Venice, Genoa, throughout Sicily, and at Naples, so that their existence, with all that it implied, was finally and fully legalised. Early in the seventeenth century (1603), Alessandro da Rho published various tracts, which were followed by Father Ferrari's (1623), Father Cantoni's (1625), and Father Dugnani's (1627). The common thesis of them all was that the payment of interest by the commonalty to the Bank of St. Ambrose on moneys loaned was legal and legitimate.

On terminable and non-terminable *luoghi di monte*, on associations for purchasing the charges of the Roman Curia (*Societates Officii*), many treatises were written dealing with the legal and economical points involved. These have been rather neglected by historians of political economy.

Franc. Castracane, *Tractatus de societatibus quae fiunt super officiis Romanae Curiae.* Rome, 1609.

Card. Joh. Bapt. De Luca, "De locis montium," etc., in his *Theatrum veritatis et justitiae.* Rome, 1669.

Fabr. Evangelista, *De locis montium cameralium non vacabilium.* Rome, 1767.

Public pawnbroking in Italy and Holland.

Controversies of a far livelier character raged about the public pawnbroking shops that sprang up all over Italy during the second half of the fifteenth century, and were introduced into the Netherlands during the sixteenth century. See Scarini and Kobergh on this subject. There was pressing need for such institutions, in order that the poor might, upon security of their havings, receive advances of money without falling a prey to private bankers, particularly those of Jewish nationality; and very soon it was clear that these banks must become self-supporting, because the contributions of the faithful fell far short of their needs. Hence the adoption of Bernardino da Feltre's proposal, that instead of lending gratuitously, a payment of interest sufficient to cover the expenses of management should be exacted. An Augustinian friar, Nicolo Barianno by name, attacked this innovation in his *Tractatus de monte impietatis* (Cremona, 1496); then in 1498 a Dominican followed suit, his name was Tommaso da Vio, and he afterwards became Cardinal Gaetano. The defence was undertaken by a Franciscan, Bernardino da Busto, in his *Defensorium montis pietatis* (Milan, 1497), and by De Rosellis, and others, who were finally backed by the approval of Leo X. in the fifth Lateran council.

Ad. Blaize, *Des monts de piété.* Second edition. Paris, 1856. 2 vols.
F. X. Funk, in the work above cited, pp. 51-53.

Bills of exchange.

Quite as much hair-splitting characterised another heated controversy which had to do with bills of exchange. These were resorted to in those days to avoid the risks and expenses involved in sending specie to distant and inaccessible places. The strict defenders of canonical doctrine allowed profit through exchange

only when it was real, and not fictitious or dry[1] (*secco*), *i.e.* a mask for loans with interest,—and accordingly their only justification of it required that it be *non propter tempus sed propter loci distantiam.* Later there was a reopening of the whole question concerning bills of exchange drawn for payment at various fairs, and about the legitimacy of what were called bills returnable. Tommaso da Vio, already alluded to, wrote a treatise, *De cambiis*, in 1499. Then followed many others, among which may be singled out that of the Siennese Tommaso Buoninsegna, who began as a trader, and then turned friar; he wrote *Dei cambii* (Florence, 1573). Then there was the more elaborate *Tractatus de cambiis* (Genoa, 1568), and the well-proportioned and clearly-presented compendium by Father Romualdo Coli, *Trattato dei cambii* (Lucca, 1612); and finally came the controversy about exchange with recourse which was attacked by Father Bernardo Giustiniani (1619), and Father Ortensio Capellone (1621), and defended by Fathers Antonio di San Salvatore and Basilio Alemanni (1623).

Bills returnable.

Davanzati on exchange.

A treatise more familiar to economists than any of the above, because it was inserted in the first volume of Custodi's *Raccolta*, is the *Breve notizia dei cambii* (1581), where Bernardo Davanzati (1529-1606) gives in very readable form a simple and intelligible account of the mechanism of bills of exchange, with some added references to the useful functions of speculation, and to the causes which produce international payments.

The prohibition of begging, decreed early in the

[1] "Dry exchange was an evasion of the Usury Laws, by means of a Bill of Exchange, which the borrower drew on a fictitious person at Amsterdam, or any foreign town, at the then current rate of exchange, which he delivered to the lender. At maturity, the Bill was returned protested from Amsterdam, and the borrower charged with re-exchange and incidental expenses; and in this way 20 or 30 per cent was made, the Bill never having been out of the country."—Kelly, *Summary of the History and Law of Usury*, p. 18. London, 1835.

sixteenth century by certain cities in the Netherlands and in Spain, gave rise to an interesting theologico-economical discussion carried on by many writers, particularly by certain Franciscans, who maintained against certain Dominicans that the prohibition was called for, and thus brought into notice the difficult and delicate question of almsgiving. Colmeiro and Rahola have mentioned, and De Bosch Kemper has summarised, with considerable detail, the views and works of many writers on this question. Here only a few can be alluded to—(1) Ludovico Vives, who argued in his *De subventione pauperum* (Bruges, 1526) that public almsgiving called for the strictest supervision by laymen; (2) Father Domenico Soto, *Deliberacion en la causa de los pobres* (Salamanca, 1545), and the Franciscan L. Villavicentius, *De oeconomia sacra circa pauperum curam* (Antwerp, 1564), who were eager opponents of any sort of restriction or control; (3) C. Cellario, the jurisconsult, who wrote *Oratio contra mendicitatem* (Antwerp, 1531); (4) the Franciscan Giovanni di Medina, author of *De la orden que en alcunos pueblos de España se ha puesto en la limosna* (Salamanca, 1545); (5) Aegidius Witsius, Chancellor of the University of Bruges, who published in 1562 his *De continendis et alendis domi pauperibus*,—the three last-mentioned writers being in favour of homes where work should be obligatory; and finally the list may close with (6) Father Michele Giganta, who wrote several works, among them his *Tratado de remedio di pobres* (Coimbra, 1575), and was in favour of establishing homes where work might be sought by those in need of it.

Discussions of laws against begging.

Six contemporary tracts.

Homes and work for the unemployed.

M. Colmeiro, *Historia de la Econ. Polit. en España.* Vol. i. Madrid, 1862.

Fed. Rahola, *Economistas españoles de los siglos XVI. y XVII.* Barcelona, 1887.

J. De Bosch Kemper, "Overzigt van de letterkunde omtrent het Armwezen in het zestiende eeuw,"

Nederlandsche Jaarboeken voor Regsgeleerdheid, Deel XII., Stuk 3. 1850.

F. Ehrle, *Beiträge zur Geschichte*, etc., *der Armenpflege*, Freiburg i. Br. 1881.

§ (3) THE HUMANISTS AND POLITICAL ECONOMY

The humanists and natural economy.

The humanists, who founded their philosophy, their politics, and their history upon Greek and Latin studies, were especially under Plato's influence as regards economics. Through Marsilio Ficino, Tuscany became the centre of a study of Plato which led to the idealisation of pagan society and institutions, and to the condemnation of those social and economic arrangements of the middle-ages which, in the course of the fifteenth and sixteenth centuries, had achieved solid results in creating a system of currency and of credit. In all these concerns, the humanists were outspoken in favour of the purely "natural" conditions which had thus been superseded, nor were they slow to use in the field of economics and economic legislation the independence of thought, newly asserted by them against its discredited enemy Aristotelianism. A great vacillation of practice in the levying of taxes at Florence reflects now one and now another general theory. Savonarola, the Christian Reformer, was in favour of the rating of real property; Guicciardini gives a scheme for levying tithes on a sliding or proportionate scale; Ludovico Ghetti had a scheme for levying one tax and one only. Then there were controversies about Crown-lands, and treasure to be accumulated or not against possible wars. Was the head of the State to deal in merchandise, or was he not? Were taxes to be collected by Government (*regia*), or were they not? Finally, there were continual protests against the debasement of coin. In Gobbi's, Fornari's, and Ricca-Salerno's historical monographs already mentioned, not to speak of Toniolo's recent academical discourse, the whole play of these controversies in Italy,

Florentine tax-levies.

Controversies about taxes.

and the growth of settled views, can be followed step by step. For the parallel play of humanistic and reformatory ideas in Germany, Schmoller and Wiskemann may be consulted, since they summarise what Roscher's *History* gives *in extenso*. Here just a few writers, chiefly Italians, shall be referred to.

German controversies.

G. Ricca-Salerno, *Storia delle dottrine finanziarie in Italia.* Rome, 1881, pp. 27 ff.

T. Fornari, *Delle teorie economiche nelle Provincie Napoletane*, vol. i., Milan, 1882, pp. 117-194.

G. Toniolo, *Scolastica ed Umanismo nelle dottrine economiche.* Pisa, 1887.

G. Schmoller, "Zur Geschichte der nationalökonomischen Ansichten in Deutschland, während der Reformations-Periode," in the *Zeitschr. f. die ges. Staatswiss.* Tübingen, 1860.

H. Wiskemann, *Darstellung der in Deutschland zur Zeit der Reformation herrschenden nationalökon. Ansichten.* Leipzig, 1861.

W. Roscher, *Geschichte der Nat. Oek. in Deutschland*, Munich, 1874, pp. 32 ff.

(A) THE FIFTEENTH CENTURY

Three remarkable men, Giovanni Gioviano Pontano from Umbrian Cerreto, Benedetto Cotrugli of Ragusa, and last but not least, Diomede Carafa, Count of Maddaloni, effected by word and deed certain very sound financial and economical reforms in the kingdom of Naples under kings of the house of Aragon.

Pontano, Cotrugli, and Carafa.

Pontano (1426-1503) is remarkable for sound fiscal rules and praiseworthy counsels in economic ethics. His works appeared in two volumes at Naples (1505-8).

Cotrugli's small book *Della Mercatura e del Mercante perfetto* was not written until the middle of the century. Genovesi and Zanon speak highly of it. It deals specifically with value, price, and exchange, as well as

Cotrugli on value and contracts.

with mercantile contracts. A. Montanari wrote on it in the *Italia Centrale* (Reggio, 25th December 1890). Published in 1573 at Venice, it was translated into French (1582), and reissued at Brescia (1602).

Carafa's pamphlet.

Cusumano, Ricca, Fornari, and Gobbi have all studied Carafa to some purpose. His pamphlet *De regis et boni principis officio*, written a few years before or after 1475 by Eleanor of Aragon's special command, stands head and shoulders above all contemporaneous works on finance. G. B. Guarini translated it into Latin by command of the same Duchess of Ferrara, and it was printed at Naples in 1668. Mansi, under the impression that it had never been printed, put it into the Appendix to G. A. Fabricius' *Biblioteca Latina* (Padua, 1754). Carafa, who died in 1487, has new ideas about the function of commerce, about public revenue and public expenditure, and about the advisability of farming out the taxes. He it was who first conceived the idea of taxing fixed incomes, which is so essential in Broggia's subsequent scheme of public finance.

V. Cusumano, "Diomede Carafa Economista e Finanziere Italiano," in the *Archivio Giuridico*, Bologna, 1871, vol. vi. See also his *Saggi di Econ. Polit.*, Palermo, 1887, pp. 134-145.

Patrizii on crown-lands.

Among the humanists the Siennese, Francesco Patrizii, Bishop of Gaeta (1412-94), should also be named, since he wrote (1) *De regno et regis institutione* (Paris, 1567), and (2) *De institutione reipublicæ* (Paris, 1565). He justifies the retention of crown-lands, and favours perpetual leases for them.

In this and the two preceding centuries various Florentine men of letters touched upon matters of economics in government. The learned Brunetto Latini

Latini and Alberti.

and other encyclopædic writers, such as Beato Dominici, who lived till 1420, and Leone Battista Alberti, are among them, as also are chroniclers like Giovanni and Matteo Villani, Benedetto Dei, Ser Lapo Mazzei, all of

whom prepared the way for men of historical erudition, such as Segni, Nardi, and Varchi. Then there were Domenico Lenzi, the corn-merchant, who wrote about scarcity in his *Specchio umano* (1320-35), and the two bankers Francesco Balducci-Pegolotti and Giovanni da Uzzano, who produced handbooks for the practical guidance of commercial men. These last, belonging respectively to the fourteenth and fifteenth centuries, have been partially reprinted by Pagnini (*Della decima*, Florence, 1765-66).

Commercial handbooks.

G. Toniolo, in his discourse above alluded to, *Scolastica ed Umanismo.* Pisa, 1887.

(B) SIXTEENTH CENTURY

But the ripest wisdom in matters economic which humanism yielded is found in the historical and political writings of Palmieri, Machiavelli, Guicciardini, and others, mostly Italians,—not a numerous company, nor are their contributions of much moment in the progress of economical studies.

Political writers.

Matteo Palmieri in his *Della Vita civile* (Florence, 1529), goes broadly into political economy, devoting the last part of his little book to the subject "of what is useful, including questions concerning the comforts, adornments, and graces of life, and dealing with all resources of wealth and plentiful abundance in whatsoever things men use." He defends proportionate taxation against the assaults of Florentine demagogues.

Palmieri on taxes.

Nicolò Machiavelli (1469-1527), who takes the lead among political thinkers in his day, was averse to any searching study of the economic aspects of political questions, since he declares himself no expert on questions of woollens and silks. Indeed his gifts were not for this branch of study, or he would have admired pagan civilisation less, and would have said less in praise of what was called natural economy in his admiring

Machiavelli and natural economy.

sketch of the customs of German peoples, where he found traces of its survival. And so Villari can add little but the confirmation of his sound scholarship to the obviousness of Knies' failure in proving that the Florentine Secretary originated great currents of thought in political economy.

Karl Knies, "Nic. Machiavelli, als volkswirthschaftlicher Schriftsteller," in the *Tübingen Zeitschrift für die ges. Staatswiss.*, 1852, vol. viii.

Pasquale Villari, *Nicolò Machiavelli e i suoi tempi.* Firenze, 1877-82. 3 vols.

Guicciardini.

Francesco Guicciardini (1480-1540) yields more to the student of economics than Machiavelli, but only in his minor works. His historical writings are on political matters pure and simple.

Franc. Guicciardini, *Opere inedite, illustrate da G. Canestrini.* Firenze, 1857-67. 2 vols.

(C) UTOPIAN THEORISTS IN THE SIXTEENTH AND SEVENTEENTH CENTURIES

Communism.

The study of Plato, a profound revolt against contemporary corruption, serious economic disturbances, ceaseless wars, and never-ending religious and political dissensions, together with other well-known causes, all combine to make inevitable the writing of various works favouring reforms in the direction of some sort of community of goods. Frank and Münster were in earnest, and for them the question was a practical one; then it had its special pleaders,—Münzer, for example,—while More's *Utopia* (*De optimo reipublicæ statu, deque nova insula Utopia*, 1516) is little more than a rhetorical exercise of ingenious reasoning, based upon certain views of duty and general precepts of morals. Another such work is the far less familiar one of Ludovico Vives (*De communione rerum*, 1635), a Spanish philanthropist.

More's *Utopia.*

Vives and Doni.

Last of all comes Anton Francesco Doni with his *Mondi celesti terrestri ed infernali* (Florence, 1552-53). Here reason and argument are dismissed, and a free rein is given to the most unbridled and eccentric fancy.

Harrington's *Oceana*.

More, in his *Utopia*, insists on monogamy quite as much as on a community of goods, and James Harrington, in his *Oceana* (1640), shows himself a sworn enemy of large land-holdings.

Campanella and the family.

Tommaso Campanella, a Dominican monk of Calabria, in his *Civitas solis* (1607), took the further step, from which Plato did not shrink, of advocating a community of wives, the argument being that a community of goods involves the abolition, not only of private ownership, but of the family as well.

Mohl's and Kleinwächter's books have already been cited; another short work may here be mentioned:—

A. Gehrke, *Communistische Idealstaaten.* (Plato, Morus, Campanella, Cabet.) Bremen, 1878.

Paruta's defence of property.

All these Utopian arguments were met by arguments in defence of private property. It will be sufficient to mention Paruta's book, where, by way of a sop to Cerberus, exception is taken to the extremer forms of accumulated ownership.

Paolo Paruta, *Della perfettione della vita politica.* Venice, 1599. See also C. Supino, *La scienza economica in Italia*, Turin, 1888, p. 89.

(D) THE LEGITIMACY OF INTEREST

Usury defended.

Catholic writers were not alone in the field when they strove to reconcile the needs of commerce with the canonical prohibition of usury and interest. There were certain Protestants also who lay under imputations of heresy because of their revolt from prevailing legal and theological views held by their co-religionists, and more especially by Luther. In the sixteenth century there was Calvin, as well as Charles Dumoulin, the

Calvin, Salmasius, and Grotius.

jurisconsult, who did not mince matters at all in his *Tractatus contractuum et usurarum* (1546). In the seventeenth century there was Claude Saumaise (Salmasius), who never was tired of the subject; see his *De usuris* (1638), his *De modo usurarum* (1639), *De fœnere trapezitico* (1630). After him came, though with a halting step and many discreet half-utterances, the celebrated Dutch writer, Hugo Grotius; see the twelfth chapter of the second book of his *magnum opus*, *De jure belli et pacis*.

Lame defence of interest.

However confident some still may be that these eminent authors exhausted their subject, it is only too plain, on the one hand, that they utterly fell short of elucidating the economic fact of the productivity of capital, and on the other, that their legal justification of interest was by no means unassailable; indeed there are those to-day who, without being socialists, are ready and eager to reopen the discussion. See, for instance, a strange book by Victor Modeste, *Le prêt à l'intérêt dernière forme de l'esclavage* (Paris, 1889).

During the eighteenth and nineteenth centuries theologians have returned again and again to the fray, but no one has said anything new. Scipione Maffei, for instance, published in 1744 his *Dell' impiego del denaro*. Ballerini and Concina immediately attacked it, and then came the encyclical of Benedict XIV., *Vix pervenit* (1743). Finally Marco Mastrofini's volume, *Le Usure*, first printed in 1831 at Rome, revived the same controversy. But economists as such did not need the four volumes of *Dissertations sur le prêt de commerce*, published at Dijon (1823) by Cardinal de la Luzerne, to teach them that money may be earned by money,—this by the way has never been denied even by theologians,—nor are they disposed to follow Mastrofini when he maintains, quite in disregard of historical facts, that the exaction of interest was never prohibited except where the debtor was a poor man. They are, moreover, quite unruffled by all the iteration indulged in by

Encyclical of Benedict XIV.

Justification of the Church.

undiscouraged upholders of the rigours of the canon law, men who go on for ever saying that a loan as such, that is, under conditions that cannot be reproduced in these later days, is in its essence gratuitous, and can have no consideration attached to it.

E. v. Böhm-Bawerk, *Geschichte und Kritik der Kapitalzins-Theorieen.* Innsbruck, 1884, *passim.*

CHAPTER III

MONOGRAPHS ON ECONOMIC SUBJECTS

Revolution in economic facts.

DURING the second historical period in the development of political economy, which embraces the whole of the sixteenth and seventeenth centuries, and the first half of the eighteenth, there was a complete revolution in the system of production, exchange, transportation, and taxation. We find not a few monographs dealing with the theory of these various departments, together with occasional pamphlets, all of which are the outcome of a new habit of mind, uncertain and hesitating at first, but more and more unmistakeable and definitely formed at last. Economic criteria are appealed to more and more, and are distinguished more and more clearly from the composite ideals in vogue during the preceding period when political economy as such was parcelled out among and confused with allied branches of knowledge.

Shaping of economic science.

Polemical writings, defending more or less successfully and exclusively the interest of one set of producers or consumers, gradually took on a definite shape of their own, so as to become empirical systems of political and financial economics. Then somewhere about the middle of last century came practical attempts to make these systems work together, which were made by strenuous advocates of economic and fiscal reform, and there were also some few abortive schemes for a theoretical co-ordination of them. The last are due to eclectic writers

Empirical systems.

whose erudition was more remarkable than their mental grasp, as may be seen in their published treatises or gathered from reports of their public lectures; for in various parts of Europe many new chairs were especially founded and many old ones were transformed for the purposes of the new science. Eclectic professors.

If therefore this chapter and the next are to follow the real course of this process of development, there must first of all be given a short sketch outlining the various monographs, next a description of economical and financial systems in use at this time, and finally must come a brief account of eclecticism as it was developed in reforms as well as in professorial lectures.

§ (1) CHARITY AND POPULATION

No one has failed to see that the great majority of writers on politics and economics were so clear in their own minds about the connection between the populousness of the State on the one hand, and power, security, and wealth, whether of individuals or of the whole State, on the other, that their one and only study was of the causes of increase in population and the best means of encouraging it. Indeed such eminent authorities as Süssmilch (1707-67), and after his day Justi as well as Sonnenfels,—learned professors of the financial sciences (*Cameralwissenschaften*),—went so far as to consider that the chief object of a State seeking the advantage of its people is to increase its population. Study of population

Rob. von Mohl, *Geschichte und Literatur der Staatswissenschaften*, third volume, Erlangen, 1858, pp. 409 ff.

Ach. Sinigaglia, "La teoria economica della popolazione in Italia." Bologna, 1881. From the *Archivio Giuridico.*

One man, however, Giovanni Botero, took the lead

by Botero after Machiavelli.

of all Italian economists in the sixteenth century, and he deserves all credit for applying a genuinely scientific method to the problem of population in his model treatise, *Delle cause della grandezza e magnificenza delle città*, published at Rome in 1588, and translated into English in 1635 (London). Machiavelli in his *Discorsi* (book i. chap. i.) had already stated something very like the proposition that in the productivity of the soil was to be found a physical cause determining and limiting the indefinite multiplication of the human race, which could only multiply where subsistence was to be had. But Botero is more explicit than Machiavelli, and more profound than Chiaramonti, Zecchi, or Zuccolo, or any other of the political writers of the seventeenth century, although these too had glimpses of the connection between increase of population and improvement in the yield of the soil. Indeed no author, of all who wrote on this subject up to the middle of last century, has dealt with it as competently as Botero.

Bodin on scarcity.

Jean Bodin, from whom Botero borrowed many maxims both economical and financial, was still teaching (see *La République*, 1576, book v. chap. ii.) that it was a fallacy to apprehend scarcity in the future from the extreme multiplication of offspring, when Botero enumerated in masterly words all the real obstacles in the way of an indefinite multiplication of mankind Not that he failed more than the others to acknowledge the desirability of populousness as an element of public prosperity; indeed, in his *Ragione di Stato* (1589) he points out means for stimulating it. But the obstacles which he enumerates are not famines, pestilences, and wars only:—he declares that there is always a certain equilibrium between the power in men to propagate the race and the power in States to maintain human life, this last being determined by the difficulty experienced in obtaining subsistence on the spot, and of gathering it in from abroad. To obviate the danger of over-population he recommends the maintenance of

Botero's doctrine.

colonies as an outlet for the more superfluous and corrupt elements in an overcrowded community. Colonies.

G. Jandelli, "Il precursore di Malthus," *Filosofia delle Scuole italiane*, vol. xxiii., Rome, 1881, pp. 147-160.

Malthus has himself named some of his so-called forerunners,—Hume, Steuart, Townsend and others,— in the preface to his essay. Franklin, Beccaria, Ortes, and Ricci also belong to this list. Fore-runners of Malthus.

B. Franklin, "Observations concerning the Increase of Mankind." Philadelphia, 1751. See MacCulloch, *The Literature of Polit. Econ.*, London, 1845, pp. 253-257.

C. Beccaria, "Elementi di economia pubblica" (1769). Printed in vols. xi. and xii. of Custodi's *Collezione*, Milan, 1803.

G. Ortes, "Riflessioni sulla popolazione delle nazioni per rapporto all' economia nazionale," 1790. See Fed. Lampertico, *G. Ortes e la scienza economica al suo tempo*. Venice, 1865.

Lod. Ricci, *Riforma degli istituti pii della città di Modena*. Modena, 1787.

Franklin makes brief mention of the causes that promote the increase or decrease of population, which are all clearly portrayed by him. Beccaria devotes one of the best chapters of his *Lectures* to the same theme, and makes some mention of the law of decreasing returns from an increasing area of cultivation. Ortes, though diffuse, goes to the bottom of it in his monograph, where may be found the substance of what has since been systematised into the theory of population. The very basis of historical and statistical investigation, which Ortes lacked, might have been supplied him from Marco Lastri's *Ricerche sull' antica e moderna popolazione della città di Firenze* (1775), while for Ludovico Ricci was reserved the distinction of testing through its applica- Franklin on population. Ortes and Ricci.

tion the leading idea which he had in common with Ortes. Ortes never sufficiently controlled his generalisations by suggesting their practical application. To be sure, Ant. Muratori had, before the day of either of them, discussed a few details of the economic theory of almsgiving; but this was only an incidental feature introduced parenthetically in his treatise, *Della carità cristiana* (1723), which was a plea for self-denial of all kinds. Ricci, on the other hand, uses the general principle regulating population as his major premiss, and from it deduces wise maxims whereby public almsgiving may be so regulated as to alleviate and not increase poverty and want.

A. Setti, "Lodovico Ricci e la beneficenza pubblica nel secolo scorso," *Nuova Antologia*. 1880.

Works on almsgiving.

The absolute impossibility of any special account of the innumerable works on the economic and administrative management of almsgiving leaves only room for reference to the following books, where all needed information can be found.

C. I. Petitti, *Saggio sul buon governo della mendicità*, ecc. Turin, 1837. 2 vols.

Degérando, *De la bienfaisance publique*. Paris, 1839. 4 vols.

Grenier, *Essai de bibliographie charitable*. Paris, 1891.

§ (2) MONEY

The middle-ages and modern times.

Many great events separate modern times from the middle-ages, such as (1) the fall of the Roman Empire in the East, (2) the great geographical discoveries, (3) the invention of gunpowder and of printing, (4) the revival of classical studies, (5) the fall of feudalism and the rise of monarchy, (6) the so-called religious reformation. Besides these facts of political and social importance, there were others of a purely economic character. There was the shifting of the

highways of commerce, and the resulting transformation of trade between the East and the West; there was the abundant supply of the precious metals flowing from the newly-discovered mines of America, which flowed in just when attempts to debase the coinage were the order of the day; and then came the increasing prevalence of monetary economy which displaced "natural" economy, a special characteristic of the middle-ages. There were the rise and spread of institutions founded on credit. There was the confiscation of the wealth of religious bodies in Protestant States, which caused an increase of misery. There were also the difficulty of over-population, the foundation of colonies by emigration, and the resulting establishment of special economic relations between the mother State and her colonies. There came also the introduction of standing armies, and the growing needs of public finance in the absolute monarchies which formed themselves on the ruins of the old feudal systems, and which steadily grew in unity and strength. All this riveted the thoughts of able men during the sixteenth century and the two that followed it upon questions of circulation and finance.

Monetary and natural economics.

Colonies.

In their account of the precious metals, writers on mineralogy frequently stumble into economic discussions about money, and one at least goes to the root of the matter—I mean Julius Agricola in his *De Re Metallica* (1535). Antiquarian writers, too, as well as numismatists, take up this question, whether with Budé and Alciato their subject is ancient coins, or like Borghini they deal with modern mintage. Borghini, as a matter of fact, wrote especially upon Florentine money. Even moralists like the Aristotelian Agostino Nifo of Sessa, touch upon this matter; see his tract *De Divitiis* (1531). Of course it comes quite within the legitimate range of writers upon civil, canonical, and commercial law. Jurisconsults had to argue out the legal points involved in the alterations in coinage resorted to by

Mines and money.

Debased coinage.

various heads of States, so far as they affected the weight and denominations of current coins. Bartolo of Sassoferrato (1313-59) and his numerous school wrote general treatises on coins, and then came such special dissertations as those of Martino Garrati of Lodi (1438), Francesco Corti of Pavia (1482), Alberto Bruno of Asti (1506)—whose productions were collectively printed in the compilation, *De Monetis*, made by the Germans Matthew Boyss (1574) and Reinerus Budelius (1591), and by the Piedmontese Gaspare Tesauro (1609). Far better productions came later on from Antonio Sola (1541), Antoine Favre (1609), and best of all are Charles Dumoulin's writings, dealing with alterations in coins (see his works already cited, Paris, 1638), and also the Spanish Jesuit Mariana's publications (Toledo, 1599). All these writers begin by showing a lively appreciation of the intrinsic value of coins, which leads to an energetic description of the economic disasters involved in their debasement, and to urgent protests against such practices addressed to the heads of States. But after all they are sure that the value of coins is attached to them by arbitrary enactment, and end by defending in cases of necessity a resort to the device of debasing the currency.

Giuseppe Salvioli, "Il diritto monetario Italiano," Milan, 1889, in the *Enciclopedia Giuridica*.

C. A. Conigliani, *Sulla questione dei pagamenti monetarii*. 1891.

Copernicus on coinage.

But none of the authors above mentioned compare in importance with those who dealt with the very same problems from a purely economic point of view. Nicholas Copernicus, the astronomer, in or about the year 1526, upon the invitation of King Sigismund of Poland, wrote a pamphlet, *De monetæ cudendæ ratione*, which was not published until 1816, and was reprinted and translated into French in 1864 by Wolowski. Copernicus there explains clearly the

functions of money, condemning all debasement, as well as the so-called right of dominion (*seigneurage*). He shows the harm underlying all these practices, while he justifies alloy and anticipates Gresham's theorem, strongly favouring also a concentration and simplification of the uttering of coins; and finally he makes a special application of all his views to the conditions actually existing in certain Prussian provinces then under Polish rule.

Anticipation of Gresham's theorem.

A. Montanari, *Nicolò Copernico.* Padua, 1873; second edition, 1877.

Almost contemporaneously appeared two anonymous works,—(1) *Gemeine Stimmen von der Müntze* (1530), and (2) in 1531 the *Apologie* belonging thereto. In these publications, which are a defence of the sound monetary policy adopted by the Albertine and combated by the Ernestine branch of the royal house of Saxony, may be found admirably correct ideas upon the nature of wealth, commerce, and current coin.

Conflicting policies in Saxon coinage.

W. Roscher, "Ueber die Blüthe deutscher National-oekonomik im Zeitalter der Reformation," *Berichte der sächsischen Gesellschaft der Wiss. Phil. hist. Classe*, 1862, pp. 145 ff.

There are also many neglected and not a few still unpublished early treatises produced in France. Among the authors of these, Grimaudet, Garrault (1576), Poullain (1621), Boutteroue (1666), Le Blanc (1690), Boizard (1692), Dupré de Saint Maur (1746), Bettange (1760), and Abbot de Bazinghen (1764) may be named. Jean Bodin (1530-96) alone calls for extended notice, since in his *République*, cited above as published in 1576, he advocated the abandonment of alloy and the establishment of the fixed ratio of one to twelve between the values of gold and silver. He further favoured (1) the uttering of gold and silver coins equal in weight and of proportionate value, (2) a union of all mints, and (3) no

Neglected French treatises on coinage.

deduction from the standard weight of a coin by reason of the process of minting.

C. A. Conigliani, *Le dottrine monetarie in Francia durante il medio evo.* Modena, 1890.

English works on coinage.

England also produced its quota of vigorous writers upon coinage, whose names may be found in Jevons's *Investigations in Currency and Finance* (London, 1884). The most noteworthy among them are W. Petty (1682), John Locke (1692-95), N. Barbon (1696), Isaac Newton in his famous *Report* (1717), and finally Joseph Harris in his recently-republished *Essay on Money and Coins* (1757-58).

Coinage in Italy.

Italians certainly distinguished themselves among the early writers in this field, and although this is fully recognised in every quarter, it would well repay some one among our younger men to heed repeated advice and exhortation, of which there has been no lack, and to devote a suitable amount of time and thought to a detailed account of this most creditable chapter in Italian scientific research.

During the sixteenth century there was not only Bernardo Davanzati's brief and telling sketch of leading principles, *Lezione delle moneta* (1588), republished in the second volume of the *Scrittori Classici Italiani di Economia politica* (Milan, 1804), but also the most excellent of them all, the *Alitinonfo*, or "true light," by Gasparo Scaruffi of Reggio-in-Emilia (1519-84). Scaruffi was at one time a merchant, then a banker, afterwards for a time the assayer, and finally the farmer of the mint in his native town. He wrote his book between 1575 and 1579; it was published at Reggio in 1582, and before 1587 Pratisuoli wrote a commentary on it, which was published, also at Reggio, in 1604; Custodi finally reissued the whole in his *Collezione.* In spite of its thoroughness and complete command of the subject, this book gives a monstrously prolix exposition of the function of money, to which

is attached a verbose explication of existing disorders and the consequent disasters. The remedy proposed is the adoption of a uniform monetary system, with a double standard based upon nothing less than the "divine" Plato's ratio of value (12 to 1) between silver and gold approximately corresponding to the actual proportion at the time. His last proposal is that the cost of minting should be paid partly by the State, but chiefly by those who bring metal to be minted.

Andrea Balletti, *G. Scaruffi e la questione monetaria nel secolo XVI.* Modena, 1882. (A book of merit, especially in its biographical and explanatory sections.)

Turboli and Montanari on the mint.

In the seventeenth century came Giovanni Donato Turboli, more familiar with the mint than with political economy, who wrote his *Discorsi* from 1616 to 1629. Then at Modena there was Geminiano Montanari (1633-87), a professor at Pavia and a most learned man. His two works in the field now under consideration were written in 1680, or thereabouts, but were not printed until seventy years afterwards, when Argelati made his *Raccolta di opere sulle monete;* Custodi also inserted them in his *Collezione.* There is much merit in them, although Bodin's ideas can everywhere be read between the lines.

Later monographs.

In the eighteenth century, during which the majority of monographs upon this subject appeared, the diffuse and learned volumes of Count G. R. Carli deserve mention, as well as the Florentine Pagnini's translations and elucidations of Locke, the writings of Broggia (1743), of Vasco (1772), and certain popular tracts written by Beccaria and by Pietro and Alessandro Verri. To these may be added the following:—

Joannes Ceva, *De re nummaria quoad fieri potuit geometrice pertractata.* Mantua, 1711. (The present writer called Nicolini's attention to this work, which he

published in the *Giornale degli Economisti*, vol. viii. Padua, 1878. Jevons refers to it in his *Bibliography of Mathematical Economists*. See the Supplement to the second and all subsequent editions of his *Political Economy*.)

Ferdinando Galiani, *Della Moneta*. Naples, 1750. (Anonymously published by him in his early youth, and reprinted under his name in 1780 with many notes. This is the best Italian treatise on money, and has the merit of being very readable.)

Pompeo Neri, *Osservazioni sul prezzo legale delle monete*. Milan, 1751. (Also a work of the highest merit.)

See Ad. Soetbeer, *Ueber Geld- und Münzwesen*. Berlin, 1892.

§ (3) THE RISE OF PRICES

The subject of the rise of prices, being closely related to that of money, enters in a large measure into monetary questions, and was accordingly touched upon by some of the writers above mentioned. The disturbing effect upon economic relations of a great fluctuation in prices was especially felt by those who had fixed incomes in money or in credits based upon contracts extending over a long term of years. Bishop Latimer in his *Sermons* (1549) attributes the difficulty of the situation to the greed of landlords who arbitrarily raised their rents, while Frank, Zwingli, Melanchthon, and Henckel take commercial monopolies and usurious speculators to task for it. But writers were found both in France and in England who offered an explanation of this great economical revolution which was at the same time less simple and more sound.

Latimer on greedy landlords.

A certain Seigneur de Malestroit in a book called *Paradoxes sur le fait des Monnaies* (Paris, 1566), asserted that the rise in prices was only apparent and not real, since it resulted simply from debasement of the coinage, which contained neither more nor less precious metal than before. The fixed and original amount of

Malestroit on debased coinage and prices.

gold and silver was distributed into a greater number of debased coins, which could only purchase the original amount of commodities. These erroneous assertions were the occasion of two pamphlets by Jean Bodin, who has already been mentioned above. These pamphlets were afterwards incorporated in his *République* (1756).

J. Bodin, *Réponse aux Paradoxes de M. de Malestroit touchant l'enchérissement de toutes les choses et des Monnaies.* Paris, 1568.

— *Discours sur le réhaussement et la diminution des monnaies.* Paris, 1578.

L'anonimo, *Discours sur les causes de l'extrême cherté*, etc. Paris, 1574. Reprinted in the *Archives curieuses de l'histoire de France*, etc., vol. vi. série i. Paris, 1835. (A summary of Bodin's argument, with rather pointless additions.)

Bodin on the rise in prices.

Bodin points out as the principal causes of the rise of prices (1) the abundance of money caused by the increased production of silver in America, (2) the growing importance of external commerce, (3) the large business done by the bank of Lyons. He further enumerates as subsidiary causes (4) the growth of luxury among the rich, (5) the free export of grain, (6) monopolies, and (7) the debasement of coinage. The cure which he proposes consists in a reform of coinage, and a remodelling of tariffs with a view to protect national industries.

Grammont on French taxation.

Another opponent of Malestroit was his compatriot Scipion de Grammont of Saint Germain, the secretary of Louis XIII., who wrote, apparently at Richelieu's request, a curious and much-neglected book giving what are substantially Bodin's ideas, but expressing them differently. The burden of his proof goes to convict French taxpayers of unreason in complaining of increased taxation. The increase, he argues, is apparent and not real, since the revenues which it yields only enabled the public treasury to realise exactly what had formerly been

Bodin and Malestroit refuted.

gained on the basis of taxes nominally but not really lower. Malestroit grievously erred, so Grammont maintained, in saying there had been no real increase in the volume of current coin, for there had been, as a matter of fact, a real increase, and more money than of old went for the purchase of a given amount of commodities. Against Bodin, however, he argued that, whereas there had been real diminution in the value of the unit of coinage, its aggregate value had undergone no change whatever.

Scip. de Grammont, *Le Denier royal, Traité curieux de l'or et de l'argent*, etc. Paris, 1620 (from p. xxii. to p. 299).

C. A. Conigliani, "L' aumento apparente delle spese pubbliche e il Denier royal," Milan, 1890, in *Filangieri*, fifteenth year, No. v.

A far more interesting work than these is a certain English *Dialogue* carried on, under the general supervision of a lawyer, by a landlord, a shipowner, a shopkeeper, and a hatter. Here we have a multitude of facts derived from fresh observation, and the result is a most vivid picture of conflicting views and points of view in regard to the revolution in prices. Lively complaints of its disastrous consequences, together with the most irreconcilable theories of its causes and of the remedies for which it calls, are also given. A dialogue answering to this description was published in 1581 by W. S.—identified by Farmer with William Stafford. It was republished and attributed to Shakspere in 1751, and again in vol. ix. of the *Harleian Miscellany*. Finally, the Shakspere Society brought out a reprint of it. The late lamented Elizabeth Lamond, by dint of painstaking investigations,—see the *English Historical Review* for April 1891,—has proved that this dialogue was written as early as 1549, probably by John Hales, who died in 1572.[1] William

Pamphlet of W. S. on prices.

[1] Professor W. Cunningham is at present completing Miss Lamond's work.

Stafford was only its publisher, and is chiefly responsible for certain omissions,—among other points left out in Stafford's publication of it was a clear statement of the so-called law of Gresham. Stafford also made additions of his own; among other things he added, much in Bodin's vein, a passage where "the great store and plenty of treasure" does duty for one of the causes of enhanced prices. Hales,—in the pamphlet as he wrote it,—knows nothing of this, but accounts for the change by the uttering of debased coinage, and by the withdrawal from cultivation of various lands which were now used for grazing though they had formerly yielded crops of grain. Hales proposed to remedy the existing state of things by tariff reforms, such as a heavy impost on the exportation of wool, and by free trade in corn.

John Hales and William Stafford.

W. S., *A Compendious or Briefe Examination of certayne ordinary Complaints.* London, 1581. Reprinted with an introduction by J. D. Matthew, and with notes by F. J. Furnivall. London, 1876.

E. Nasse, "Ueber eine volkswirthschaftliche Schrift aus der Zeit der Preisrevolution," etc., in the *Zeitschr. für die ges. Staatswiss.*, 1863, pp. 369-391.

Thomas Gresham, "Information touching the Fall of the Exchange," 1558. Reprinted by E. de Laveleye in Hildebrand's *Jahrb. f. Nat. Oek. N. F.*, 1882, vol. iv. pp. 117-119.

§ (4) INTERNATIONAL PAYMENTS

Conspicuous among the economists of the first half of the seventeenth century was Antonio Serra of Cosenza in Calabria. His *Breve Trattato delle Cause che possono fare abbondare li Regni d'oro e d'argento dove non sono miniere*[1] was published at Naples in 1613, and was written in the Papal prison. But Salfi's

Serra's pamphlet written in prison.

[1] *A brief discourse on a possible means of causing gold and silver to abound in kingdoms where there are no mines.*

fantastic idea that Serra was imprisoned as Campanella's fellow-conspirator against the Spanish Government is baseless, since Amabile has shown that the offence attributed to him was that of uttering false coin.

The book in question had a chequered history. It was no sooner published than forgotten, and Intieri having stumbled upon it long afterwards by chance, gave a copy of it to Galiani, who lauded it to the skies in his *De Moneta* (1780). Then Custodi reprinted it, and Pecchio, Bianchini, and all or nearly all the historians of economics vied with each other in singing its praises. These gentlemen, however, were not careful to read every word of it, and hence Serra is still, on the strength of their misconceptions, regarded in many quarters as the founder of political economy, while others see in him the creator, or at least the defender, of the faith in the so-called mercantile system. Others are equally sure that he opposed the system, and certainly no one can clearly make out that he was a believer in it. Honourable exception should be made in favour of Travers Twiss, Ferrara, and Pierson, who honestly endeavoured to give an appreciative and faithful account of this masterpiece. See pp. 8-10, 32 f., 51, 75, and 163 of Twiss' *View of the Progress of Political Economy* (London, 1847); vol. iii., first series, pp. xlviii.-lv. of Ferrara's *Biblioteca dell' Economista* (Turin, 1852); pp. 8-13 and 29 f. of Pierson's *Bijdrage tot de Geschiedenis der Economiche Studien in Italie* (Amsterdam, 1866).

Twiss, Ferrara, and Pierson on Serra.

After Fornari had made his minutely accurate analysis of the polemical discussion between De Santis and Serra, came Gobbi's careful and accurate study of the latter's *Breve trattato.* Finally a specialist of the first water on money and exchange, De Viti, has produced a commentary on it which leaves so little to be desired that any one who reads him will appreciate the gulf which separates the achievement of Serra from that of contemporary and preceding writers.

Fornari and Gobbi on Serra.

Tommaso Fornari, *Studii sopra Antonio Serra e Marc' Antonio De Santis.* Pavia, 1879.
U. Gobbi, *La Concorrenza Estera*, Milan, 1884, pp. 49 ff.
— *L' economia Politica negli scrittori Italiani*, Milan, 1889, pp. 176 ff.
A. De Viti De Marco, "Le Teorie Economiche di Ant. Serra," Milan, 1890, in the *Memorie del R. Istituto Lombardo di Scienze*, III Series, vol. ix. pp. 103-130.

Serra discussed abundant money.

The title of Serra's book, as well as his own repeated and categorical statements, show that, having undertaken the discussion of a new subject purely scientific in its character, he was so far from taking for his theme, as Botero did, the causes of wealth, that he distinctly confined himself to investigating what it was that produced abundant money.

Instead of dealing superficially with a question much too vast for him, Serra brought an open mind to the sound elucidation of a restricted problem, and his method eschews all discursiveness, keeping strictly to the point. It must be admitted that to accomplish this under the given circumstances much iteration was unavoidable. He felt neither competent nor otherwise inclined to enlarge its scope so as to include discussions of international exchange. He was familiar neither with the quantitative theory of value, nor with that of comparative cost, and he carefully avoided discussing real exchange. What he does give is a precise account of facts concerning international payments in coin, together with proofs that plentiful money,—a thing desirable for its own sake,—is derived :—(1) from natural resources, such as mines, and (2) from artificial ones. These last may either depend upon (*a*) peculiar and more or less accidental combinations of circumstances, such as the excess of the produce of the earth in a given country over its requirements for native consumption, and the advantage of a country's position on the high-roads of

Three causes of abundant coin.

commerce, or upon (*b*) resources which are artificial, since they can be acquired, but which may be cultivated in any country, such as numerous artisans for manufactures, an intelligent population, a large volume of trade fostered by the forethought of government.

Botero and Serra.

Serra must have been influenced in these statements by Botero, whom he doubtless read. Botero's causes producing wealth are Serra's resources for abundant money, only Serra's classification is a better one, and, though he shares Botero's preference for manufactures rather than agriculture, he still finds room for a statement of the so-called law of the limit of agricultural production. This feature in Serra's work was first pointed out by Nazzani in his *Saggio sulla rendita fondiaria* (1872). Turning to political economy, Serra favours free exportation of money and free exchange against his opponent Marc' Antonio De Santis di Nocera, who clamoured in his *Discorsi* (1605) for an embargo on exportation, or for some legal tariff. He was firm in the faith that expedients of this sort could increase the national stores of cash, because he adhered to a fundamentally vicious theory of value, and took it for granted that when exchange ran against the home market, you had in that fact, and not in causes that were behind it, an all-sufficient reason accounting for a dearth of money. The real causes of this state of things are to be found (1) in the absence from Naples at that time of many wealthy citizens, (2) the comparative lack of manufactures, and (3) the unusual predominance of foreigners in trade. Serra does not commit himself to any proposal for remedying what was amiss, but simply declares that he is ready to speak "whenever he shall be called upon by his betters." The Government meanwhile lent its ear only to the empiricists, and issued its mandates at the bidding of De Santis. Serra was accordingly sharply cross-examined in 1617, and promptly clapped into prison once more, because,—in the words of a chronicler

Limit of production.

Dearth of money at Naples.

Persecution of Serra.

—"his reasons were idle chatter and nonsense." (See Fornari, p. 202.)

After Serra, Biblia hardly figures with his *Discorso sopra l' aggiustamento della Moneta e cambi del regno* (1621). The ratio of value between gold and silver is here taken by Biblia as a fixed one, and he is victimised by the fallacy above alluded to about the balance of trade. Similarly unimportant are Vittorio Lunetti's *Politica Mercantile* (Napoli, 1630), and *Ristretto de' Tesori* (1640), which contain propositions to abolish all export of specie and all customs dues. Biblia and the balance of trade.

But there is one very important book, of which De Viti has pledged himself to publish a full account,—the legal and economical treatise of Romeo Bocchi, a Bolognese. He summarises a wide reading and a wide experience, gained after much travel, in his pointed explanation of the mechanism by which payments are made, whether directly and in specie or indirectly by compensation in kind such as is made at fairs. Bocchi on specie payments.

Romeo Bocchi, *Della giusta Universale Misura et suo tipo.* Vol. i. "Anima della Moneta," vol. ii. "Corpo della Moneta." Venice, 1812. (For a good summary see Gobbi, *L' economia politica*, Milan, 1889, pp. 164-176.)

§ (5) BANKS OF DEPOSIT AND CIRCULATION

The institution of Public Banks of Deposit arose under just the same conditions which had led to the establishment of *Monti di Pietà*, or public pawnbrokerage. Public banks arose in Spain during the fifteenth century at Barcelona, Valencia, and Saragossa; during the sixteenth century in Italy at Palermo, Messina, Trapani, Genoa, Naples, Venice, and Milan; during the seventeenth century in Holland, at Amsterdam, and Rotterdam, and in Germany at Nuremburg and Hamburg. In nearly all cases there had been private banks which Public banks of deposit.

had become insolvent, and the new foundations tried either, as at Naples, to supply loans at a moderate rate of interest, or included in their programme, as at Genoa, Venice, and in Sicily, the simplification of the balancing of payments between commercial houses by the expedient of circular notes. Moreover, at Hamburg in 1619, and at Amsterdam in 1609, the confusion of different coins, too often debased in quality, was counteracted by the creation of an ideal bank-standard of value based upon a definite amount of deposited money; while at Genoa the State liabilities, and at Milan those of the province, were dealt with by way of consolidation and liquidation by banks to which were handed over the levying and profitable management of certain taxes. All this required for its due record what amounts to the beginning of a general history of credit at large. Certain monographs appeared touching the history of this or that bank, then there were a few theoretical essays,—a beginning of what has now become a special branch of economical literature dealing with banking and banks.

Bank standard value.

Works by Mees and others.

On all the banks at Genoa, see Serra, Lobero, Cuneo, and Wisniewski; Rocco, Nisco, Petroni, Ajello, and Tortora deal with Naples; while Lattes and Ferrara speak of the Venetian banks. None of these works, but rather the recent productions of Cusumano, of Piccolomini, and of Soresina, deserve especial and honourable mention. These authors have cleared up the history of banking in Italy.

V. Cusumano, *Storia dei Banchi di Sicilia.* Vol. i. "I Banchi Privati," Rome, 1887. Vol. ii. "I Banchi Pubblici," 1892.

Nic. Piccolomini, *Il Monte de' Paschi*, vols. i. and iii. Sienna, 1891-92.

Ch. Dunbar, "The Bank of Venice," *Quarterly Journal of Economics*, vol. vi. Boston, 1892.

Am. Soresina, *Il banco giro di Venegia.* 1889.

The foundations of the Rialto Bank at Venice in 1587, and of the Bank of St. Ambrose at Milan in 1598, were signalised by interesting theoretical publications, while the Bank of Circulation, organised at Venice in 1619, gave rise to Merello's descriptive essay, to a historical production by Trevisan, and to Cavalà's work on book-keeping.

Contemporary sketches of Italian banks.

Elias Lattes has reprinted two noteworthy *Discourses*, each incompatible with the other, supposed to have emanated from Tommaso Contarini, the Senator, and to have been pronounced at a time when the organisation of the Rialto bank was contemplated. Among the advantages of public banks we find here alleged their freedom from the reckless taking of risks, and the dangers of bankruptcy which beset private bankers. Among the objections to such banks is urged,—(1) that the State cannot legitimately become a trading concern, (2) that the hardship of paying debts according to bank standards of value is often very great, (3) that in crises the temptation to use deposits would be hardly resistible, (4) that the failure of a public bank would have far more ruinous effects than ever resulted from that of individual bankers.

Contarini on the Rialto bank for and against.

A Milanese merchant, Giovanni Antonio Zerbi, who had travelled in Spain and Sicily, and had made a special study of banks in those parts, more particularly of the bank of San Giorgio, wrote a vigorous plea for the foundation at Milan of something upon the same model. This involved the issue of *luoghi*, or *shares*, for whatever money could be had, and a further concentration of capital by resorting to floating balances and to compound-interest coupons which were attached to shares originally issued. Zerbi describes the workings of this system, dilating upon its economic and fiscal advantages. These advantages were not realised, for the bank that resulted having made itself liable for the city taxes and undertaken their collection, hovered upon the verge of bankruptcy as early as 1630. Afterwards

Zerbi's projected bank for Milan.

it was dissolved into four banks—(1) that of San Carlo, (2) that of Santa Teresa, (3) the Napoleone, (4) the Lombardo-Veneto,—and became nothing more or less than a company in charge of the public debt.

E. Lattes, *La libertà delle banche a Venezia*, Milan, 1869, pp. 118-160.

G. A. Zerbi, *Dialogo del banco de S. Ambrosio.* Milan, 1593. *Del banco di S. Ambrosio.* 1597. *Discorso in forma di dialogo intorno al banco di S. Ambrosio.* 1599. See Em. Greppi, *Il banco di S. Ambrogio.* Milan, 1882.

Mich. Merello, *Breve dichiarazione dell' instituzione della compera di S. Giorgio.* Genoa, 1607.

Bern. Trevisan, "Informazione per il Banco del Giro," —written after 1680,—in the translation of J. Sonnleithner's *Commercial Science*, by F. Viganò, third edition, Milan, 1863, pp. 293-299.

G. Cavalà Pasini, *La scuola in pratica del banco giro.* Venice, 1741.

Bank projects, Lunetti and Norbis.

V. Lunetti, mentioned above, proposed in 1630 that the Neapolitan Government should organise a sort of bank to be called *Tavola della Reale Corte*, which was to have privileged dealings with commercial men in the matter of payments and loans, while in return the Royal Fisc was to participate in the profits, and thus pay off its debts. Moreover, what he called an *Officio dell' Abbondanza* was to form part of the scheme. There is also a certain Norbis who should be mentioned; he was an Italian *abate*, and suggested the plan of a short-lived "Bank of Issue." See Professor Biedermann's record of him in his *Die Wiener Stadt Bank.* Vienna, 1859.

Of later date but greater interest is the far more copious literature written in English upon banks and circulation. Project followed project, and defence trod upon the heels of attack, in a series of polemical writings which preceded and accompanied the foundation of that creature of an hour, the Land-Bank, and

the organisation, in 1694, of the great Bank of England. Upon this last see the *Conference on the Public Debts* (1695), written by its founder, a Scotchman named William Patterson, and *A short Account of the Bank of England*, published in 1695 by its first director, Michel Godfrey. The Bank of England lent its capital to the State, and issued notes which bore,—until about 1700, when interest ceased to be paid at all,—interest at 3 per cent.

Patterson on the Bank of England.

J. R. MacCulloch, *The Literature of Political Economy*, London, 1845, pp. 155 ff. (Neither a model of impartiality nor a miracle of accuracy.)

Lord Macaulay, *History of England*, vol. iv.

Eug. V. Philippovich, *Die Bank von England.* Vienna, 1855.

J. E. Th. Rogers, *The first nine Years of the Bank of England.* Oxford, 1887.

Ch. F. Dunbar, "Notes on early Banking Schemes," *Quarterly Journal of Economy*, vol. ii., Boston, 1888, pp. 482-490.

In his *Handbook of London Bankers* (pp. 142 and 145) Price relates that a certain Hagenbuck, who declared himself to be an Italian, proposed as early as 1581 that a public bank should be organised on the model that was just then under discussion at Venice. Robert Heath followed with a similar proposal in 1622, and the whole of the second half of the seventeenth as well as the earlier years of the eighteenth centuries witnessed a procession of various suggestions, which moved one after another on these same lines. Lambe was for a bank of deposit after the Dutch pattern, Lewis preferred the Venetian model, Potter and Cradocke drew up for submission to the English Parliament the identical proposal made by Law to the House in Scotland, namely, that a territorial bank be organised and lend its capital to the State, while moneys to be loaned upon land should be raised by issuing bills

Earlier schemes of Hagenbuck and Heath.

Chamberlain and Briscoe's land-bank.

payable on sight to the bearer, under guarantee of land mortgages. The absurdest of all these absurdities was Hugh Chamberlain's and John Briscoe's scheme, which achieved in 1696 the creation of the land-bank already alluded to.

S. Lambe, *Seasonable Observations.* 1659.
M. Lewis, *Proposals to increase Trade.* 1677. *Proposals to the King.* 1678. *A short Model of a Bank,* etc.
W. Potter, *Key to Wealth.* 1651. *Humble Proposals.* 1651. *Tradesman's Jewell.* 1661.
F. Cradocke, *An Expedient to make away all Impositions.* 1660. *Wealth discovered.* 1659.
John Law, *Money and Trade considered.* 1705. The author's own French translation is called *Considérations sur le numéraire et le commerce.* 1720.

Law's bank-notes.

It was not a far cry from Law's bank-note, under guarantee of real property, to the irredeemable bank-notes issued under the regency of Philippe d'Orleans. Thiers wrote (1826) far too lenient an account of Law and his schemes, while Daire's is too bloodthirsty (1843). Cochut (1853) did not neglect the anecdotes and satires upon Law. But Horn, who brought up the subject again in 1858, and Alexi, who wrote in 1885, are the authors chiefly worth consulting.

Em. Levasseur, *Recherches historiques sur le système de Law.* Paris, 1854. (A model of accuracy.)
J. Heymann, *Law und sein System.* Munich, 1853. (He is especially interested in Law's theories.)

Melon, Dutot, and Forbonnais on Law.

Finally Law's system figures in a swarm of contemporary productions; from Paris Duverney it receives no quarter, Melon and Dutot more or less openly aid and abet it, but there are those who, like Forbonnais in his *Recherches et considérations sur les finances en France* (vol. v., Liège, 1758), undertake to be impartial, and give the historical facts. Of these last our space only allows the bare mention just made.

CHAPTER IV

EMPIRICAL SYSTEMS

FROM the moment the feudal system had broken down, the modern State was called upon for a reorganisation of affairs military, political, and administrative, which involved it in ever-increasing expenditures. Wars of unconscionable length, and courts of extravagant luxury, required for their support something far more profitable and ingenious than the time-honoured administration of Crown-lands and the worn-out practice of levying war-contributions; even such new expedients as donations, the appropriation of revenues from vacant offices, the selling of public posts and of industrial and trade monopolies to individuals or to companies, proved ineffectual. In feudal times economic relations were adjusted according to barter and exchange in kind; now an entirely new system had grown up to supplant barter. This was a monetary system, required alike by manufactures and trade in their new and larger development, and determined by the ever-increasing accumulation of personal property in towns. Governments had gradually realised that their own prosperity was identified with the economic wellbeing of their subjects, and the result brought forth a succession of legal enactments, partly modifying, partly confirming, and partly reversing the policy of generations immediately preceding, when there had been little or no effort to consult the interests of the public at large in

Expenditures of modern States.

economic legislation, which had indeed been dictated chiefly by the requirements of princes and the demands of courtiers.

Unification of State policy.

The new movement, although purely empirical, certainly achieved, by the application of some leading ideas to economic legislation, a unification of the general policy pursued in each given State. And this served to bring out latent contrasts. States where agriculture predominated had their own leading ideas, which were of quite a different stamp from those governing the policy of States seeking to encourage great manufactures, or to develop a merchant marine and to grow rich by encouraging international trade. Every State wished to be at least commercially independent, and if possible to control the market of the world. Agriculture had its own pet hobbies, manufactures and trade had also their leading ideas, which were held by governing classes in one place or another; then, too, the moralists had their say, and enacted sumptuary laws for the moral good of all concerned. Foreign imports were prohibited here and there on high moral grounds, but there were also enactments to protect consumers from starvation prices, and to ensure abundance of money.

Governments and class rivalries.

Class fought against class in these regulations, while Governments sought to intervene impartially, allowing just demands, and barring wrongful pretensions. Hence various empirical systems arrived at by such compromises got themselves into working order, and soon became the objects of theoretical writings in attack and defence. These writings contain the beginnings which subsequently were formulated as scientific theories and systems.

Earlier writers on politics.

Before taking up these empirical systems, so far as they have a sufficiently pronounced character and are represented by various writers of the seventeenth and earlier eighteenth centuries, it may be worth while to glance at a few writers,—some very far back indeed,—upon politics at large, and political economy, who

have succeeded in giving a fair picture of the general practice and the prevailing ideas of their day and generation.

Among the more ancient writers comes in the fourteenth century at Lucca, Giovanni Ser Cambi, and in the fifteenth century an anonymous poem on the *Englishe Policye* (1436), which defends protection and invites contrast with Diomede Carafa's more liberal ideas already dwelt upon. In the sixteenth and early seventeenth centuries Melchior Ossa and Georg Obrecht take the first rank in spite of extravagant praises undeservedly lavished a few years since by Held and Stein upon Caspar Klock, who plagiarised from them shamelessly in his *De Contributionibus* (1634) and *De Ærario* (1651). Ossa and Obrecht.

Giovanni Ser Cambi, "Monita Guinisiis," in Baluzio's *Miscellanea*, Lucca, 1764, vol. iv. p. 81.

The Libell of Englishe Policye (1436), edited with a German translation by R. Pauli. Leipzig, 1878.

Among writers who gave attention to economics and finance in general works of a political character, which embraced administration at large, may be named Jean Bodin d'Angers (1530-96), already mentioned above. In the sixth book of his *République* (1576), amplified in a Latin version of 1584, he takes climate and soil into consideration as factors in any financial and economical system, and argues in favour of the free importation of corn and cattle, advocating at the same time high customs duties upon foreign manufactures, and the prohibition of all exportation of food products or raw materials. This does not prevent him, however, from making the general declaration that trade should be *franc et libre*. Bodin's *République*. Free trade.

H. Baudrillart, *Jean Bodin et son temps*. Paris, 1853.

The second rank should be given to Giovanni Botero (1540-1617), who goes on with Bodin's ideas, and prefers prohibition to high import duties upon foreign Botero on imposts.

merchandise. Though he is entirely out of his depth in treating of money and credit, he develops and does much to complete the theory of imposts, which he regards as the normal sources of revenue (see his *Della Ragion di Stato.* Rome, 1589).

Lesser writers.

Among lesser political writers may be named the Spanish Jesuit Mariana's *De rege et regis institutione* (1599); Gregoire de Toulouse and his learned but shapeless *De Republica* (1597); Celso Mancini of Ravenna, who wrote *De juribus principatum* in 1596, see Rava's *Commentary* (1888); Scipione Chiaramonti's *Della Ragione di Stato* (1635), where Botero is followed, but with a broader conception of commerce; and, finally, Johann Bornitz, *De Nummis* (1608) and *De rerum sufficientia in Republica* (1625). Bornitz compiled various special economic treatises. Better than all these in various respects was Boxhorn's *Institutiones Politicae* (Amsterdam, 1643), which is still read in Italy.

Montchrétien not the father of economics.

Contemporaneous with Serra, but inferior to him both in matter and manner, is Antoine de Montchrétien, a Norman poet whom Duval praises to the skies, only to be outdone in laudation by Funck-Brentano, who will have it that Montchrétien was the father and founder of political economy. This Montchrétien, Sieur de Vatteville, dedicated to the young king, Louis XIII., and to the Regent Marie de Médicis, a voluminous and chaotic treatise, giving notions of his own about necessary restrictions to be laid upon manufactures and on commerce by land and by sea. Among a certain number of good things touching labour and competition, he has not infrequently contrived, according to Baudrillart, who is both competent and impartial in this matter, to be wrong both in his facts and his reasonings. To this may further be added that Montchrétien is especially remarkable for requiring equal protection for agriculture and for manufactures. This was a compromise between the opposing policies of Henry IV. on the one hand,—counselled by Olivier de

Serres, and Laffemas, who were vigorous supporters of the new cultivation of mulberry-trees and the encouragement of silk-manufacture,—and of Sully on the other hand, that unbending minister who would protect nothing but agriculture. Henry IV. and Sully.

Jules Duval, *Mémoire sur Antoine de Montchrétien.* Paris, 1868.

Ant. de Montchrétien, *Traicté de l'économie politique dédié en* 1615 *au Roy et à la Reyne mère du Roy,* avec introduction et notes par Th. Funck-Brentano. Paris, 1889.

H. Baudrillart, article "Montchrétien," in the *Nouveau Dictionnaire d'écon. polit.*, vol. ii., Paris, 1891, pp. 325-328.

L. Wolowski, *Henri IV. Économiste.* Paris, 1855.

E. Bonnal, *Sully économiste.* Paris, 1872.

§ (1) CORN LAWS

V. Cusumano, *La Teoria del Commercio dei Grani in Italia.* Bologna, 1877.

U. Gobbi, *La Concorrenza Estera e gli Economisti Italiani.* Milan, 1884.

Constant fear of famine prices, combined with the discredit attaching to the selfish and reckless speculation in bread-stuffs attributed to dealers in corn, brought into prominence certain ready-made ideas, half legal and half political, about the protection of agriculture and of the people at large. All this led to accumulations of grain for the protection of fortunes and the prevention of riots. These public stores were the basis of the early corn laws, which aimed to give each man opportunity for procuring the provision required for his subsistence. Governments provided stores of plenty,—*Magazzini di Abbondanza,*—and appointed special officers in charge; exportation was Famines and speculations. Riots and accumulations.

Exportation prohibited.

forbidden, importation was encouraged by free entry and by bounties; the price of bread was determined by law, and restrictions of many kinds were applied to the buying and selling of corn. Landowners had to declare how far their harvest exceeded the requirements of their household; they were forced to bring their corn to market in the nearest town, and sell there under the supervision of State authorities; no one was allowed to bake bread at home, or to use corn for industrial processes. The aim of all these laws was to protect native against foreign consumers, and to counteract the frauds of grasping dealers, and they formed a network of special regulations whereby the selling and buying of the means of subsistence was taken out of general and normal commerce, and made subject to State supervision and regulation. The strict administration and literal application of such special corn laws was first defended and opposed in Italy, and debate also arose on makeshift and temporary exceptions to them, favoured here and there by those in authority. A harvest more than sufficient for the needs of a country, a market where prices were so low as to be ruinous to farmers and landholders, suggested relaxations in favour of export. During the sixteenth century all political authorities maintain an undiminished and almost unqualified faith in the scheme of special legislation. Casali himself is loud in denunciation of a regulation made by Clement VII. licensing the export of corn, and following the lead given at Florence as early as 1427.

Vexatious corn laws.

Casali against free corn exportation.

Bapt. Casali, *In legem agrariam.* Rome, 1524.

During the last years of the sixteenth and the first of the seventeenth century, this question exercises writers upon law, who expound the prohibitive enactments then in force. A Bolognese canon and a Neapolitan magistrate go farther, and write upon the causes and the cure of famine prices. The former's

monograph is a defence of the rigorous letter of the corn laws, and appeals to high moral principles; the latter writes more temperately, and with an eye to practical difficulties. Causes and cures of famine.

Gio. Battista Segni, *Trattato sopra la carestia e fame.* Bologna, 1602.

Carlo Tapia, Marchese di Belmonte, *Trattato dell' abbondanza.* Published at Naples in 1608, but written much earlier.

Commercial conditions changed, sound doctrine made progress, agricultural interests protested against being sacrificed to rigid theories and mulcted by Governments which clung to imposts and customs-duties on corn as a source of revenue, and so the corn laws were gradually discredited. In Italy De Lucca (1680) is for endless qualifications of them, Broggia's defence of them is half-hearted (1743), and Genovesi comes out against them in 1765. In Germany Unger defends the lost cause, while Philippi attacks it with his agrarian protective system, and Reimarus frankly advocates free trade. Corn laws discredited.

F. Unger, *Von der Ordnung der Fruchtpreise.* Göttingen, 1752.

L. A. Philippi, *Der Vertheidigte Kornjude.* Berlin, 1765.

H. Reimarus, *Die Freiheit des Getreidehandels.* Second edition. Hamburg, 1790.

§ (2) THE MERCANTILE SYSTEM

Ad. Held, *Carey's Socialwissenschaft und das Merkantilsystem.* Würzburg, 1866. (The sources are not always consulted.)

H. J. Bidermann, *Ueber den Merkantilismus.* Innsbruck, 1870.

W. Cunningham, *The Growth of English Industry and Commerce,* vol. ii. London, 1892, pp. 299-386.

C. F. Bastable, *The Theory of International Trade.* Dublin, 1877.

S. Bauer, *Palgrave's Dictionary of Political Economy*, Part I., London, 1891, article "Balance of Trade," pp. 85-88. (Concise, but sound and suggestive.)

The mercantile or restrictive system.

Of far more consequence, both because of its leading principle, and because of its influence upon many centuries of legislation, is a system which has affected the economic position of many States, leaving its visible traces upon various protective tariffs which are still in force to-day in the greater part of Europe and America. This system is called mercantile, though some prefer the vaguer name of the restrictive system, while others

Colbertism.

follow our own Mengotti and call it Colbertism, after the statesman who, without inventing it, gave it its widest, shrewdest, and fairest application in the ordered rule of a great people.

It is an axiom of private economics that the possession of money brings with it that of every sort of wealth; it is also a matter of notorious fact that commercial preponderance attaches to countries combining leadership in manufactures with the command of the carrying trade, who have had great colonies to fall back upon, and over and above all this have possessed great accumulations of coined metal. Spain and Portugal got this from mines of their own, Italy, Flanders, and Holland first, and France and England afterwards, amassed it by the development of their

Principles of mercantilism.

trade. The great principle of the mercantile system thus becomes self-evident, namely, that the economic wellbeing of a given nation is in exact proportion to the amount of coin in circulation within its borders. Hence the fundamental rule of their system was that the money of your country must be kept there and increased. Nothing more misrepresents this school than attributing to it the dictum,—an amazing one,—that wealth is money and that nothing but money is wealth, for the greatest lights of mercantilism are often committed to the opposing dictum that the value of money

is purely conventional, and has nothing to do with that of the metal coined. Law and his school go all the lengths with this unsound doctrine, and end by staking everything upon paper money. The misleading conception above described, of the mercantilists' theory of money, finds a colour of excuse in their occasional loose employment of the term money as synonymous with wealth, a confusion which goes back to Rome and the similarly careless sense there attached to *pecunia*. Furthermore, as Adam Smith observes, many of these writers who were at great pains to record their conviction that money was by no means the sole representative of wealth, proceeded to argue in such fashion as to encourage the impression that they really adhered to the view they were opposing.

Loose sense of the term money.

Unanimity as to the fundamental economic and fiscal importance of a large store of coin, or, to give the English phrase, of a "treasure," produced no corresponding agreement as to the means for attaining this desired object. Now the available historical investigations are manifestly insufficient for the understanding of the various phases through which, particularly in England and France, economics have gone, and consequently it is impossible to give an accurate classification even of the leading writers; some clue must, however, be followed through the labyrinth of literature, dealing with the old mercantile doctrines. The best one leads to the recognition of three phases, distinguishable more or less clearly in spite of certain authors whose obscure presentation of principles not always compatible with each other excludes them from any definitely established classification.

Importance of large stores of coin.

Three phases of mercantilism.

(A) THE EXPORTATION OF SPECIE PROHIBITED

(1) Prohibition of specie exportation, (2) debasement of coinage euphemistically called "augmentation," and (3) determination by law of the course of exchange, mark the most ancient phase of mercantilism. By

First phase.

Money regulated as the corn trade had been.

the prohibiting of its exportation, specie was brought under regulations analogous to the corn laws, to the utter disregard of the fact that specie exports are the unfailing concomitants of certain well-recognised economic conditions, and that specie in the words of the poet, *per medios ire satellites amat.* Debasement of coinage and arbitrary official rates of exchange were resorted to, under the belief that, either directly or indirectly, an increase of the volume of circulating coin would ensue. Many Governments resorted to such expedients as these, and were encouraged by various writers. Here it will be enough to enumerate a series of Spanish names, together with those of one or two Portuguese authors who solve the problem, "How are we to keep at home the gold and silver produced by our transmarine colonies?" by an appeal to the efficacy of a total exclusion of foreign goods from the home market, or else of high customs-duties.

High tariffs and embargoes.

L. Ortiz, *Memorial al Rey para prohibir la Salida de l'Oro.* 1588.

Sancho de Moncada, *Restauracion Politica de España.* Madrid, 1619.

Damian de Olivares, *Memorial para prohibir la Entrada de los Generos Estrangeros.* Madrid, 1621.

Duarte Gomez, *Discursos sobre el Commercio de las dos Indias.* Lisbon, 1622.

Juan de Castanares, *Sistema sobre prohibir la entrada de los Generos Estrangeiros.* Lisbon, 1626.

De Santis (1605) and Lunetti (1630), both mentioned above, are the Italian partisans of the non-exportation of specie; Biblia would confine the law to coin of the realm; Bocchi declares it to be impracticable though desirable; Serra and Turbolo (1616-19) unhesitatingly repudiate the idea.

A step in advance, though only a short one, is made by certain authors, who perceive the futility of the various makeshift measures just indicated because none

of them as a matter of fact achieve the retention of specie. These writers deserve the credit of having been among the first to heed what may be called the symptoms of the money market, but they are heedless of the real "causes apt to produce abundance of silver and gold in countries." A contemporary of Serra and Montchrétien, by name Laffemas, and by occupation Controller-General of commerce under Henry IV., stands out pre-eminent among them all. Lafitte mentions a swarm of tracts by Laffemas, and one of them is a direct onslaught upon the prohibition of specie exports.

Attacks upon non-exportation.

Barthélemy Laffemas, *Comme l'on doibt permettre la Liberté du Transport de l'Or et de l'Argent hors du Royaume, et par tel moyen conserver le nostre et attirer celuy des Estrangers.* Paris, 1602.

P. Lafitte, *Notice sur B. Laffemas.* Paris, 1876.

(B) THE BALANCE OF BARGAINS

England was the theatre where the second phase of the mercantile system found its fullest play. It took its origin in the last centuries of the middle-ages, occupied the minds of defenders and opponents late in the sixteenth and early in the seventeenth centuries,—a time when it made complete shipwreck among the entirely altered conditions of trade.

Second phase in England.

Here we find, for the first time in the annals of economics, a controversy carried on in countless polemical productions, all of which have apparently been forgotten in the best general histories of economics down to the works of Kautz and of Ingram. Even Roscher in his *Zur Geschichte der englischen Volkswirthschaft* (Leipzig, 1851-52) and Ochenkowsky in his *Englands wirtschaftliche Entwickelung am Ausgange des Mittelalters* (Jena, 1879), though they have diligently studied older English economists, have completely neglected this field.

The first extensive controversy in economics.

Rich. Jones, "Primitive Political Economy of England," *Edinburgh Review*, April 1847. Reprinted in his *Literary Remains*, edited by W. Whewell, London, 1859, pp. 291-335.

Y. Yanzhul, *English Free Trade*, Part I., "The Era of Mercantilism." Moscow, 1876. (In Russian.)

Edm. v. Heyking, *Zur Geschichte der Handelsbilanztheorie.* 1r Theil. Berlin, 1880.

G. Schanz, *Englische Handelspolitik gegen Ende des Mittelalters.* Leipzig, 1881. 2 vols.

Em. Leser, *Denkschrift über die englische Wollenindustrie* (1622). 1887.

Alb. Hahl, *Zur Geschichte der Volkswirthschaftlichen Ideen in England gegen Ausgang des Mittelalters.* Jena, 1893.

Minute regulation of foreign contracts.

Richard Jones invented the happy phrase "balance of bargains" for the scheme under consideration, which was in effect a complex mass of provisions minutely regulating individual contracts between English and foreign traders with a view to making them a source of increase to the volume of coin circulating at home. Of course the usual prohibition of specie exports was a part of the scheme which further regulated the proceedings

Staple towns.

of English merchants selling at "staple towns," such as Bruges, Antwerp, and Calais in particular. They were bound by law to bring back in cash from these places, which as staple towns enjoyed a monopoly of the export trade in manufactured goods, a fixed proportion of the prices paid them by aliens. Furthermore, there were

Statutes of employment.

the "statutes of employment," which required alien traders selling goods in England to invest the money paid in English produce. To guarantee the exact observance of these minute prescriptions, traders were subjected to a special supervision by officers of finance

Customers in staple towns.

called Customers, upon whom devolved the collection of tariff dues in staple towns. This collection involved intervention on the part of still another public officer, called the Royal Exchanger, who exchanged foreign

coins entrusted to the "Customers" for coins of the English realm. Royal Exchanger.

But with the rolling years came the French recovery of Calais, the debasement of the coin in England by Henry VIII., the use of bills of exchange in payment of commercial dues,—things all of them tending to defeat in practice the rigours of the law above described. The last blow was dealt by that famous and spirited company who, under the name of Merchant Adventurers, boldly and bravely assailed the trade monopoly of the old staple towns, to the ultimate and utter disorganisation of this phase of mercantilism, which finally disappeared, making room for the third and last phase. The Merchant Adventurers.

There were but few attempts to defend the system of the balance of bargains published during the sixteenth century, but the next century was full of them.

Clement Armstrong, *A Treatise concerning the Staple and the Commodities of this Realme.* About 1530. Edited, with two other anonymous memorials dedicated to the Earl of Essex, by R. Pauli, *Drei volkswirthschaftliche Denkschriften aus der Zeit Heinrichs VIII.* Göttingen, 1878.

There are certain much-neglected polemical tracts by a financier named Thomas Milles which deserve especial attention, since he is one who deplores the abandonment of the system of the balance of bargains. A still more interesting chapter of the controversy has been expounded by Yanzhul in his account of a certain Gerard Malynes, a Dutchman who lived and wrote in England, and who makes lament over the trickiness of private bankers, to whom he attributes the departure of coin from the English realm, and against whom he invokes a re-establishment of the office of Royal Exchanger. Of similar interest and similarly neglected are the writings of Edward Misselden, who was up in arms for free trade, and against antiquated restrictions granting monopolies to individual persons, and chosen cities or companies.

Misselden admitted no bar to freedom except the interest of the community at large, and though Yanzhul overstates the case when he calls him the first economist of his day, certainly he was among the very ablest writers of his time.

Th. Milles, *The Customers Apologie.* London, 1604. *The Customers Replie.* 1604. *The Customers Alphabet and Primer.* 1608. *The Mistery of Iniquity.* 1609. *An Abstract, almost verbatim, of the Customers Apologie.* 1622.

G. Malynes, *A Treatise of the Canker of England's Commonwealth.* London, 1601. *St. George for England allegorically described.* 1601. *England's Views in the Unmasking of Two Paradoxes.* 1603. *The Maintenance of Free Trade.* 1622. *The Center of the Circle of Commerce.* 1623. *Lex mercatoria.* 1623.

Ed. Misselden, *Free Trade, or Meanes to make Trade flourish.* London, 1622; second edition. *The Circle of Commerce, or the Balance of Trade in Defence of Free Trade.* London, 1623.

English interest in economics.

From now on we find English public opinion alive to economic controversies, and consequently the literature of economics in England multiplies apace, so that towards the middle of the last century Massie had collected about fifteen hundred books and pamphlets. Cunningham (*The Economic Journal*, No. 1, p. 81. London, 1891) cites the invaluable list of these preserved in the British Museum (Lansdowne MSS. 1049). These polemical writings contain pleas written from the special points of view of various classes concerned. Keymor, Gentleman, and Davies speak of the Fisheries; Wheeler supports against Milles the Merchant Adventurers, whose agent he was, and is all in favour of the export trade; while Raleigh, Verger, and Digges are among the many defenders of colonial interests, manufactures being represented by an anonymous writer.

Massie's pamphlets.

J. Keymor, *On the Dutch Fishing.* 1601.
T. Gentleman, *The Way to win Wealth.* 1614.
W. John Wheeler, *A Treatise of Commerce.* 1601.
W. Raleigh, *Observations touching Trade and Commerce.* 1614.
Sir Dudley Digges, *The Defence of Trade.* 1615.
A True Discovery of the Decay of Trade. 1622. Edited by Leser. See above, p. 198.

(C) THE BALANCE OF TRADE

Third phase of mercantilism.

Upon a careful scrutiny of the functions of trade, certain comparatively liberal-minded authors succeeded in convincing themselves that the system which aimed at supervising individual contracts and bargains in the interest of an increase in the volume of money for home circulation would not hold water, and could not be worked. This rejected system was far behind even Bodin's views (1576), or those of Hales and Stafford (1549 and 1581), and of Botero (1589). Its critics were numerous, and among them may be named Lewis Robert in *The Treasure of Trafficke* (1641) and John Parker's *Of a Free Trade* (1648).

Balance of bargains abandoned.

Mun on the India trade.

But all these new ideas required systematic presentation, which they did not receive until the publication by a merchant, Thomas Mun, of his *Discourse of Trade.* MacCulloch errs in assigning 1609 as its date, which was 1621. Mun held a brief for the East India Company, on whose behalf he established that the net result of Indian trade brought more money home than it carried abroad. This he argued without going out of his way to attack the statutes of employment as such. His far more important publication, however, was brought out by his son in 1664, long after he had died, and bore the title,—an argument in itself,—*England's Treasure by Forraign Trade.* Steering clear of exaggerations indulged in by many subsequent mercantilist writers, Mun sets forth in this work a complete theory

of international trade, which commanded much attention both in England and abroad. Genovesi put a translation of it into the appendix of his Neapolitan edition of Cary, and Adam Smith's two authorities against mercantilism are Locke and Mun.

Mun's great point is that only one thing really enriches the State, and that is such a shaping of complex commercial transactions as shall secure that the value of all imports shall be less than that of all exports in a given time. Thus, without vexatious interference with individual transactions, a balance is secured which must inevitably be paid for in cash. This residuum or balance is the only resource upon which a ruler can depend for increasing his treasure. Accordingly, though he would have import duties upon foreign manufactures,—and high ones, too,—they must not be prohibitive, for these goods help to promote a corresponding export of native manufactures, and encourage the importation of raw material needed for native manufactures. He makes especial application of this to the trade with India, which, he argues, can only prove helpful, never harmful, to home industries, and he seeks to prove his point by the case of a farmer who sows seed in the ground, which returns it to him increased a hundredfold. Mun, be it remembered, is quite aware that the movements of specie do not depend solely on those of merchandise, but also on various other causes. Also he is aware that a great accumulation of specie temporarily raises the price of goods, so as to diminish their chances of exportation; he is aware, too, that all customs, records, and registers available for calculating the balance for or against a country are most inaccurate and misleading.

The balance of trade.

Accumulation and prices.

T. M., *A Discourse of Trade from England unto the East Indies.* Second edition. London, 1621.

Thomas Mun, *England's Treasure by Forraign Trade, or the Balance of our Forraign Trade is the Rule of our*

Treasure. London, 1664. Reprinted by MacCulloch in his unprocurable *Select Collection of Early English Tracts on Commerce*, London, 1856, pp. 1 ff., 116 ff.

Passive trade defended and attacked.

Two contradictory tendencies show themselves in what English advocates of the balance of trade have to say both on theory and on practice. There are the pessimists among them who bewail the decadence of England, a result of "passive" trade with India and France, and of the ruinous competition of Ireland in the woollen trade.

Sam. Fortrey, *England's Interest and Improvement.* 1629.
Roger Coke, *A Discourse on Trade.* 1670. And other tracts by the same published in 1671 and 1696.
Anonymous, *Britannia Languens.* 1680.
John Pollexfen, *England and East India inconsistent in their Manufactures.* 1697.
Ch. King, *British Merchant or Commerce preserved.* 1721.
Joshua Gee, *Trade and Navigation of Great Britain.* 1729.

Moderate mercantilists.

There was also among the mercantilists a group of moderates, who favoured the Dutch economics, and accordingly formed very special opinions on the economic state of England. Three names may serve to represent this school,—Temple, Child, and Davenant,—who all of them were appreciated in Italy, and then the very broad-minded but nameless author of *England's great Happiness* should be added to the list.

William Temple, who represented England for many years in the Low Countries, has recorded excellent impressions on labour, savings, luxury, and the relations between consumption and production. Josiah Child is still more remarkable for his sound understanding of the character of money, for his well-balanced ideas on population, for his protest against monopolies and in general against everything that hampered internal trade. But perhaps his greatest merit lies in his com-

prehension of the balance of trade as the result rather than the cause of healthy trade, and as especially dependent on a rightly-managed merchant marine. But he also has his narrow side, as he shows in describing the relations between the mother-country and her colonies, and in proposing,—much in the sense indicated before him by Culpeper,—the false remedy of a legal reduction of interest, a measure justified, he thinks, by the good results obtained through it in Holland. Davenant wrote works on economics, finance, and statistics, which mark a still further step in advance. In his later works he loses confidence in the calculations that were available for determining the amount of imports and exports, so that, as Pierson hints, he ends by being only nominally a mercantilist, though he is enough of one to give staunch support to privileged companies and to the most inelastic of colonial systems. Cromwell's Navigation Act, tolerated by Child, and later on by Adam Smith, purely on grounds of political expediency, receives Davenant's enthusiastic support. Davenant also pronounced in no uncertain terms against public loans.

On legal lowering of interest.

The Navigation Act.

W. Temple, *Observations upon the United Provinces of Netherlands.* 1672. *Essay on the Trade of Ireland.* 1673.

Josiah Child, *Observations concerning Trade and Interest of Money.* 1688. *A new Discourse on Trade.* 1690; second edition, 1694.

Sir Thomas Culpeper, *A Tract against Usurie.* 1640. *Useful Remarks on High Interest.* 1641.

Ch. Davenant, *Essay on the East India Trade.* 1696-97. *Essay on the probable Means of making a People Gainers in the Balance of Trade.* 1699. *Discourses on the Public Revenues and on the Trade of England.* 1698. *Essay upon Loans.* 1710.

The German and Spanish mercantilists of this period fall far below the English standard, and the same is

true even of the French and the Italians who were so highly thought of in their own day and generation. Mercantilism in Spain and elsewhere.

There was J. J. Becher, whose *Politischer Discurs* appeared for the second time in 1759, and Ph. W. von Hörnigk, his brother-in-law, who enjoyed great influence in bureaucratic circles, with his *Oesterreich über alles*, published in 1684. Then in 1686 appeared Wilhelm von Schröder's *Fürstliche Schatz und Rentkammer*, perhaps the earliest plea ever made for public loans. These writers clamour one and all for the strictest prohibitory regulation of Austrian trade. Seckendorf's *Der Deutsche Fürstenstaat* (1655) takes a more moderate view, and proposes political and financial measures quite in harmony with the conditions in which petty German States were then placed. Still more remarkable for soundness and moderation was Hermann Conring, a many-sided author, who wrote (between 1606 and 1681) a history of statistical records as well as several noteworthy tracts on taxation.

The last of the lesser lights among Spanish mercantilists are Colbert's two admirers, Gerolamo Ustariz and Bernard Ulloa. Their works were translated into various languages, and had considerable influence in certain foreign quarters, notably on French and Italian economists. Ustariz and Ulloa.

G. Ustariz, *Teorica y Practica de Comercio y de Marina.* Madrid, 1724; third edition, 1757. A free translation by Forbonnais was published at Paris in 1753, and an Italian version appeared at Rome in 1793.

B. Ulloa, *Restablecimiento de las Fabricas y Comercio Español.* Madrid, 1740. 2 vols. A French version appeared at Amsterdam in 1753.

See A. Wirminghaus, *Zwei Spanische Mercantilisten.* Jena, 1886.

Much more famous, and deservedly so on account of the sterling value of its general views, was Jean François

Melon's commercial theories.

Melon's *Essai Politique sur le Commerce* (Amsterdam, 1734, and a second edition in 1754), which gave a clear-cut and succinct summary of the economic doctrines then in vogue, under the then favourite name of commercial theories. Melon calls for commercial liberty, which he narrows down to a free exchange of superfluities for necessities. Accordingly he contemplates not a few restrictions upon importation and exportation, and is by no means against privileged companies and public loans, which amount, in his phrase, to borrowing with your right hand from your left; he also favours debasement of the coin, but would impose strict rules upon the practice by way of limitation. Dutôt, Law's cashier, assails this last position, and takes in general a more temperate view in his *Réflexions Politiques sur le Commerce et les Finances* (Amsterdam, 1738). This controversial interchange of views, and others like it, found a sort of echo in Italy, where Girolamo Costantini, a Venetian, summarised them in 1754.

Melon's Italian school.

Melon's ideas led to the formation of a school or group of approving Italian writers. Gerolamo Belloni, a banker at Rome, expounded them in a short speech that had a considerable vogue, while Giuseppe Antonio Costantini, Ricci (1755), and a certain priest originally from Portugal, G. P. Pereira (1757), gave a broader and fuller presentation of them. Broggia, in his *Dei Tributi* (1743), Muratori, in his *Della Pubblica Felicità*, published at Modena in 1749, follow Melon's lead, except as to corn laws, where they are comparatively narrow-minded.

Marchese G. Belloni, *Del Commercio.* Rome, 1750; second edition, 1757. Translated into English in 1752.

Giovanni Sappetti of Cosenza (Giuseppe Antonio Costantini), *Elementi di Commercio.* Genoa, 1762; first edition, 1749.

The gradual transformation of mercantilism into protectionism took place between 1700 and 1750. The

balance of trade and the negotiability of bills of exchange are the burning questions no longer, being regarded not as causes, but as symptoms of a flourishing trade. Everybody is preoccupied with the increase and density of population, the development of trade and of navigation, and, most particularly, the rise and progress of manufactures where unheard-of profits could be earned. At the outset the mercantile system, according to Heyking, in a work cited above, had connected the notion of an economical equilibrium or balance of trade with that of a political equilibrium or balance of powers, though Justi scoffed at this last as a chimæra. But it was not long before this notion was revised on the basis of strong national feeling, and accordingly the later mercantilists are striving to give not independence, but supremacy in trade, each to his own country. This involved a certain subordination of political power to the increase of wealth as an end to be striven for. Cunningham emphasises this tendency as shown by English economists. Many others have lost sight of it.

Mercantilism turns into protectionism.

Balance of trade and of powers.

W. Cunningham, "Adam Smith und die Merkantilisten," in the *Zeitschr. für die ges. Staatswiss.*, 1884, pp. 41-64. "The Progress of Economic Doctrine in England," in *The Economic Journal*, vol. i., 1891, pp. 73-94.

If the mercantile system is to be appreciated in all its ramifications, a deaf ear must be turned alike to the ready-made utterances of a self-complacent omniscience, and to the cramped and unavailing arguments of such as are anxious to perform the feat of rehabilitating a bygone view of commerce. Mercantilism, when it could face facts and forget to be doctrinaire, originated certain large-minded and well-considered measures, like Cromwell's Navigation Act (1651) and Colbert's fiscal reforms, which respectively built up the English navy and created French manufactures. Colbert's broad mind

Mercantilism criticised.

Colbert's broad ideas.

could aim high and his iron will could thrust aside all such petty-minded makeshifts as were favoured by his predecessors and revived by his successors. He steadily pursued his great purpose, and was never landed in the absurd dilemmas which have been invented for him. To internal commerce he gave enlarged liberty of movement by improvements in transportation and communication; he introduced standard weights and measures, and instituted many other reforms. The inopportune multiplication of industrial regulations, for which he certainly has to answer, did not prevent him from sanctioning the tariff of 1664. This tariff, though it was raised in 1667 by way of reprisals against the Dutch, is a marvel of liberality and enlightenment when compared with certain modern enactments achieved by recrudescent protectionism. Nor should it be forgotten that Colbert himself was the first to proclaim that his measures were only provisional. Indeed it is a curious spectacle to watch the efforts of Walpole and the elder Pitt, of Frederick William I. and Frederick II. in Prussia, of Joseph II. in Austria, and Peter the Great in Russia. They had the will without the wit of Colbert, whom they imitated, but not always with the prosperous issue that his achievement led them to expect.

Colbert's imitators.

F. Joubleau, *Études sur Colbert.* Paris, 1856. 2 vols.

P. Clément, *Histoire de Colbert et de son Administration.* Second edition. Paris, 1875. 2 vols. (An excellent work.)

Neymarck, *Colbert et son Temps.* Paris, 1877. 2 vols.

G. Cohn, "Colbert vornehmlich in staatswirthschaftlicher Hinsicht," in the Tübingen *Zeitschrift*, vols. xxv. and xxvi., 1869-70, pp. 369-434, 390-454. (An accurate monograph, with excellent indications of sources.)

Theoretically viewed, mercantilism, in its doctrines about the balance of trade and the functions of customs

duties, is the first regular attempt at explaining the phenomena of the circulation of wealth, and being the first it was not the best, but necessarily had its imperfections. Production was not clearly understood in those days, because capital had never been defined and was still confused with money, money being the most obvious and permanent shape which accumulated wealth assumed. Undoubtedly the mercantilists grossly exaggerated the importance of money, not understanding that its function was purely instrumental; not all of them grasped the rudimentary fact that without selling there could be no buying; many of them were at pains to invent means which accomplished just what they never dreamt of. Money they considered to be merchandise, but a merchandise *sui generis*, and here they were right. They also were right in deploring the evils of poverty, but their remedy was ill considered, since it is possible to have too much even of such a good thing as money. Its excessive abundance raises prices and stops exportation. They could appreciate the value of money in mass, but not of money in movement. They could not see that it was just as important to have it circulate freely and quickly as to have much of it. They considered that the balance of trade, and the balance of debits and credits, were convertible; and it therefore never dawned upon them that a nation might go on for a long time importing goods of greater value than those it exported without the least danger of exhausting its store of the precious metals in the process. Their impenetrability in this respect resulted from their not being aware that a large proportion of payments is made, not in money but in merchandise, and from their ignoring the material circumstance that an excess in value of imports over exports is often covered by drafts upon foreign parts for amounts there due to the importing country. Again, the mercantilists were totally at sea with their chimerical notion that a balance favourable to a given country could be maintained

Mercantilism failed to grasp

money in mass and in movement.

Chimerical notions of trade balance.

continuously at every given moment. Furthermore, they never made room in their minds for the least comprehension of what a gross self-deception lurked in the so-called principle of reciprocity upon which commercial treaties were so constantly based. Their mental processes could not cope with the fact that a country which refuses admission to foreign goods, on the plea that the foreigner shuts out its own, occupies the ridiculous position of a man who declines something that he needs because his neighbours are treating themselves in the same shabby manner.

Fallacy of shutting out foreign wares.

The mercantilists did not perceive that nations as well as individuals grow rich in one way, and one way only,—by producing more than they consume,—chiefly because external commerce and manufactures, being of course the chief source of wealth, engrossed their whole attention. Hence their doctrine that exports must exceed imports, which involved the absurd identification of the interests of the nation at large with those of one class only, the trading class. This monstrous error bore its fatal fruit in rivalries and wars between England, France, and Holland, each belabouring the other two with tariff assaults and reprisals, each bent on economic primacy. This may be explained and in part excused, though it can never be justified, if the exceptional importance at that time of commerce and money is taken into account, and if it be remembered how much depended on these matters in the countries, where it was first attempted, to search out the causes and understand the movements of national wealth.

The trading class and rivalries.

Tariff wars.

CHAPTER V

ECLECTICISM AND THE LIBERAL REACTION

THE wanton exactions of feudalism joined hands with grievous and ill-considered systems of taxation in later times, when manufactures were kept in leading-strings, and long remained at the sole mercy of corporations solely preoccupied by the idea of monopoly. Under Colbert's thick-headed successors these corporations became the stupid tools of a petty-minded bureaucracy. The issue of such a state of things was the decay of agriculture and so abnormal a multiplication of paupers that a group of philanthropists and magistrates at last armed themselves with the determination to institute reforms. Their zeal for the public good, and their realisation of the desperate straits to which the less well-to-do classes of society, particularly the farmers and farm labourers, were reduced led them to make a valiant stand in favour of certain definite economic and fiscal remedies, which they carefully and clearly set forth. The reconstitution of corn laws and of the corn trade, the new ordering of the whole matter of taxation, and the reform of corporations, engrossed their attention, and they achieved at the close of the seventeenth and the beginning of the eighteenth century a remarkable series of changes in the economic regulations of many States, while they accumulated for scientific investigation a mass of new and valuable facts and considerations.

Colbert's foolish successors.

Reforms and reformers.

§ (1) AGRICULTURAL PROTECTION

Those who favoured agricultural protection had against them, first, the defenders of time-honoured regulations so fixing the price of corn as to protect the people at large from famine prices, and putting an embargo upon all exportation of grain; and, second, the mercantilists, and all industrial protectionists who could not face the prospect of the exportation of specie, and who insisted upon keeping down the price of corn in order to achieve a lowering of wages and a consequent increase of profits. Against all these interests the reformers urged the dictum of Sully, that agriculture and grazing were the breasts at which the State gave nourishment to her children, and they insisted upon a certain number of tariff modifications, by way of assuring to farmers and landowners prices sufficiently remunerative to put an end to their neglect of the soil, and rouse them to make some efforts towards improving its condition and increasing its fertility.

Sully on agriculture.

Graswinkel and Boisguillebert.

Graswinkel (1651), one of the earliest promoters of agricultural protection, achieved no fame that reached beyond the boundaries of his native land. Boisguillebert, on the other hand, greatly influenced the Italians, Pascoli and Bandini, by his numerous tracts on this subject. These writers and others less noted, in defending the soundness of their views, began with an obvious appeal to English legislation, and particularly to the notorious bills of 1670 and 1689, the first regulating the tariff of importation on a sliding scale, which varied according to the prices ruling in the home market; the second was called the Bounty Act, and gave a premium to the exportation of cereals.

English tariffs and sliding scale.

The Bounty Act.

Rich. Faber, *Die Entstehung des Agrarschutzes in England.* Strassburg, 1888.

English economists had hardly ceased from praising

Dutch economic regulations before a group of Frenchmen, and with them a certain number of Germans and most Italians, began agitating in their respective countries for the adoption of English agricultural measures. Pierre Le Pesant de Boisguillebert, a magistrate in Normandy, stands pre-eminent both because he was among the first, and because he drew upon a wide theoretic view of the situation in his cogent arguments and zealous advocacy of the neglected rights of rural populations. Wishing to make a more tolerable existence and secure a brighter future for husbandmen, he boldly aimed his blows at Colbert's system, denouncing the special privileges accorded to manufactures, urging the pressing need of sweeping reforms in fiscal administration, and moving for nothing less than the abolition of customs-duties levied in the interior of France, with the fullest freedom to export corn. At the same time he remained sincere in his conviction that nothing but high tariffs on importations could ward off the danger of ruin through foreign competition. Boisguillebert's presentation of these views is a disconnected one to be found in numerous pamphlets, not always happily conceived, and frequently lacking in precision of statement. Some of them are prevailingly statistical, like his *Détail de la France* (1697), and its continuation in his *Factum de la France* (1707). Other works of his are contained in the collection published under a false name as the *Testament politique de Monseigneur de Vauban*, which contains Boisguillebert's *Dissertation sur la nature des richesses, de l'argent et des tributs*, and his *Traité de la nature, culture, commerce et intérêt des grains*, first published in 1704, and then with the above as just described in 1712, two years before his decease. Daire, Horne, Cadet and other of his biographers, lay great stress on such of his phrases as *laisser faire la nature et la liberté*, and attach a peculiar importance to his pronounced opposition to the prevalent and excessive appreciation of specie, which should, he argues, be the servant, not the tyrannical master, of

General unrest in Europe.

Boisguillebert against Colbertism.

His writings.

Boisguillebert no free-trader.

trade. By this too limited survey of his doctrines they manage first to discover that Boisguillebert was an unqualified free-trader, and then to convict him of inconsistency for proposing a restrictive policy. Let them be consistent, then, and stretch Colbert on the same last, for he never tires of reiterating in official pronouncements that trade should be *extrêmement libre.*

J. C. Horn, *L'économie politique avant les Physiocrates.* Paris, 1867.

P. Cadet, *Pierre de Boisguillebert précurseur des économistes.* Paris, 1870.

W. von Skarzynski, *P. de Boisguillebert und seine Beziehungen zur neueren Volkswirthschaftslehre.* Berlin, 1873.

Gust. Cohn, "Boisguillebert," *Zeitschrift für die ges. Staatswiss.*, vol. xxv., 1869, p. 369. (An admirable essay.)

Aug. Oncken, *Die Maxime laissez faire et laissez passer*, Bern, 1886, pp. 49-55.

Herbert not a physiocrat.

Of Boisguillebert's school, favouring agricultural protection, one other French writer, Claude Herbert by name, should be mentioned, if only to note that Kautz erroneously classes him as a physiocrat. A book of Herbert's was translated into Italian by order of the Neapolitan Government, and found readers in Italy, to whom Genovesi's preface commended it.

Cl. Herbert, *Essai sur la police générale des bleds.* Londres, 1754. New edition, Berlin, 1757.

Boisguillebert's Italian school.

In fact, Boisguillebert's school had a greater influence than Melon's in Italy, where its representative men were two remarkable precursors of those reforms which Pius VI. vainly attempted at Rome, and which were put through at Florence by Pietro Leopoldo, or rather by that victim of a swift and ungrateful oblivion, the *abate* Leone Pascoli of Perugia, together with the far

better known, but not always appreciated, Archdeacon of Sienna, Sallustio Antonio Bandini.

Leone Pascoli adopted Boisguillebert's ideas, and the very title of his most considerable book is borrowed from the French economist, whose influence, however, does not convert him from mercantilism. Abolish internal custom-houses if you will; let the corn trade, except in times of scarcity, be free for exportations if you choose; but do not ask Pascoli to tolerate such English notions as the free export of raw material, or the admission of foreign manufactures to the home market. Pascoli's limitations.

Testamento politico d' un accademico fiorentino. Colonia (Perugia), 1733. Written in 1728. See also the preface of *Il Tevere navigato e navigabile*, published under the author's own name in 1740, at Rome.

In Bandini (1677-1760), on the other hand, the school of Boisguillebert found a disciple who dared to have in a larger measure the courage of its convictions. Gobbi has certainly proved that Bandini is often content simply to appropriate his Boisguillebert, but it is none the less evident that he had the whole body of the new doctrine at his fingers' ends, just as he plainly showed an easy mastery of Vauban's ideas by his application of them to the special conditions of the Siennese Maremma which Medicean maladministration had reduced to sad straits. His *Discorso* of 1737 advocates radical economic reforms, covering the abolition of vexatious laws fixing the price of corn, and complete freedom in bargaining. He further proposes, by way of fiscal changes, that import duties be maintained, while a new departure should be made in levying taxes by a system of tithes, based upon a value fixed by the landowners and collected in money,—the money equivalent levied for such tithes being determined according to the ups and downs of the market, and the tax being administered by the various communes, who should to that extent serve as farmers of the public revenue. Thus Bandini has put himself on Bandini's broad ideas. Tariffs and taxes. Tithes.

Embargo on foreign corn.

Public granaries.

Bandini no free-trader.

record as in favour of an embargo upon all importation of corn, and furthermore betrays unmistakeable signs of uneasiness for fear of the exhaustion by export of the home treasure in specie. Nor is he free from all suspicions—Paoletti has taxed it home to him—of a leaning towards public accumulations of grain—the so-called "stores of plenty." How strange, then, is the error,—first pointed out by Gambini in 1819, and then successfully refuted in 1852 by Ferrara,—of those who, like Gorani and nearly all subsequent economic historians, began by cataloguing Bandini as in favour of unqualified free trade, and then proceed with Zobi and a whole group of Tuscan specialists to laud him as a forerunner of Cobden.

S. A. Bandini, *Discorso economico*, ecc. Florence, 1775. Reprinted in 1803 in Custodi's *Raccolta*, vol. i., and several times at Sienna. The best edition is that of 1877. See also the interesting *Ricordi* of Bandini Piccolomini. Sienna, 1880.

The agricultural school criticised.

Boisguillebert's good points.

He made a place for the physiocrats.

To sum up regarding these agricultural protectionists, and the merit of their general views and special achievements in practice, the first point to be made is against the claim that they were the founders of economic science, and the second is to depose them from the position sometimes assigned to them of direct forerunners of the physiocratic system, while, thirdly, they can by no means be said to have inspired at first hand extensive fiscal and economic reforms. On the other hand, it must be scored in their favour that Boisguillebert was certainly instrumental in affording to the physiocratic school which arose soon after him a basis and a point of view from which one of their fundamental doctrines inevitably forced itself upon the mind; he applied to the traditional policy inaugurated by Colbert his searching touchstone, which was a recognition of the solidarity of all interests involved, and which boldly challenged such pessimistic ideas as Montaigne's and

Bacon's, and he defended regulations favouring a high price for grain on the plea that the interests of the rural classes concerned the nation at large. Bandini, although his claims to originality of thought must be disallowed, has certainly earned much credit for his wise counsels, which, in spite of their scornful rejection by the ministers of Giovanni Gastone, undoubtedly prepared the way for the far more sweeping reforms of Leopoldo. How much further these reforms went than Bandini dreamt of is a matter of history, and history further bears witness,—as we shall soon see when Professor Morena publishes his digested summary of learned articles contributed by him to the *Rassegna Nazionale*,—that these reforms were supported by those who, like Neri, Fossombroni, and Fabbroni, were in favour of unqualified free trade; while Gianni and others, who had never got farther than Bandini warranted, were divided, some supporting them and some opposing. Of course little but opposition came from the doughty champions of an embargo upon exports of raw material. In fact Biffi Tolomei and all who went with him seemed bent on bringing political economy back to the days of Pascoli.

Leopoldo's reforms.

Pompeo Neri, *Discorso sopra la materia frumentaria.* 1767. See Fabbroni's *Dei provvedimenti annonarii* (Florence, 1804), where it is reprinted in an appendix.

The works of Gianni and Fabbroni, but not their complete works, constitute the *Raccolta degli Economisti toscani.* Florence, 1847-49. 4 vols.

Fossombroni's works will soon be published for the first time, by Morena. They are most interesting.

Aldobr. G. B. Paolini, *Della legittima libertà del commercio,* vols. i. and ii. Florence, 1785.

Matteo Biffi Tolomei, *Sentimento imparziale per la Toscana.* 1791. *Esame del commercio attivo toscano.* 1792. *Confronto della ricchezza dei paesi che godono libertà nel commercio frumentario.* Second edition. 1795.

§ (2) INDUSTRIAL FREEDOM

Early English and French attacks on Colbertism.

Before the day of the physiocrats, France, and England as well, produced a number of vigorous-minded assailants of Colbert's system, who naturally attacked it where it was weakest, making short work of the strait-waistcoat which it imposed upon industry and internal trade by its privileged corporations and its rules for manufactures.

Em. Levasseur, *Histoire des classes ouvrières en France jusqu'à la Révolution.* Paris, 1859. Two vols.
H. W. Farnam, *Die innere französische Gewerbepolitik von Colbert bis Turgot.* Leipzig, 1878.
Hubert Valleroux, *Les corporations d'arts et métiers.* Paris, 1885.
G. Alberti, *Le corporazioni d' arti e mestieri e la libertà del commercio interno.* Milan, 1888.

Corporations assailed very early.

This warfare against privileged corporations, like those "of arts and trades," had its beginnings with Hales and Bodin far back in the sixteenth century. In 1568 and 1576 came the attack of the latter, published before that of the former, which was brought out by Stafford in 1581. Both of them condemned these organisations as being monopolies, and maintained that they should not be close corporations but open to all, even to aliens. In the seventeenth century arose a still more aggressive opposition under those famous triumvirs of Austrian mercantilism: Becher (1668), V. Hörningk (1684), and Schröder (1686), who were at one on this point with Seckendorff; see the *Additiones* to the third edition of his *Deutscher Fürstenstaat.* 1665.

These attacks not fundamental.

But these early assaults were not so much upon the strictness as upon the exclusiveness of corporations, and, in this onslaught on the rules of privileged companies, which were for the most part self-governing and independent, the leading idea was first to make a clean

sweep, and then to establish governmental regulations of a far more absolute stringency. The new ideal was not new after all, since it involved an obligatory public inspection of merchandise, and a forced sale of produce. At the same time there were not lacking certain opponents of the system who harboured far more wide-minded views; such, for instance, were Child (see his *Observations concerning Trade*, 1668), Coke (*England's Improvement*, 1675), and Pieter De la Court (1618-85), the very greatest economist of the Dutch school, whose master-mind outran all comparison with his contemporaries. De la Court fearlessly probed the very anatomy of these trades corporations, with results most discreditable to them. These damaging conclusions he published, together with an instant summons to the most radical reforms. His summons was unheeded, but not the principles by which he justified it. These were sifted and stated with great clearness by Laspeyres and van Rees in their respective *Histories* (see p. 122 *supra*), as well as in their more special and smaller publications.

De la Court's more searching work.

P. De la Court, *Het Welvaeren der Stad.* Leyden, 1659. *Interest van Holland.* 1662. Translated into French under the title, *Mémoires de Jean de Witt.* Ratisbon, 1709. *Aanwysing der heilsame Politike Gronden.* Leyden, 1669. Translated into German in 1672.

Et. Laspeyres, "Mittheilungen aus P. De la Court's Schriften," in the *Zeitschr. für die ges. Staatswissenschaft*, 1862, pp. 330-374.

O. van Rees, *Het Welvaeren.* Utrecht, 1851.

Dolfin appealed in vain to the Venetian Senate for the abolition of these trades corporations in 1752 (see Ag. Sagredo's *Sulle Consorterie delle arti Edificative*, Venice, 1857, p. 190); and it was reserved for Tuscany to strike the first blow in 1770, thanks to the efforts of Pietro Leopoldo, well seconded by Sarchiani's *Ragionamento sul Commercio* (1781), and *Memorie Economico-*

Venetian guilds maintained.

Abolished in France and elsewhere.

Politiche (1783). The same good riddance was voted at Turgot's instigation by the French Constituent Assembly (1776 and 1791). Lombardy took a similar step in 1787, thanks to Beccaria and Verri, as well as to the writings of Decker (1744), Tucker (1750), and to Plumart de Dangeul's *Remarques sur les Avantages et les Désavantages de la France et de la Grande Bretagne*, which came out in 1754, and appeared in Italian at Venice four years later. Simon Clicquot de Blervâche (1723-96), Inspector-General of Manufactures, also put on record views even more explicit and more uncompromising. In response to a request from the Amiens Academy for information, Blervâche marshalled his immense array of general considerations and special cases to illustrate what serious impediments resulted from the guild system, and to suggest means for clearing the ground of it. In this competent essay he does not shirk the thorny question, entirely overlooked by Turgot, of how to deal with the debts of these corporations. Another and most zealous reformer, who did much to free internal trade in France, must also be named—Jean Claude Marie Vincent, Seigneur de Gournay, Inspector of Commerce (1712-59). Gournay translated Culpeper and Child (1754), and is credited with the maxim, *Laissez passer;* indeed, ever since Turgot's *Eulogium* of him, it has been one of the many *fables convenues* which abound in economic history to regard Gournay as the second founder of the physiocratic school. Any one who would be cured of this error may read, mark, and inwardly digest a monograph by Professor August Oncken, author of another book, *Die Maxime laissez faire* (Berne, 1886), which has already been cited, and where there are also a few pages (108 ff.) that are very much to the present point.

Blervâche's case against them.

Gournay's reforms.

Oncken on *laissez passer.*

See an article by G. Schelle, in the *Nouveau Dictionnaire d'économie politique*, vol. i., Paris, 1891, p. 1105.

An anonymously published work by Clicquot, *Considéra-*

tions sur le Commerce et en particulier sur les Compagnies, Sociétés et Maîtrises. Amsterdam, 1758. Also published at the Hague under the pseudonym M. Delisle, 1758. An Italian translation by A. N. Talier was published at Venice in 1769.

Jules De Vroil, *Étude sur Clicquot-Blervâche.* Paris, 1870.

Italy and the guilds.

Italy contributed little or nothing of her own to this controversy, and that little came at the eleventh hour. Melon's and Genovesi's disciples,—Sergio alone excepted,—are all on the side of the corporations, and when the Veronese "Academy of Agriculture, Arts, and Trade" offered a prize for the best disquisition on corporations, Marachio (1794) went beyond all bounds in an enthusiastic defence of them, while Marogna (1792) and Torri (1793) so far moderated their transports as to admit the need of reforms. On the other hand, *abate* Agostino Vivorio of Vicenza was equally unbridled against them (1744-1822), while the Piedmontese *abate* Giovanni Battista Vasco was at far greater pains and showed much sounder learning in his attack (1733-96). It is melancholy to find all these ineffectual writers constantly showing that they had read Turgot, Condillac, and Adam Smith, and repeatedly quoting them to so little purpose.

Controversies.

Inconclusive writers.

Ag. Vivorio, *Sopra i corpi delle Arti.* Verona, 1792.
G. Vasco, *Delle Università delle Arti e Mestieri.* Milan, 1793. Reprinted in Custodi's *Raccolta*, vol. xxxiii.

§ (3) FINANCIAL THEORIES AND REFORMS

Commerce and exchange.

Next after those concerning money, questions of finance, commerce, and exchange claimed and received the attention of a large number of writers who followed each his own line, seeking to combine as well as might be a theoretic groundwork with the more or less de-

tailed examination of practical conditions and existing laws in one country or another, and often proposing more or less radical local reforms. They all begin with discussions that largely go back to Aristotle, who, as Neumann well puts it, believes that only one principle in apportioning public burdens answers the requirements of distributive justice, that is, their allotment in proportion to the resources or faculties of the various members of the body politic. Another fundamental question connected itself with the canonical writers and their requirement that taxes should have a just cause, a suitable form, and be imposed by a legitimate authority. A third range of general discussions is little more than Bodin's and Botero's distinction between the taxation of persons and that of realty, which latter term tends to mean chiefly real estate, upon which these writers would especially levy taxes, although they do not exclude excise duties on luxuries in general demand, but they categorically reject any duties on the bare necessities of life. Some of these authors are especially interested in the political aspects of economics, and their views may be represented by Canuto's *De regimine reipublicæ* (1621). This was preceded by the works of such jurisconsults as Ferretti (1547),—whose importance Rava points out. Ferretti's *De Subsidiis*, *De Collectis*, *De Tributis*, *De Vectigalibus*, establishes with some measure of precision the principles of equity which should govern the incidence of taxation. Even in the seventeenth century, be it remembered, the old notion still held its own that taxes were an extraordinary source of revenue for the State, whose ordinary income was thought to depend upon crown-lands and forfeit revenues. Maintaining that there should be no privileged exceptions from taxation was too bold a challenge to the aristocracy and the Church to be lightly ventured upon. That simple soul Bandini (1737) looked forward to a voluntary renunciation of exemptions. No one,—except the Spanish Father Davila, who favoured a

Taxation.

Real and personal taxes.

Incidence of taxation.

progressive poll tax (1651), — fails to accept the principle of proportionate taxation or taxation in a geometrical ratio, but this is qualified by some with a provision exempting a certain minimum income, which had already been suggested by Matthæus Wesembeck in his *Cynosura Liturgica de Subsidiis* (1645), —a work not mentioned by Roscher, but brought to light in Cusumano's *Archivio di Statistica* (Rome, 1880). There was in Germany at this time a profusion of systematic and erudite special works on financial theory, like those of Bornitz, Besold, and Klock, some of which were purely learned, while others were composed for the practical purpose of qualifying by due information those magistrates who were members of various boards of finance (*Kammerräthe*). For all such Seckendorff's work, frequently alluded to above, became a *vade mecum*, and later on it was treated as a storehouse from which various law professors, —Thomasius and Ludewig at Halle, in 1722, and Franckenstein at Leipzig,—borrowed texts for suitable professorial discourses.

Proportionate taxation.

German works on finance.

G. Ricca-Salerno, *Storia delle dottrine Finanziarie in Italia.* Rome, 1881. (This accurate book deserves the high praise given it by Stein and Wagner.)

The truth is, that in Germany incessant wars had dragged on their disastrous length through a long chapter of catastrophes which utterly impoverished every government in the land. In the straits to which authority was thus reduced, measures had to be resorted to which were so increasingly burdensome that controversial discussions of them became the order of the day. These began at the close of the seventeenth century, and lasted more than half through the eighteenth. Tenzel opened up the controversy about excise duties by proposing them as a panacea in his *Entdeckte Goldgrube in der Accise* (1685), but others only allowed them within strict limits, confining them to towns, and a third

Germany impoverished.

Burdensome taxes.

Tenzel for excise duties.

view was supported vigorously by another group, which rejected them on principle as a violation of equity and a cumbersome unworkable makeshift. The whole controversy was brought to a close by the judicious and temperate *Politische Betrachtungen über die Verschiedenen Arten der Steuern*, published at Breslau in 1751 by von der Lith, who demonstrated the need of combining direct and indirect imposts in one and the same scheme of taxation. England was the theatre of just such another controversy when, toward the year 1733, the omnipotent minister Walpole submitted to Parliament a Bill establishing an excise duty on wines and tobacco. This monstrously unpopular measure provoked a dozen tracts, and then shortly after, in 1744, came Matthew Decker with his *Serious Considerations on the several high Duties*, which urged one direct tax and one only,—that on inhabited houses. The public appeared to favour this project,—at least there were not a few leaflets, like Horsley's, issued in its praise,—but others came out against it, notably G. Massie (1756-57), an economist to whom Cunningham has recently given high praise. In Spain also there were similar discussions carried on by a swarm of projectors (*arbitristas*), each having a pet scheme. Colmeiro gives them a whole chapter in his history.

Von Der Lith on taxes.

English excise duties.

Spanish schemes.

K. Th. v. Inama-Sternegg, "Der Accisenstreit deutscher Finanztheoretiker," in the Tübingen *Zeitschrift für die ges. Staatswiss.* Band 21, 1865, pp. 516-546.

Em. Leser, *Ein Accisestreit in England.* Heidelberg, 1879.

G. Ricca-Salerno, "Le dottrine finanziarie in Inghilterra," in the *Giornale degli Economisti.* Bologna, 1888.

M. Colmeiro, *Historia de la Economia Politica en España*, vol. ii. Madrid, 1863.

English finance.

The English gift for sound finance produced its best results not in such occasional pamphleteering as has just been described, but in a few works of scientific

value by a group of writers of very great merit, who discussed the general criteria of sound taxation, and pronounced in favour of indirect taxes chiefly on grounds of equity. It is Hobbes's doctrine (1642) that every impost,—*emptæ pacis pretium*,—must be made proportionate to the service rendered by the State to the taxed, and the real essence of the matter is measured, he maintained, by the consumption of each individual. Child, Davenant, and a host of others, whose most conspicuous spokesman was Petty (1662), gave in their adhesion to this view, which is also that of De la Court who maintains it, however, on the strength of arguments quite his own. Hobbes on imposts.

Englishmen, for obvious reasons, showed their uncommon aptitudes and their originality even more in dealing with public credit. They produced in the eighteenth century a number of books and tracts which dealt with all the minutiæ of a question that had been at that time hardly more than touched upon outside of England. In his *A Collection of Treatises relating to National Debt* (1721), Archibald Hutcheson proposes a conversion of the public debt into a private debt attaching to landowners. Nathaniel Gould, under a fire of adverse criticism from Pulteney, suggested in *An Essay on the National Debt* (1726), long before Price hit upon the same idea, that a sinking fund be accumulated; while Barnard's *Considerations on the Proposal for reducing the Interest*, etc. (1750), sketches a project for the conversion of the debt, and Hooke's *Essay* of the same year advocates transformation from a perpetual charge to Tontines with ninety-nine years to run. Later on (1774) Mortimer, in his *Elements of Commerce and Finance*, not only defends public loans against Hume, but takes an extravagant position in dilating upon the soundness of the policy which favoured such loans, and urges many considerations in answer to the celebrated *Traité de la circulation et du crédit*, written in 1773 by a Portuguese Jew named Pinto. English tracts on the national debt. Tontines.

J. R. MacCulloch, *The Literature of Political Economy.* London, 1845, p. 318 ff.

French reformers of taxation.

The French writers of this period make their mark by proposing and pushing projects of reform intended to abolish the rank injustice of current systems for distributing and levying taxation. They insist upon abolishing class exemptions and burdensome taxes on articles of general consumption; they demand a reorganisation on equitable principles of direct taxation, and favour the suppression of the farming of taxes to make room for levying them by a department of government. Some proposals were whimsical, like Jonchère's (1720); others, although dictated by philanthropic motives, betray a marked preoccupation, not always duly remembered nowadays, in favour of the interests of dominant classes. This peculiarity is noticeable in the works of the *abbé* de St.-Pierre (1717-23), and of Boulainvilliers (1727). Finally, such men as Froumenteau (*Le secret des finances de la France*, 1581) have only one theme, the wretched and pitiable straits to which the peasantry, *taillable et corvéable à merci*, had been reduced. Boisguillebert, for instance, and after him Pascoli and Bandini, who are mentioned in § (1) of this chapter, were preoccupied chiefly by these grievances.

Peasant grievances.

Vauban a bureaucrat.

But Vauban's *Projet d'une dîme royale* (1707) is by no means emancipated from mercantilist theories, and advocates centralisation, and minute interference by authority. Furthermore, not one of this whole generation of French writers rose to the notion of one single tax, as the physiocrats understood it and advocated it; but on one thing all are agreed, that direct are better than indirect taxes, and of all direct charges they consider that on lands as of the first importance. It is not a matter of surprise that, in the face of all these attacks, some defence was attempted. Duval (*Éléments de finance*, 1736) and Naveau (*Le financier citoyen*, 1757) with such measure of temperateness as they could respect-

Direct and indirect taxes.

ively command, made a vigorous stand against the innovators. Last of all there were, as might be supposed, the men of peace and quiet, whose anonymous spokesman cuts the Gordian knot (*L'ami de la paix*, 1761) by the luminous proposal to let the king do what he deems best. This writer is praised in the *Mémoires de Trevoux*,—a monthly publication of which the *Journal des Savants* was the continuation.

The Milanese census.

In Italy one epoch-making work was achieved at this time, the Milanese census, called also the *catasto parcellare geometrico*, or a "tithe roll based on geometric apportionments." It was begun under Charles VI. by the first Board (*Giunta*), over which Miro presided (1718-33). It was continued and refashioned by the second Giunta, presided over by the great Florentine economist Pompeo Neri (an appointee of Maria Theresa), who described the Giunta's work in his voluminous *Relazione* (1750). Gian Rinaldo Corli (1776) summarised this work, and completed it in 1776.

C. Lupi, *Storia de' principii, delle massime e regole seguite nella formazione del catasto prediale.* Milan, 1825.

Broggia's the first sound treatise on taxes.

One book of Broggia's has a very exceptional importance, as being the earliest methodical treatise on taxes; and here Broggia shows himself head and shoulders above the contemporary school of so-called *Cameralists*. It was long before the importance of this treatise was understood. Galeani Napione outlined it, Rau casually touched upon it, while Pierson lost sight of it, and I briefly called attention to it in 1876. At last Ricca-Salerno in his History, above referred to (pp. 105-111), did full justice to it, and Fornari brought its importance home to all by his painstaking summary of its contents.

Broggia at Naples.

Carlo Antonia Broggia was either a Neapolitan or, as Settembrini maintains, a Venetian established at Naples, where he died in 1763. Consequently it was the finance of Naples, and more especially the reformed

levy of the land-tax brought into operation there by Charles III., that he had in view in his systematic presentation of a theory of royal imposts, more developed than that of Botero and Bodin, though quite in their lines. His well-considered system contemplates a combination of direct and indirect taxes, and presents in the most thoroughgoing manner telling arguments against free ports; he also discusses thoroughly the advisability of a tax on inhabited houses, and combats the farming of revenues in every possible shape, as well as all granting of exclusive rights and privileges, all privileged loans, and direct taxation of industries in every shape, even such as Vauban himself allowed. The corner-stones of his system are (1) a land tax, and (2) a tax on manufactured articles and on fixed income,—*decime sulle entrate certe*,—to be levied according to a valuation based on the declaration of the taxed; furthermore, he favours (3) imposts on internal consumption (*gabelle*), as well as (4) customs-duties on exports. Voluntary contributions are only allowed by him as extraordinary measures in cases of emergency, for which he also exclusively reserves anything like a raising of the rate of the tax on capital, and a legacy duty, which last he hedges about with very special restrictions. This monograph of Broggia's was but a part of a larger work which he projected on "the Science of Economics in Civil Life." His general theories were obviously those of mercantilism, and he showed little or no mind of his own on the question of money.

His system.

Broggia failed on larger questions.

C. A. Broggia, *Dei tributi, delle monete e del governo politico della sanità*. Naples, 1743. Reprinted in Custodi's *Raccolta, Parte antica*, vol. iv.

His banishment.

Later on Broggia achieved the distinction of banishment by a book addressed to the Board, established in 1751, for repurchasing State revenues, in which he advises their making the repurchase at the prices then current, which were lower than the prices for which

they had originally been farmed. This operation,—analogous to what is now termed a conversion of consols,—had been made in Tuscany not long before by Pompeo Neri, but was strenuously resisted by traditional jurisprudence, which always favoured the farmers of the revenue. These official views were most ably defended at Naples by the learned advocate Carlo Franchi, whose memorial is far more correct and telling in its form than Broggia's. His controversy with Franchi.

C. A. Broggia, *Memoria ad oggetto di varie politiche ed economiche ragioni.* Naples, 1754.

§ (4) PROFESSORIAL CHAIRS, NEWSPAPERS, AND ACADEMIES

Morhof and Wolff to begin with, and then Thomasius (see Roscher's *History*, pp. 344 ff.), proposed the foundation of various chairs in universities for the teaching of finance, or the so-called fiscal sciences which cover economics. The step was finally taken by Frederick William I. of Prussia, who appointed in 1727 a jurisconsult named Gasser at Halle, and a historian named Dithmar at Frankfort-on-the-Oder. This move undoubtedly favoured a more methodical and definite co-ordination and arrangement of the various branches of economics, which remain in Germany to-day on the footing then established. Soon the same course was taken in respect of finance, and resulted in real scientific progress there. The fiscal sciences pursued by intending functionaries of the State formed, under the designations of economy and commerce, a strange conglomeration of agronomical and technological rudiments, with an admixture of private economics, thrown in with a view to the administration of (1) crown-lands, (2) forests, (3) mines, and (4) the various industries managed by the public treasury,—these four last constituting the chief sources of German Professorships at Halle and Frankfort. German co-ordination of economics. Fiscal sciences.

Administration.

State revenues. Under the category of police administration were included in rudimentary form all the theories which now constitute the science of administration, more especially administrative economics.

Science of Finance.

Under the name of the science of finance were grouped theories far different from those of to-day, in that they lacked the solid basis offered by economic science as we know it, and therefore did not deal with taxation in a sufficiently comprehensive way, and paid next to no attention to the incidence of taxes, or to the management of the public debt.

Many new chairs.

These chairs of economic science, in the above sense of fiscal sciences, went on multiplying in Germany, Austria, and Hungary, and the compendium of Darjes fails to give any adequate idea of the instruction imparted by these new professorships. Baumstark's compilation, made in the spirit of modern economics, gives a complete and exhaustive bibliography on the whole subject.

J. G. Darjes, *Erste Gründe der Cameralwissenschaften.* Jena, 1756; second edition, Leipzig, 1768.

Ed. Baumstark, *Kameralistische Encyklopädie.* Leipzig, 1835.

Professorships in Italy.

Italy also soon afterwards had her special chairs of political economy. The first one was founded at Naples in 1754 by Bartolomeo for the *abate* Antonio Genovesi, who filled it creditably until 1769. The original title attached to it was that of mechanics and commerce. Cesare Beccaria held for a short space (1769-70) a professorship of the so-called *Scienze Camerali, —Cameralwissenschaften,*—at Milan, and Agostino Paradisi gave at Modena from 1772 to 1781 lectures on civil economics, which, until 1776, were from MSS. of his own, though afterwards he substituted the text of Condillac. At Palermo, Vincenzo Emanuele Sergio taught the views of Genovesi from 1779 to 1806.

L. Cossa, "Sulle prime cattedre di economia in Italia" (1873), in his *Saggi di economia politica*, Milan, 1878, pp. 65-95.

Towards the middle of the century scientific and literary journals began to include accounts of the constantly-multiplying works on economics in their notices of new books. Chief among these were the *Journal des Savants*, the Leipzig *Acta Eruditorum*, the *Novelle Letterarie* published at Venice, and the far better Florentine publication bearing the same name (1740-69), the *Magazzino Toscano* (from 1745 on), and the *Giornale dei Letterati*. This last name applies to three publications—(1) at Modena, (2) at Florence, and (3) at Pisa—which appeared between 1771 and 1796. Then came the *Giornale Enciclopedico*, and at Venice the *Giornale d' Italia*, the *Biblioteca Oltramontana* and the *Ozii Letterarii* of Turin. The need of suitable Reviews was soon felt in Germany and France, and, to begin with, there was a strange mixture of technological articles with reviews on private and public economics. The first French Review was the *Journal Œconomique* (Paris, 1751-62) in forty-nine volumes; then came, at Brussels, the *Journal du Commerce* (1759-62), in twenty-four volumes; the first German periodicals were the *Œkonomische Fama* (1729), and soon after Zincke's *Leipziger Sammlungen* (1742), and others mentioned in Roscher's *History* (pp. 430 ff.). An interesting subject for accurate investigations might well be found in the influence exercised on science by French and Italian economic Reviews.

Literary journals and economics.

Special Reviews.

One other influence remains to be mentioned which helped to rivet public attention upon economic problems, and this was that of agricultural Academies or Societies, together with other scientific and literary associations, which published monographs written by their members, and also offered prizes to be competed for by treatises on subjects of interest in current controversial literature. In 1736 there was a Dublin Society, and at London in

Academies.

English societies.

French and other Academies.

1754 a London Society, for the encouragement of knowledge; of the Amiens Academy mention has been made above; Reims (1756), Bordeaux, Vienne (in the Dauphiné), Leipzig, St. Petersburg, and Zurich all had their Academies, and the Berne Academy, founded in 1758, became a very famous institution. In Italy there was the famous *Accademia dei Georgophili*, founded in 1753, and great credit belongs to the Venetian Government, which promoted the foundation of agricultural Academies at Udine, Verona, Vicenza, Belluno, Conegliano, and Treviso. Furthermore, the scientific and literary Academies of Mantua, Padua, and Turin vied with the *Georgophili* in offering prizes for the treatment of questions concerning corn laws, almsgiving, arts and trades, guilds, free trade, and many other topics. No one can afford to forget that the choice of these subjects, and the way they were dealt with, largely influenced the physiocratic school, and had their due weight finally with Adam Smith himself.

Prizes and prize essays.

A. Zanon, *Dell' utilità morale, economica e politica delle Accademie d' agricoltura, arti e commercio.* Udine, 1771. Also in his complete works. Udine, 1828-31.

Aug. Oncken, *Der ältere Mirabeau und die oekonomische Gesellschaft in Bern.* 1886.

Leon. Piemonte, *Antonio Zanon*, Padua, 1891, pp. 67-80.

A. Balletti, *L' economia politica nelle Accademie e nei Congressi degli scienziati* (1750-1850). Modena, 1891. (A conscientious and interesting monograph.)

§ (5) BUREAUCRATIC AND PROFESSORIAL ECLECTICISM

There had by this time been so much discussion about population, agriculture, manufactures, commerce, money, banks, corn laws, taxes, and public loans, that

even philosophers and publicists of the stamp of Locke, Hume, and Montesquieu had taken vigorous part in the fray. It was therefore natural that at last public opinion should long for something in the way of a summary statement of the uncontroverted basis of the science of commerce, which now took on the various designations of State economics or of civil, public, political, or national economy. What Melon, Ustariz, Ulloa, and one or two others had done was quite insufficient, because too limited in scope. Forbonnais in France, Steuart in England, Justi in Germany, Sonnenfels in Austria, and Genovesi in Italy, have made us their debtors by excellent attempts to meet this need. These attempts bear witness to their authors' uncommon intelligence, and show both learning and industry. Yet they are rightly forgotten. At the very time when these monuments of lofty compilation were in course of preparation, a group of men, whose aptitudes were of quite another stamp, had brought to completion the scientific structure which was substantially political economy in the modern sense. This structure they based upon fresh observations of their own, coupled with those which they found ready to their hand. Its lines afterwards had to be in some places redrawn, and more clearly filled out in others; its foundations had afterwards to be more broadly laid and more solidly built with a certain extrusion of irrelevant material. But the structure still stands substantially as they built it.

Philosophers and publicists take up economics.

Need of a learned summary.

Forgotten books.

The foundation of modern economics.

Of the learned writers forgotten because of this new school Forbonnais is the first, not in order of merit, but only chronologically (1722-1800). He outshines Melon, but his history of French finance commits him to the balance of trade, to monopolies, and to prohibition. Indeed, as Superintendent of commerce, he defended this last principle in the famous controversy about printed calicoes which raged between him and Vincent de Gournay, and which occasioned *abbé* Morellet's

Forbonnais the first of the forgotten.

Gournay and Forbonnais.

brilliant pamphlet of 1758. At the same time he was in favour of free competition, and by no means overlooked the abuses of corporations, but his chief preoccupations were (1) the influence of luxury upon economics, and the importance (2) of a rapid circulation of currency, and (3) of the increase of population.

François Véron de Forbonnais, *Éléments du commerce.* 1754. Often reprinted, and finally completely recast in his *Principes et observations économiques.* 1767.

Steuart's moderate mercantilism.

Sir James Steuart, a Scotchman, is greatly superior to Forbonnais both in the vast extent of his inquiries and in the amount and variety of his acquirements. He expounds in two large volumes the theories of a moderate mercantilism. This work, hailed at first with admiration in England, was speedily forgotten when Adam Smith published his *Wealth of Nations.* Long afterwards a handful of Germans, led by Hufeland, undertook to praise the work extravagantly, and to discover in its author a precursor of the new science. He was anything but this, although Hasbach has just (1891) argued out the opposite view of his merits. Say, Kautz, and Ingram give a more sound estimate of Steuart, who has finally received full and impartial justice at the hands of Feilbogen, a writer whose critical fairness and insight may here be appealed to as final, and thus we may be held excused from going into that prolix work, where certain good ideas about population, taxation, machinery, market-rates, and the range of applicability of various systems of cultivation are to be found in the midst of a strange medley of errors and tedious digressions. Of these a hundred pages, more or less, given to a discussion of the cost of minting money, may serve as a fair example. Could Adam Smith have a more preposterous precursor than this defender of the omnipotence of the State, whose one idea is to combine privileged corporations with unrestricted competition, and who will allow free banking

if only all banks will issue unconvertible scrip? More than an ordinary allowance of pedantry must be thrown into the balance, before Adam Smith and the physiocrats can be so much as weighed in the same scales with a writer who, like Steuart, confuses money with capital, value with price, and wages with profits.

His confusion of mind.

J. Steuart, *An Inquiry into the Principles of Political Oeconomy.* London, 1767. 2 vols. Translated into French in 1789, and into German in 1769-72.

S. Feilbogen, "James Steuart und Adam Smith," *Zeitschrift für die ges. Staatswiss.* 1889.

In his own country *abate* Antonio Genovesi (1712-69) achieved, by the telling quality of his teaching, a wide popularity, and has a good number of Italian disciples. He possessed enormous learning, and although less familiar than Steuart with money and finance, he made out of the old theories of Child, Temple, Melon, Ustariz, and Ulloa, which he combined with the new and more liberal ones of Herbert and Hume, a mixture far preferable to anything compounded by his learned Scotch contemporary. It is not to be denied that Genovesi's *Lectures* are a series of monographs, rather than a systematic account of the subject in hand as a whole. Moreover, he treats together subjects which have no connection beyond that of being dealt with by him on neighbouring pages, and therefore, as has been aptly remarked by Ferrara, the decrepitude of Genovesi's ideas began the instant they saw the light. This judgment errs less on the score of severity than does Bianchini's on that of appreciation when he actually compares Genovesi with Adam Smith. But for all that, Genovesi was certainly at the same time the most distinguished and the most moderate of all Italian mercantilists, and he accordingly succeeded in making a quite tolerable concoction out of industrial and agricultural protection combined. Commerce was for him not

Genovesi's economic mixture

and disjointed method.

The most moderate Italian mercantilist.

an end only, but also a means by which the products of industry at large were brought to the right market. He, moreover, distinguished between useful commerce which exported manufactured goods and brought back in return raw material, and harmful commerce which exported raw material and imported foreign goods; he also insisted that useful commerce calls rather for liberty than for protection, while upon harmful commerce the strictest embargo should be laid, or at least it should as far as possible be bound hand and foot.

Useful and harmful commerce.

Ant. Genovesi, *Delle lezioni di commercio ossia d' economia civile.* Naples, 1765. 2 vols. Second edition, 1768-70. Translated into German, 1776, and into Spanish, 1785. Summarised by Tommaso Gibellini, *Elementi di economia civile.* Turin, 1805. See also G. Raccioppi's *Antonio Genovesi.* Naples, 1871.

Genovesi's disciples.

According to Gobbi (*La concorrenza estera*, 1884, p. 139 ff.), the Neapolitans Fortunato (1760), Strongoli (1783), and Venturi (1798), belonged to Genovesi's school, and then there was also Zanon of Udine (*Lettere*, 1756-67), Todeschi of Ferrara (*Opere*, 1784), and Marcello Marchesini of Istria (*Saggio d' economia politica.* Naples, 1793.

Justi and the German *Cameralists.*

Johann Heinrich Justi, who died in 1771, and who was the leader of the German school of *Cameralgelehrten*, was professor at the Viennese Theresianum from 1750 to 1752, and afterwards at Göttingen. He too taught mercantilism, and may therefore be classed with Genovesi and Steuart, though he certainly was their inferior. His one merit was in systematic arrangement; also he insisted upon a difference between economics and commerce on the one hand, and the subject of administrative science, or *Policey-wissenschaft*, of which he was the originator. Furthermore, he undeniably went into certain special questions, and elaborated, in a new and thorough fashion, materials that were available in

His administrative science.

Delamare's *Dictionnaire de la police* (1726). He can also boast of having written the first treatise on finance, which affords anything like a rational classification of public expenditures. His theory of public revenues is amply broad enough for the concerns of all public domains and forfeited revenues accruing to the State, but it makes no sufficient room for public loans. His attempted co-ordination of various taxes contains certain essays on direct taxes (including such categories as "territorial" and "personal according to classes"), and on indirect taxes. He also deals with customs duties, which he describes as a bridle put upon industrial activities, and used by Government to guide them along the path leading to the well-being of the people.

Treatise on finance.

Taxes and tariffs.

Joh. H. G. von Justi, *Staatswirthschaft, oder systematische Abhandlung aller Oekonomischen und Cameralwissenschaften.* Leipzig, 1755. 2 vols. Second edition, 1758. *System des Finanzwesens.* Halle, 1766. *Policey-wissenschaft.* 1756. See Deutsch, "J. H. G. von Justi," in the *Zeitschr. für die ges. Staatswiss.* Tübingen, 1889. And also most particularly, G. Marchet, *Studien über die Entwickelung der Verwaltungslehre in Deutschland.* Munich, 1885.

Baron Joseph von Sonnenfels (1733-1817) held in Austria a position analogous to Justi's in Germany. He too was a mercantilist, but showed more liberality than Justi in dealing with corn-law trammels, and survivals of the feudal state. Justi, however, excelled Sonnenfels in orderly and systematic arrangement of the subject in hand. In Sonnenfels there is nothing more characteristic than his theory of population. He regards it as the most fundamental consideration both in finance and in economics; and in view of it he radically transforms the good old notions about the balance of trade. Now Sonnenfels has no use for a numerical

Sonnenfels in Austria.

Population.

Balance of trade.

balance, which means a balance reducible to arithmetical terms; what he insists upon is a balance of gains, so adjusted as to allow of the occupation of the greatest possible number of people in home industries.

Süssmilch and Sonnenfels.

Twenty-five years after Sonnenfels, Johann Peter Süssmilch, — already the founder of the theory of statistics in respect of population, which he had formulated under the inspiration of Graunt, Petty, Halley, Kerseboom, and others of the so-called arithmetical school,—gave in his adhesion (*Die göttliche Ordnung in den Veränderungen des menschlichen Geschlechts*, 1743; second edition in 1761) to the principles of political economy expounded in Sonnenfels' book. Indeed, this last was used as a required text-book in Austrian universities until 1846, so that it was deemed necessary by a certain Professor at Agram to publish a refutation in 1831 of the antiquated principle of population, identified with this book and with the name of Sonnenfels.

Sonnenfels' text-book.

Jos. v. Sonnenfels, *Grundsätze der Polizei, der Handlung, und der Finanz.* Vienna, 1765. 3 vols. The eighth edition came out 1819-22.

Joh. Henfner, *Introductio in œconomiam nationalem.* Agram, 1831.

CHAPTER VI

THE FORERUNNERS OF THE SCIENCE

THE authors last dealt with hardly, if at all, rose above the dead level of received opinions, which they reflected and arranged in paragraphs and chapters that thus took on a delusive semblance of scientific value; but their works, following as they do the false lines drawn by the financial and economic legislation of the day, have no real part in the new science. The precious data of Adam Smith, Malthus, and Ricardo have to be searched out in other books, many of them written by contemporaries of Steuart and of the others above alluded to, but not a few belong to an earlier time. Such, then, are the discoverable beginnings of the new theories on which Quesnay built up his system, and either through Quesnay, or directly, these same sources eventually contributed to the building up of the new and scientific system.

The beginnings for Quesnay's system.

These beginnings are not all of equal importance, and were made by economists, jurisconsults, politicians, and philosophers, more especially in Scotland, England, and France. They chiefly affect the understanding of the production and distribution of wealth, but also concern the fundamental doctrines of economic science and art. They constitute in the aggregate materials which largely supplement and rectify, but which also do much to invalidate, the old theory of commerce and of circulation and the long-accepted doctrines of

Production and distribution.

Old theories invalidated.

industrial and agricultural protection, both as regards finance and in respect of trade.

Now it behoves us, *vestigia deserere ausos*, to make an essay towards classifying and summarily criticising the doctrines of the forerunners of the science, which have hitherto been either ignored or estimated with but scant exactitude and fairness of mind.

§ (1) PRODUCTION AND DISTRIBUTION

All industrial activity a unit.

Discussions had gone on for centuries on the absolute and relative importance of one branch or another of industry, proposal after proposal had been made for the protection of this branch exclusively, that branch exclusively, or of all branches; but this last and more comprehensive doctrine of protection was harboured by a very small number of investigators, who thus, and by pure inadvertence as it were, stumbled upon the notion of the unity of all industrial activity, and were accordingly drawn on to an investigation of the common elements of production. Not one makes a full enumeration of the causes of industrial progress, and all of them to a man remained utterly in the dark concerning the forms which industrial organisation had assumed. Freedom is recognised in a superficial fashion by one writer or another, in ways and words duly noted above, as playing an important part, and the same may be said of competition, the function of which was not left out of count even by the most uncompromising defenders of restriction and minute control. The praises of a division of labour abound from the remotest days of antiquity; in the scholastic literature of the fifteenth century may be found a sort of anticipation of the theory of capital; certain writers of the sixteenth and seventeenth centuries had glimpses of the law of diminishing returns; and finally, in the eighteenth century, Montesquieu and Sonnenfels opposed,

Freedom not prized.

and Bielefeld and Steuart favoured, the introduction of machinery. Law of diminishing returns.

The exhaustive investigation of production was first and best inaugurated by such English writers as Petty and Locke, who add this to many more considerable claims for the most honourable recognition. To these great names must now be added a lesser one, that of Asgill, whom Dugald Stewart and a few others have literally disinterred and rescued from a complete oblivion. Petty and Locke on production.

William Petty (1623-83), one of the most illustrious forerunners of the science of statistical research, was most determined in his opposition to many if not all of the mercantilist views. He joined hands with Locke in demanding a single standard for money, he was one of the earliest enemies of restrictive laws about interest, and it was he who declared that wealth, the child of mother-earth, has for its father the active principle of cultivation. Population fell, according to Petty, into two classes, (1) the productive, (2) the non-productive, the former alone being concerned with the making of things useful and material. Rent he defined as the margin of excess remaining after the price of field products has been diminished by subtracting the cost of their production. Petty's attack on mercantilism.

William Petty, *Quantulumcunque, or a Tract Concerning Money.* 1682. *Political Anatomy of Ireland.* 1691. *A Treatise of Taxes and Contributions.* 1662. A new edition in 1685. *Essays in Political Arithmetick.* 1691.

John Locke, the celebrated philosophical and political author (1632-1704), can hardly be classed otherwise than as a mercantilist, and must even be written down as a systematic upholder of the errors of that system. Nevertheless, in respect of certain theories in detail,—such as property, which he bases upon work done, and money, the debasing of which he loudly condemned in Locke a mercantilist.

Locke's originality.

spite of Lowndes and Barbon,—he has claims to originality and soundness. He was far too anxious to have a large volume of money, and holds indefensible notions as to the cause of its value; but, on the other hand, he escapes, by roundly asserting the productive power of labour, the old error of Hobbes, who counted the soil and thrift as component parts of production.

John Locke, *Two Treatises on Government.* 1690. *Some Considerations of the Consequences of the Lowering of Interest*, etc. 1691. *Further Considerations*, etc. 1698. Translated into Italian by G. Fr. Pagnini. Florence, 1751. 2 vols.

Thom. Hobbes, *De Cive.* 1642. *Leviathan.* 1651.

Hobbes on land banks.

Hobbes, it may be mentioned, is so convinced that land is the one and only source and fountain of wealth that he still favours land banks.

John Asgill, *Several Assertions proved in order to create another Species of Money.* 1696.

In respect of distribution, it should not be forgotten that nearly all the above writers regard an increase of population as a good thing under all circumstances. They further opine that wages tend towards agreement with the price of such produce as is indispensable for maintaining workmen, and should therefore be exempted from the burden of direct taxes. Augmentations in rents and the diminution of the higgling of the market are looked upon generally as symptoms of economic progress, but on this last point there is a divergence of opinion among these writers which depends chiefly upon their ability or inability to distinguish between money and capital.

Population and wages.

Dutch reduction of interest.

The majority of those who adhere to mercantilism, and among these even the most moderate-minded, such as Culpeper (1641) and Child (1668), assign a low rate of interest as the cause of abundant money, and therefore urge a reduction of interest by legal enact-

ment, being largely influenced by the prosperity of Holland. But Petty, Locke, and even Montesquieu and Vincent de Gournay, conceived that a low rate of interest, so far from being the cause, was only a result of the abundance of money, and hence they opposed the establishment of a legal rate. The very first supporter of this view was the anonymous author of an uncommonly interesting tract entitled *Interest of Money mistaken* (1668). Last but not least of all, the prevailing confusion between capital and money received telling blows from certain writers, who maintained that the rate of interest had nothing whatever to do as such with the available quantity of money. Bauer assigns the merit of originating this argument to Nicholas Barbon, who published *A Discourse of Trade* in 1690, fully sixty years before Massie's *Essay on the Governing Causes of the Natural Rate of Interest*, published in 1750. Hume, the only other supposed author of this important doctrine, did not come out with it until 1752.

Capital and money defined.

Steph. Bauer, "Nicholas Barbon," in the *Jahrbücher für Nat.-Oek.* N. F. Band xxi. 1890.

§ (2) VALUE AND TAXATION

The doctrine of value attracted investigation far back in the days of scholasticism, when there was an attempt to define fair prices. All writers, and their name is legion, who dealt with money were forced, incidentally at least, to face the discussion of value, which, by the middle of last century, had assumed such proportions and reached such a degree of elaboration that the best books then written on economics contain at least a sketch, and often something more, of the theories of utility, cost of production, supply and demand; and many authors go into various subsidiary and indispensable complications and combinations with great acuteness and good results. Only a few representative

Early theories of value.

Recent accounts of them.

names need here be recorded of those who dealt with one point or another. For further and fuller information the admirable monographs of Loria, Graziani, Montanari, and Zuckerkandl will be found indispensable.

Ach. Loria, "La Teoria del valore negli economisti Italiani," *Archivio Giuridico*. Bologna, 1882.

Aug. Graziani, *Storia critica della Teoria del valore in Italia*. Milan, 1889.

A. Montanari, *Contributo alla storia della Teoria del valore negli scrittori Italiani*. Milan, 1889.

R. Zuckerkandl, *Zur Theorie des Preises*, etc. Leipzig, 1889.

Barbon and Galiani's limit of utility.

The effect of scarcity on value, touched upon by Davenport, and still better understood by Geminiano Montanari, was correctly analysed by Barbon (1690), though he is little recognised. Barbon, it must be remembered, shares with Galiani (*Della Moneta*, 1750) the merit of having anticipated the modern theory of ultimate utility, or, as some prefer to word it, of the limit of utility. Of the two Galiani is indeed by far the more explicit. In the very same year Fabbrini of Tuscany, writing anonymously, declared that the difficulty of obtaining a thing entered largely into its value. See his *Dell' indole e qualità naturali e civili della moneta* (Rome, 1750), to which Montanari called attention, while Franzi in 1769 appropriated the ideas which it contains. Petty, on the other hand, teaches in his disquisition on taxes, of 1662, that the value of a thing depends upon the labour expended in producing it, and the measure of such labour is the length of time involved in its production. Locke's view, based upon labour as the foundation of value, insists rather upon its amount than its duration. Lastly, Grotius, Puffendorf, Wolff, Barbeyrac, and many others, consider that the expenses of production form that element toward which nominal values approximately tend, and towards these in turn gravitate current values, which are subject, however, to a con-

Fabbrini on scarcity.

Locke and Petty on labour and value.

tinual variation caused by the shifting moods of the market.

Another element of progress in economics was the more and more accurate study of the incidence and distribution of taxes, which is indirectly involved by the establishment of the laws of value, and forms the only possible basis for a sound system of taxation. English economists deserve exclusive credit for their investigations dealing with this matter, begun in 1677,—as MacCulloch has shown,—by the anonymous pamphlet entitled *Reasons for a Limited Exportation of Wool.* Locke went further in the same lines, and accomplished more (1691), and with his name Vanderlint's must be associated, since the two agree in maintaining that all taxes should be levied upon territorial rents. Early study of incidence of taxes. Locke and Vanderlint.

Locke goes so far as to maintain that where a State is prevailingly agricultural nearly the whole weight of taxation falls upon landholders, and hence he argues in favour of a single tax upon land which, by the saving made in the expenses of collection, will redound to the advantage of the taxed. Traders when taxed raise their prices, tenants lower their payments to landlords, and labourers recoup themselves by demanding increased wages. Locke's land tax.

W. von Ochenkowski, "John Locke als Nationaloekonom," in the *Jahrbücher für National-Oekonomie*, 18 Jahrg., 1880, pp. 431-476.

Just the same view, though more broadly stated and more fully and thoroughly reasoned out, is that of Jacob Vanderlint's *Money Answers all Things* (London, 1734), where one single tax is insisted upon, for the reason that the soil is the one and only source of wealth. Vanderlint on land and wealth.

G. Ricca-Salerno, *Le dottrine Finanziarie in Inghilterra*, Bologna, 1888, pp. 23 ff.

§ (3) ABSOLUTELY FREE TRADE

Boisguillebert against corn laws.

The restrictive theories prevalent for centuries in political economy had already been grievously shaken and transformed by the partial freedom extorted for the corn trade by the school of Boisguillebert, and by the gradual breaking up of monopolies and other trammels which had interfered with the free play of industrial enterprise within the State. But now came blows aimed at the entire mercantile system and at protectionism, upon which its mantle had fallen. Thinkers now attacked resolutely the fundamental ideas of both systems, and their watchword was freedom pure and simple, both for internal and for external trade.

Monopolies shaken.

Free trade and mercantilism.

Here was something far more sweeping than such limited experiments in partial free trade as Florence made towards the end of the middle-ages, far more uncompromising than the movements in favour of the freedom of trade at Venice, or the comparatively liberal policy pursued in the Netherlands with the approval of such theorists as Sassetti, Giogalli, and Pieter De la Court; see the preceding chapter, § 2. The great point of difference being that the new school did not, like these earlier free-traders, base its practical conclusions on considerations of the advantage to be got for one class only, namely, those who were in trade.

Earlier half-measures.

Pöhlmann, *Die Wirthschaftspolitik der florentiner Renaissance, und das Princip der Verkehrsfreiheit.* Leipzig, 1878.

Filippo Sassetti, *Ragionamento sopra il commercio fra i Toscani e i Levantini.* 1577. Published in his *Lettere edite ed inedite.* Florence, 1885.

See also an anonymously published work by Simone Giogalli, a Venetian merchant in the seventeenth century. Venice, 1856.

Equally wide is the gulf between the new free-

traders and such vague laudations of free trade as can be found in Eméric de Lacroix's *Le nouveau Cynée* (1623), or in schemes elaborated to suit the condition of particular countries or provinces, like Diego Josepho Dormer's *Discursos historicos politicos* (1684), or Albert Strozzi's *Dialogo sobre el comercio de estos reinos de Castila* (1624), both of which Colmeiro is at great pains to place upon record. Nor can various other schemes, which are essentially half measures, be considered of importance—such, for instance, as the anonymous work entitled *Free Ports, the Nature and Necessitie of them stated* (1652). In mentioning this proposal, Bauer hardly appreciates the fact that it simply gives utterance to a feeling then widespread in England, in favour of the establishment of free ports.

Early hints of coming free trade.

English free ports.

L. Cossa, *La teoria del libero scambio nel secolo decimosettimo.* 1873. See also his *Saggi di Economia Politica*, Milan, 1878, pp. 39-64.

The first steps towards a thorough and minute overhauling of the restrictive system, in all its parts and as a whole, were made in the discussions provoked by the Navigation Act of 1651. This act was resisted by many mercantilists, including the anonymous writer of *Britannia languens* (1680), and defended on political grounds by writers of very liberal views, like the author of that uncommonly important work, *Considerations on the East India Trade* (1702). Nicholas Barbon refuted the theoretical basis of trade restrictions in his *A Discourse of Trade* (1690), by demonstrating that the importation of foreign goods necessarily involves the exportation of national produce. This is a surprising thesis for an author to maintain who, like Barbon, not only favours countervailing duties, but goes the length of supporting a legal rate of interest and the debasement of current coinage.

Discussion of the Navigation Act.

Barbon on importation.

The explicit and convincing statement of the case for international free trade was first put by an English-

First statements of free trade.

man and a Frenchman separated in the date of their respective publications by half a century, but substantially at one in turning their back on particular and national considerations in order to view the matter in its cosmopolitan and universal aspects.

North against mercantilism.

Sir Dudley North, whose importance Roscher has recognised, though not to so much purpose as Yanzhul in his *English Free Trade* (Moscow, 1876, pp. 97-112), branded mercantilism as a political aberration. Money, he argued, is a commodity distributing itself in the course of nature among various nations according to their needs, which are registered by the ups and downs of market prices. Classes as such have, according to him, no exclusive concerns of their own, but society is bound together by the solidarity of interest, and the same holds true among States, so that absolute free trade, both industrial and commercial, is the one and only way of achieving wealth.

Solidarity, society, and States.

Sir Dudley North, *Discourses upon Trade.* London, 1691. Reprinted in a very small edition at Edinburgh in 1822, and at London in 1846.

Argenson against Belloni.

The French champion of economic freedom, René Louis Voyer, Marquis d'Argenson (1694-1757), takes equal rank with Sir Dudley North. For a short time he was in the Ministry, and he wrote various works on politics and economics, which remained unpublished for more than a century, as well as an epoch-marking essay published in the *Journal Oeconomique* (1751) to refute Belloni's *Dissertazione sul commercio*, which received the support of the editors of that periodical. Argenson's doctrine, which has been newly elucidated by Oncken (*Die Maxime laissez-faire*, Berne, 1886, pp. 55-80), contains the celebrated rule, *ne pas trop gouverner*, and sets up the famous maxim, *laissez-faire*, as the sum and substance of political economy. He would have free passage given from one State to another for all merchandise, just as much as a matter of course as air

Laissez-faire.

and water have their free right-of-way. All Europe should be organised as if it were one market. Liberty is the equation of trade, and the maintenance of public security is the simple and sufficient way of striking the balance, "*laissez-faire, morbleu, laissez-faire!*"

Anonymous, "Lettre à l'auteur" (Belloni), in the *Journal Oeconomique*. Avril 1875. Reprinted with the answer in Custodi's *Raccolta*, vol. ii. pp. 133-153.

Mémoires et Journal inédit du Marquis d'Argenson, etc. Paris, 1858. Vol. v.

§ (4) THE SCOTCH SCHOOL

Co-ordination of economic principles.

One important influence which promoted the progress of economics in a way of its own, rather by its establishment of necessary concatenation between various doctrines than by original contributions, has been much neglected and underrated. This influence came from a group of writers whose merit, though great in other respects, will be best appreciated by reflecting that the branch of knowledge into the teaching of which they first imported orderly and systematic arrangement was already more than a century old. They first strove to make the principles regulating the circulation and distribution of wealth fall into regular lines,—a matter to which the present writer as early as 1876 incidentally called the attention of economists, and which since that time has been cleared up by Hasbach. His monograph is both acute and interesting, although it bears unmistakeable traces of an insufficient familiarity with early English and French work in economics. To this defect in our author's equipment are due the shortcomings of his book.

Circulation and distribution.

Hasbach's recent studies.

W. Hasbach, *Untersuchungen über Adam Smith und die Entwicklung der Politischen Oekonomie*. Leipzig, 1891.

Classification of practical philosophy.

The ancient classification of practical philosophy into ethics, politics, and economics still maintained itself in traditional seats of learning, where economics were taken to mean private economics,—a branch for which Germans, like Morhof and Thomasius, demanded the foundation of special chairs and the appointment of suitable professors. In the meantime, Grotius in his *De jure belli ac pacis* (1638), Puffendorf in his *De officio hominis et civis* (1672, Barbeyrac's French version of it appeared in 1728), as well as their prolix commentator, Wolff, in his *Jus nature* (1741-49), and *Institutiones* (1750), had each devoted one or two chapters to theories of value, price, money, wages, and interest. All this was with a view to a complete account of equality and justice as applied to contracts. Now, although the tripartite division of "Practical Philosophy" just mentioned may be traced back in substance to the Greeks, still the half legal and half economic treatment of value, money, and contracts is no older than the middle-ages. Hasbach has not perceived, or at least has not definitely mentioned, how theologians and writers on canon law in those days, discussing fair price and equity in contracts, are always distinguishing admissible agreements from those vitiated by the taint of usury. So remarkable is this that an investigation of no slight interest could be made dealing with the theological forerunners of Grotius, who play such a part in the history of law, in special reference to the history of economics. This would show how far and to what extent the doctrine of absolute justice in contracts suffered modification before it could be incorporated as part of the law or as among the rights of nature.

Grotius, Puffendorf, and others on value and wages.

History of economic value.

It need hardly be said, however, that these theories, imperfect at best and stated as they always were by writers imbued with the maxims of mercantilism, could never have been of the slightest consequence for our science until they had been displaced and brought down into an atmosphere where political economy could

Mercantilism against science.

breathe. They required, I mean, the surroundings which, by patient and gradual work, had been made for them by the German *Cameralgelehrten*, who developed the germs of mercantilism into an elaborated system. Now appears Francis Hutcheson, a most remarkable man who was the founder of the new school of philosophy in Scotland, and who taught moral philosophy in the University of Glasgow from 1730-46. With Hutcheson comes his great pupil (1737-40), Adam Smith. Hutcheson used for his text book his predecessor Carmichael's translation (1718) of Puffendorf, laying particular stress upon its economic chapters, which he developed by bringing in added materials afforded by British experience. Puffendorf's philosophy received its correction from Shaftesbury, while Hutcheson appealed to Locke's wide-minded views on politics against the absolutism of Hobbes. His course, like Adam Smith's later one, was divided into (1) natural theology, (2) ethics, (3) jurisprudence, including economics, and (4) politics. Years afterwards Adam Ferguson, a professor at Edinburgh, who outlived Adam Smith, modified this subdivision to the extent of separating economics from jurisprudence, and of subdividing politics into the two branches of political law and public economy, — the former dealing with national institutions, and the latter with national resources, population, wealth, and revenue.

German *Cameralists.*

Hutcheson at Glasgow.

Scotch subdivisions of moral philosophy.

F. Hutcheson, *Philosophiae moralis institutio compendiaria.* Rotterdam, 1745. *System of Moral Philosophy.* 1755. (A posthumous publication.)

Ad. Ferguson, *Institutes of Moral Philosophy.* Second edition. Edinburgh, 1773. *Principles of Political and Moral Sciences.* 1792.

Hutcheson, in spite of his ideas about natural liberty, and birthrights or innate rights, is a pronounced mercantilist; and, accordingly, the great merit in respect of economics possessed by his philosophy consists in the

Hutcheson a mercantilist.

systematic combination which he effected in his discussion of value, price, trade, money, and interest. Furthermore, he regarded labour as *par excellence* the productive element, and held Locke's and Petty's ideas concerning the measure of value. Cousin had a glimpse of the influence of Hutcheson on Adam Smith, which indeed is not far to seek when their respective analyses of economic phenomena are compared.

Labour and value.

§ (5) THE IMMEDIATE FORERUNNERS

Two writers now deserve more than a passing mention, because they elaborated quite satisfactorily the leading truths that form the basis of economic science, and upon which are framed the rules of economic art. These are Cantillon, who should be studied in his relation to Quesnay, and Hume, who stands in a similar position with regard to Adam Smith.

Cantillon and Hume.

Richard Cantillon, to whom Jevons (1881) and Higgs (1891) have consecrated a good deal of attention, was a remarkably able banker belonging to an Irish family. Born in England, he lived for many years at Paris, where he had business dealings with Law. He finally died by the hand of an assassin at London in 1734. His *Essay on the Nature of Commerce at large* was not published until 1755, though he wrote it during the last four years of his life. It was passed about in MS. and Mirabeau knew its contents, upon which he largely drew in the first volume of his *Ami des hommes* (1756). Quesnay, Adam Smith, and Condillac all praised it highly, and M. Postlethwayt's *Great Britain's True System* (1757) is little more than a transcript from Cantillon's book published two years before, which Harris followed step by step in his *Essay upon Money and Coins* (London, 1757-58). Neither Postlethwayt nor Harris, be it said, makes the slightest allusion to this MS. work.

Cantillon's career.

His remarkable book.

Essai sur la nature du commerce en général. Traduit de l'anglois (the translation is fictitious). Londres (Paris), 1755. Reprinted in vol. iii. of the French version of Hume's *Political Discourses* by De Mauvillon. Amsterdam, 1775. Mutilated in a translation published under the name of Philip Cantillon, with the title *Analysis of Trade*. London, 1759. An Italian version was published at Venice in 1767, and the French original text was accurately reprinted at Boston by Professor Dunbar for Harvard University in 1892.

Cantillon's *Essay* is pronounced by Jevons to be the first systematic treatise, the cradle, as it were, of real political economy. It falls into three parts. In the first part we have a discussion of labour and land, of the elements of production, and some account of what Petty calls the right proportion between them. Further, there is a theory of values, both normal and current, of population, of the precious metals regarded as the best materials for money, and dealt with in the clearest and most accurate manner. In his seventh and eighth chapters can be found the rudiments of Adam Smith's account of the difference in the wages earned by various professions, and in his twelfth chapter we read what Quesnay afterwards said more adequately on the dependence of the various classes of society upon land-owners. In the second part, which is a brief treatise on money, there is a remarkable study of the reasons which produce the difference between the price of produce in large cities and that in country places, with an estimate of the effect of this difference upon wages and manufactured goods, and also there is a discussion of the discovery in modern times of new gold and silver mines, which has been admirably developed by Cairnes, who knew little of Cantillon at the time, in two excellent essays of comparatively recent publication. The third part of Cantillon's *Essay* deals with the theory of

Analysis of Cantillon's essay.

Production, labour, and value.

Prices in city and country.

Speculation and exchange.

international payments, and gives an analysis of speculation on the rates of exchange, which Jevons declares might easily be mistaken for a forgotten chapter in Goschen's memorable book.

W. S. Jevons, "R. Cantillon and the Nationality of Political Economy," in the *Contemporary Review*. January 1881.

H. Higgs, "Cantillon's Place in Economics" (*Quarterly Journal of Economics*. Boston, July 1892).

Stephan Bauer, the article "Cantillon" in the second part of the *Dictionary of Political Economy*, edited by R. H. Inglis Palgrave. London, 1891.

Increased interest in economics.

Economic questions which had hitherto been discussed in casual works and tracts written by students of philosophy and law about the middle of the eighteenth century, began at last to awaken a much greater interest and to be followed by a wider public.

Montesquieu.

This was doubtless due to certain writers like Montesquieu, whose *Esprit des Lois* (1748-49) looked at these questions from a political point of view, and studied financial institutions in their relation to the form of government or else in their bearing upon the advance of civilisation. Here, then, is a group of writers who, though not wholly emancipated from the trammels of mercantilism, yet aimed fatal blows at some of its most mischievous theories, as, for instance, its consecration of the vulgar prejudice about the supremacy

Berkeley on money.

of money. Of this Berkeley made short work in *The Querist* (1735-37), where he so framed a few pointed questions as to expose the popular fallacy. This achievement, however, is not unalloyed with new error, since the learned bishop betrays a propensity towards

Decker and Tucker.

paper currency. Matthew Decker did yeoman service in *An Essay on the Decline of Foreign Trade* (1744), and Josiah Tucker was even more serviceable in such tracts on special points as his *Advantages and Disadvantages of France and Great Britain* (1750), *Four Tracts*

(1774), and others, one of which, *Reflexions on the Naturalisation of Foreign Protestants*, was translated by Turgot. But Hume accomplished more than all the rest of them taken together in fixing public attention upon economic controversies. This Scotchman (1711-56) was Kant's forerunner in philosophy, and had the gift of a wonderfully clear and charming style. Indeed, Adam Smith made no secret of his admiration for Hume, who was his "guide, philosopher, and friend." Hume's great service.

It is no easy task to assign Hume's right place in the history of economics, though it is not difficult to reject the claim, made by his biographers Walckenär and Burton, that he founded political economy. It is equally perplexing to attempt a comparison between Hume and Adam Smith, since Lord Brougham, Skarzinsky, and other impartial writers place him higher, while Dühring thinks him Adam Smith's equal, and Feilbogen, whose study of the matter is extremely sound, dwells chiefly and eloquently upon Hume's shortcomings. His place in economics. Various judgments of him.

Hume's *Political Discourses*, begun in 1752 and finished in 1753, will not bear comparison on the score of coherence and unity with Cantillon's brief, systematic, and thoroughgoing performance. But Hume's title indicates a significant point of view, and he deals with the theory of population, of luxury, of circulation,— including trade, money, interest, the mercantile balance, and the working of jealousy in trade transactions,—and of finance, including taxation and public loans, but excluding capital, value, and wages. His views were instinct with liberalism and the warmest love of progress, but they had for the most part been already established in more solid fashion and by reasonings more exclusively economical. Hume himself, with the one idea of combating popular prejudice and proving the influence of economy upon civilisation, often restates certainties as if they were still doubtful, and can hardly ever resist a paradox. To these shortcomings may be attributed his failure to convince professional economists, Hume lacks originality.

His failure to convince admirers.

—even those who appreciated and praised his essays;—of the errors in their own views; his arguments were not straightforward enough, not telling enough. Darjes in Germany, Genovesi in Italy, Steuart in his own Scotland, studied Hume, but did not swerve from their mercantilism. And Turgot himself, a man of quite another kidney, contrived to reconcile his admiration for Hume with his unshaken conviction that trade is barren.

D. Hume, *Political Discourses.* London, 1752. *Essays and Treatises on several Subjects.* 1753. (Often translated into French, Italian, and German.)

S. Feilbogen, "Smith and Hume," *Zeitschrift für die ges. Staatswiss.*, 26 Jahrg., 1890, pp. 695-716.

CHAPTER VII

THE PHYSIOCRATIC SYSTEM

THE unparalleled merit of having created a scientific system of political economy, or, to phrase it better, of philosophic social jurisprudence viewed chiefly in its economic aspects, undoubtedly belongs to a man of genius named François Quesnay, founder of the physiocratic school. The name "physiocratic" was given to them after 1768, before which time they bore, as a sort of nickname, the title of "economists." When I speak of theirs as the first scientific system, I intend to convey the fact that they deduced from a few ultimate principles a perfectly homogeneous whole comprising pure economics as well as political and financial economics; what gave them their name was the basis of their system—a recognition that natural laws are paramount. Undoubtedly Cantillon made a sort of beginning of this science, which manifestly is made up of elements furnished by Boisguillebert, Petty, Locke, and Vanderlint; but still it must be called new from the moment that its originator had purged it of all contradictions, and had enriched it with original analyses of capital, of gross and net earnings, and of the relation between population and the means of subsistence. Therefore the history of physiocratic doctrines and of the swarm of books in which they are presented, commented upon, attacked, and defended, is of such engrossing interest that to satisfy it reference must be

The first system of economics

called physiocratic.

Natural laws recognised.

Quesnay's originality.

History of physiocratic views.

Unpublished monographs.

made to certain monographs, many of which have never been published. These are too frequently neither impartial nor based upon a sufficient knowledge of original sources, and they will be found recorded in the following publication, which makes up, so far as may be, in fulness for its occasional carelessness.

"Notice abrégée des différents écrits modernes sur la science de l'économie politique," in the *Ephémérides du citoyen*. Paris, 1769.

Daire's and Ferrara's materials.

A choice of the best physiocratic works was made in E. Daire's *Collection des principaux économistes* (Paris, 1846, 2 vols.), and F. Ferrara's *Biblioteca dell' Economista* (vol. i., Turin, 1850), and the latter contains good bibliographical and critical remarks. But Daire is far too kindly a judge, while Ferrara is much too severe.

G. Kellner, *Zur Geschichte des Physiocratismus*. Göttingen, 1847.

Jos. Garnier, in the article "Physiocrates," vol. ii. of Coquelin's *Dictionnaire de l'Économie politique*.

L. de Lavergne, *Les économistes français du 18me siècle*. Paris, 1860. (Charmingly written.)

G. Schelle, *Du Pont de Nemours et l'école physiocratique*. Paris, 1888. (Containing many interesting facts about the external history of the system.)

§ (1) THE SCHOOL OF QUESNAY

Quesnay's career.

Early in his career François Quesnay (1694-1774), the son of a *gentilhomme de robe* who was also a landowner, became deeply engrossed in agriculture, although by profession he was a doctor and actually wrote a notable work on physiology. In later life he was summoned to Versailles, where he became the medical attendant of Louis XV. and Madame de Pompadour, his especial

protectress. At Court he held aloof from all intrigues, and became more and more absorbed in studies, whose first-fruits appeared in various articles written for Diderot and Alembert's *Encyclopédie.* In 1756 he wrote the article on "Fermiers," and the one on "Grains" a year later. These two essays contain the germs of his system. Then he further contributed the articles on "Hommes" (lately rediscovered by Bauer), "Intérêt de l'argent," and "Impôt," but these were never published; for upon the official suppression of the *Encyclopédie* it became a clandestine publication, from which he withdrew. His famous *Tableau économique* was printed, but not published, in 1753, went through a first edition, after which came a second and much-altered one of three copies only. Bauer has recently had the good fortune to stumble upon one of the three. This second edition contains a numerical table which describes the circulation and distribution of wealth among the various classes of society. By way of explanation here, we find what Quesnay calls *Extrait des économies Royales de M. de Sully.* These were elaborated afterwards and published by Quesnay as "Maximes générales du gouvernement économique d'un royaume agricole" in Mirabeau's *Philosophie Rurale* (1763). Quesnay further wrote such pamphlets as *Le problème* and *Second problème économique;* his *Droit naturel* (1768) records his philosophic and juridical theories; and finally his *Dialogue sur le commerce et les travaux des artisans* is a defence of his doctrines, and contains a detailed account both of his method and his manner of conducting an argument.

Articles in Diderot's *Encyclopédie.*

Bauer's late discoveries.

Quesnay's maxims.

Quesnay's pamphlets.

Physiocratie, etc., *recueil publié par Du Pont.* Leyde et Paris, 1767-68. 2 vols. Reprinted at Yverdun, 1768, in 6 vols.

Consult Aug. Oncken's article "Quesnay" in Conrad and Elster's *Handwörterbuch der Staatswissenschaften.* 1893.

Fr. Quesnay, *Oeuvres économiques et philosophiques, avec une introduction et des notes*, par Auguste Oncken. Frankfurt a. M., 1888. This edition is preferable to those of Pont and of Daire, and is copiously annotated. Other works and letters of Quesnay will speedily be published by Bauer, who has already given some account of them in the *Jahrbücher für Nat. Oekonomie*, N. F., vol. xxi. August 1890.

Mirabeau Quesnay's disciple.

Quesnay's oldest and most fervent disciple was Victor, Marquis de Mirabeau, who is the author of a considerable number of verbose and declamatory volumes. In the earlier parts of his *Ami des hommes, ou traité de la population* (Avignon, 1756), Mirabeau defended the old-fashioned doctrine of population, and has much to say in favour of small holdings, because they give work to a larger number of native peasants. But upon his conversion to physiocratic doctrines he appended three new volumes to those already written, and wrote a commentary upon the sibylline production called the *Tableau économique* (1760); but in 1770 Baudeau gave a far better explanation of it. Mirabeau's *Théorie de l'impôt* (1760), taken in connection with Saint-Péravy's *Mémoires sur les effets de l'impôt indirect* (1768), gives a fair summary of the master's finance. Mirabeau also wrote *Économiques* in 1769, but of all his productions the best appeared in 1763, and was called *Philosophie rurale ou économie générale et politique de l'agriculture.*

His conversion.

The sect of Quesnay.

Next in the order of seniority as well as in zeal for propagating the new system comes Samuel Du Pont (1739-1817), the last survivor of the school which he defended against Say, who, like Adam Smith, called it a sect on account of the unswerving adhesion given through thick and thin to the master's doctrines by his devoted disciples. Du Pont should, however, be credited for his fearless opposition to *Assignats*, and for his instrumentality in carrying through the wise reforms of the

Constituent Assembly in the matter of taxation. In the discussions that then arose Du Pont was always called *Du Pont de Nemours*, to distinguish him from another man of his name. He was Turgot's fast friend, and helped him with his reforms; he had to do, now as editor-in-chief and now as a contributor, with both of the physiocratic reviews, the *Journal de l'agriculture, du commerce, et des finances* (1765-66), and the *Ephémérides du citoyen* (1766 ff.), where he printed a swarm of articles which were not always the fruit of ripened thought. Schelle, in his monograph already cited, gives a painstaking account of all Du Pont's works.

Du Pont de Nemours.

Far better interpreters of physiocratic doctrine were such men as Mercier de la Rivière, Baudeau, and Letrosne, not to mention other and lesser lights like Abeille, Condorcet, Bosnier de l'Orme, Bigot de Sainte Croix, Chastellux, and *abbé* Morellet, who joined Mercier and Baudeau in defending absolute free trade in corn, and other cognate doctrines, against Galiani.

Leading physiocrats.

Mercier de la Rivière, Governor of Martinique, was the author of a book which Adam Smith, though he errs in calling it small, declares to be the best statement ever made of physiocratic doctrines. Once read all the forty-four chapters of this work,—Daire manages to cut it down to eighteen,—and you have mastered a faithful analysis of the philosophical aspects of the new system, as well as an account of the political ideas of those among its adherents who originated the famous doctrine of legal despotism, so repugnant to others of the "sect,"—Turgot, for instance, and Du Pont.

Rivière's book and its critics.

Mercier de la Rivière's *L'ordre naturel et essentiel des sociétés politiques* (Paris, 1767) provoked Voltaire's famous satire, *L'homme aux quarante écus*, which did not prevent its author from entertaining a genuine regard for Quesnay, or interfere with his great admiration for Turgot.

Voltaire satirised Rivière.

The *abbé* Baudeau began as the adversary, and ended as the ardent disciple of Quesnay's new doctrine,

The *abbé* Baudeau.

and to him are due a number of very interesting articles in the *Ephémérides du citoyen*, as well as a compendious statement of Quesnay's views which, for clearness as well as for certain touches of originality, is far superior to anything from the pen of Mirabeau, Du Pont, or Mercier.

Abbé N. Baudeau, *Première introduction à la philosophie économique, ou analyse des états policés.* Paris, 1771.

Letrosne on currency.

Letrosne must not be left without due mention here. A jurisconsult like Mercier de la Rivière, and the author of a rather feeble reply to Condillac's memorable assault upon the doctrine of the unproductivity of manufactures and trade (1776), Letrosne wrote in 1777 a book entitled *De l'ordre social*, the second part of which is especially noteworthy. Dealing there, under the heading *De l'intérêt social*, with money and circulation, he contributes several very sound observations of his own.

§ (2) TURGOT

Turgot's life

Anne Robert Jacques Turgot (1727-81) was for years the official in charge at Limoges, and then for a short time (1774-76) a minister of Louis XVI. His fame rests quite as much upon the reforms which he instituted as upon the books which he wrote. His reforms reorganised the national finances, and delivered agriculture from the strait-jacket in which for centuries it had been confined; at least these reforms would have accomplished this, if the weak king had not instantly abolished them, and abandoned his ministry to the mercies of Court intriguers, and the opposition of privileged classes. All this made shipwreck of reforms which, though substantially wise, were in themselves foredoomed to failure, because they contained no sufficient provisions for making gradual and partial changes, but contemplated the sudden sweeping away of the old

order to make room for the new. See Foncin's *Essai sur le ministère de Turgot* (Paris, 1877).

and works. Turgot deserves a place quite by himself among the economists of his day, because of the variety and solidity of his attainments and the versatility in argument displayed in his books, and in the official memorials for which he is responsible. Du Pont (*Œuvres de Turgot*, 1809-11, 9 vols.) and Eugène Daire (the same, 1844, 2 vols.) have collected all he produced, and the range and multiplicity of subjects and the variety of treatment there apparent are most remarkable. Soberness, methodical arrangement, clearness of statement, soundness of logic, and a praiseworthy independence which restrains him from adopting blindly the master's opinions whether right or wrong,—all these qualities combined in Turgot's work make it impossible to count him among Quesnay's outright followers, though it remains true that he follows Quesnay in most important matters to such an extent as to embrace the errors of the very school of which he declared himself independent. This he was not, though writers are not lacking who maintain the contrary. The study of his writing has become a very simple matter, thanks to the abundant supply of monographs, which of course vary in importance, since many of them are to some extent special pleas on his behalf.

A. Batbie, *Turgot, philosophe, économiste et administrateur.* Paris, 1861.

A. Mastier, *Turgot, sa vie et sa doctrine.* Paris, 1861.

Tissot, *Turgot, sa vie, son administration et ses ouvrages.* Paris, 1862.

H. v. Scheel, "Turgot als Nationaloekonom," in the Tübingen *Zeitschr. für die ges. Staatswiss.*, 24 Jahrg., 1868, pp. 243-270.

Fr. v. Sivers, "Turgot's Stellung in der Geschichte der Nationalökonomie," in Hildebrand's *Jahrb. für Nat. Oek.*, Jena, 1874, pp. 145-208.

A. Neymarck, *Turgot et ses doctrines.* Paris, 1885. 2 vols.
L. Say, *Turgot.* Paris, 1887.
S. Feilbogen, *Smith und Turgot.* Vienna, 1893.

Turgot on money and the corn trade.

Among various attempts by Turgot to deal with single points on special lines of argument may be mentioned his letter to the *abbé* Cicé on paper currency (1749). This was written when he had barely reached his twentieth year, but contains brave arguments against the tricky reasonings of Law's disciple Terrasson. Further there is his "Valeur et monnaies" (1770), contributed for his friend Morellet's *Dictionary of Commerce*, his memorial *Sur les prêts d'argent* (1769), his still authoritative discussion on *Mines et carrières*, his brilliant letters on *La liberté du commerce des grains* (1770), and finally his multifarious disquisitions on taxation, and his *Relations officielles* (1762-74), on the levying of the tax known as *la taille*,—a poll-tax,—where he discusses capital, wages, rents, and public loans. To this list much might be added if space allowed.

Du Pont and Turgot.

His *Réflections sur la formation et distribution des richesses* was written in 1766, and published at the end of 1769 in the *Ephémérides du citoyen*, but not without whimsical emendations by Du Pont, which have not been eradicated from all, but only from a few of the later editions of this work. On the one hand, this work states in a clear and taking form the common doctrines of the physiocrats, but it also marks a step forward in the history of our science, since Turgot achieved in it a complete separation of economics from jurisprudence. It therefore deserves to be entered in red-letter, as the first scientific treatise on social economics. Mirabeau, Mercier, Baudeau, and all the rest of them, went on with the time-honoured mixture of Law and Economics, but Turgot's memorable work really anticipates, as its title shows, classifications which the future was to recognise as final.

In reason and history he seeks the genesis of economic data, pitching upon the unequal distribution of property in land as the chief ultimate cause of economic progress, since this inequality first brought into contact by way of exchange various individual schemes of economic activity, and since by this inequality those unprovided with property in land were forced to sell their labour and their produce to the landowner. Under this compulsion they cultivated land not their own, first as slaves, second as servants, third as vassals, fourth as planters, and fifth as tenant farmers. These five stages Turgot represents as forming a progressive movement onward and upward. The necessity of exchange fixes values in terms of money, the prevailing form assumed by capital, whose various industrial functions Turgot proceeds to examine. Then he clears up the economic relations between proprietors, cultivators, artisans, traders, and professional men, by rating the value of their direct and indirect services, and fixing the quota which distribution assigns to them respectively. On interest he dwells especially, claiming that capital should be untrammelled in its earnings, because, he argues, every man who borrows can buy with the sum thus put at his disposal a plant, which will earn profits, and these profits he is bound to share with the lender. The insight shown by these purely economic analyses, and the wisdom shown in connecting each by unimpeachable reasoning with all the others, mark the point of transition from Quesnay to Adam Smith, and constitute the great contribution of Turgot to knowledge, since in originality he is equally inferior to them both.

Turgot on progress, distribution, and interest.

§ (3) THE BASES OF THE SYSTEM

The doctrines of the physiocrats form a whole system of economical jurisprudence in public concerns, elaborated on the basis of their analysis of the pro-

Canons of the physiocrats.

duction and distribution of wealth, which leads to the inevitable establishment by unimpeachable reasoning of a number of canons for financial and economic practice and theory.

Quesnay's economical jurisprudence begins by positing an "order of nature," borrowed, as Bauer's comments on Hasbach indicate, from Malebranche, whose *Traité de la morale* (1684) is appealed to as a final authority in Mirabeau's preface to his *Philosophie rurale*. The unhesitating adoption of such a principle as self-evident was a matter of course in those days; for the current theories of human happiness all took for granted an original and blessed state of nature which had only been marred by human institutions. Thus far Quesnay goes hand in hand with Rousseau, but not farther, for he rejects the Social Contract, and the Sovereignty of the people. Between Quesnay and his physiocrats on the one hand, and Grotius, Puffendorf, and Hutcheson on the other, a great gulf is fixed. The former discuss ownership, liberty, labour, and trade almost invariably as connected with public law; the latter include in their general treatment of private law the more or less that they have to say on the theory of the burden of contracts. Quesnay and his school regarded the order of nature as a complex of laws—using law in its strict juridical sense—which emanate from the will of God and are comprised in what may be termed an eternal and universal code, whose provisions are engraved in unmistakeable characters upon every man's conscience. This granted, absolute and imperative consistency with this code is the first demand to be made of all laws definitely enacted. These last Du Pont declares can do nothing more than promulgate other and real laws, which are in the nature of things; that is, positive enactments can guarantee only two prime requirements of man, liberty and private ownership, nothing more and nothing less. This done, free play is assured for men's native aptitudes of various kinds, and also a

The order of nature.

Laws to maintain liberty and ownership.

recognition of the absolute necessity of using capital for making the soil more fruitful.

The analysis of territorial production is made to depend upon the theory of the distribution of net produce, as set forth in tabulated form by the *Tableau économique*, and opens with a new and original classification of capital into (1) *avances foncières*, invested to improve and extend the area of cultivation; (2) *avances primitives*, which are invested in the original farming plant of animals, machinery, and other things; and (3) *avances annuelles*, invested annually in such things as seed and manure. Take, then, the gross earnings, subtract from it what Turgot calls the *reprises*, which include (1) the cost of cultivation, and (2) the profit going to tenants, metayers, or paid workmen, and your net earnings remain, constituting the annual increase of national wealth, which supports the State and goes toward the increase of accumulated capital. Economically speaking, society falls into three classes—(1) producers who either for themselves or for others carry on territorial industry, also called agrarian or extractive; (2) the sterile class, also called the stipendiary class, which is constituted by (*a*) tradesmen who move wealth, (*b*) artisans who refashion it, neither of these making additions to what Letrosne calls its quantity, and (*c*) professional men, whose services are useful, often absolutely indispensable, but who do not swell the net production, as Quesnay and Turgot phrase it, of wealth, and this because the increase of value attached to raw materials as the result of their transformation by skilled labour corresponds to the values of things consumed in their production by way of implements, auxiliary materials, and wages. Finally, there is (3) the landowning class, called *disponible* by Turgot. Members of this class live without working, and receive the net product earned, in compensation for their capital, which is sunk in the soil under cultivation.

Net earnings.

Political economy, according to the physiocrats, is

Absolute liberty.

nothing if not a simple affair, whose negative sum and substance is contained in its one counsel of perfection—*laissez faire, lassez passer*—amounting to a declaration in favour of absolute liberty, according to the dictates of the order of nature, which secures that each producer, under the impulse of his private and proper interest, shall co-operate in achieving general prosperity without the least need of any interference whatsoever on the part of governing authorities. However, Quesnay and his school argue in favour of the economic advantages of industrial and commercial liberty in a fashion quite apart from anything heard nowadays from free-traders. Their point was that liberty is the one thing which, by diminishing the expenses of living for the productive class, will augment the net product earned by the simple action of competition. They aim at a good market for manufactured goods, but are equally keen about maintaining a high price for the products of the soil. Cut down the active functions of the State to a simple maintenance of social order, and it is easy to understand that you will not consider the question of the particular form of government a burning one. This was naturally the view of the physiocrats, who even went so far,—and not illogically,—as to prefer a strong government in one man's hands to that of an assembly. They considered such a man far more likely to be independent and amenable to arguments in favour of such reforms as would shake the shackles from industry, as well as more able to carry them out.

Taxes fall on rents only.

They accepted Locke's and Vanderlint's doctrine as to the final incidence of all taxation on land rents, or as they phrased it, on the net product earned, and even went farther with it, inasmuch as according to them competition was sure to reduce wages and profits to a minimum where no margin was offered for levying taxes. Accordingly, they were strictly logical in concluding that public interest at large, as well as that of the taxed in particular, called aloud for the abroga-

tion of many taxes and the substitution of one sole tax made directly upon the net product earned. Surely this change was from every point of view desirable, they argued, since it would diminish the expenses of collection, and do away with the vexatious and burdensome expedients for levying taxes, unavoidable under any other system.

Adam Smith and the physiocrats.

The physiocratic system is a thorny subject for any one seeking to pass judgment upon it in an impartial spirit. Even when it is confronted with the purely empirical notions and schemes which it supplanted, its truths and its errors, its defects and its perfections, seem to counterbalance each other, when it is examined impartially. No wonder, then, that it has been treated as a ridiculous and Utopian scheme by its pronounced opponents, as well as by all who have failed to perceive that it was not identical in all substantial respects with the views of Adam Smith.

Merits of the physiocrats.

The truth, however, remains that Quesnay's school achieved the analysis of production and distribution at large, and of the functions of capital as such, which it clearly distinguished from the particular form of capital called money. This analysis is a triumph of subtlety and thoroughness, in spite of many errors undoubtedly attaching to it. Furthermore, this school was the first to establish and insist upon the importance of agriculture, and to deal a last and decisive blow to the notion of the economic omnipotence of the State. This was accomplished by proclaiming freedom for labour and for trade, and by instituting radical reforms in the detestable systems of taxation everywhere in vogue until the physiocrats appeared. On the dark side of the picture it may be noted that, however rigorous the logic of the physiocrats may be, their deductions were made from first principles of law and economics, which are either devoid of truth or vitiated by inaccuracies, and which are tainted by a residuum of the very theory against which the physiocrats pro-

Fallacies of the physiocrats.

tested so vehemently—Mercantilism. The notion of an order of nature so conceived as to form the necessary basis of any real science of economics, was elaborated by the physiocrats into the arbitrary and laughable hypothesis that certain laws existed which were applicable at any time, in any place, and at any moment, without the least reference to historical precedent or varying degrees of civilisation. The origin of what was called the net product or earnings was accounted for by the physiocrat as a boon granted by the bounty of nature; but the fact is that it results from the limitation, the unequal fertility, and various situations of farm lands. Quesnay and his school might have far greater credit for drawing as they did distinctions between productive and unproductive labour, and between original and derivative earnings, if they had not instantly embodied this truth in their precious doctrine of the inherent sterility of manufactures and trade. Some attribute this curious error to bad physics, and a crude notion that the products which earth grows are an addition to the material of the universe; others trace it to bad economics, and the baseless assumption of equality between values produced and values consumed in the course of production at large, or else to a one-sided consideration of the true interdependence of agriculture on the one hand, and trade and manufactures on the other. According to this last view, the physiocrats rightly remembered that trade and manufactures depended upon agriculture, but were wrong in forgetting that agriculture depended upon trade and manufactures. After all, the real cause, or the leading one, has never been quite clearly grasped; for their most deep-seated errors flow from their identification of the common weal with the individual concerns of special classes. This led them to face economic facts from the point of view of what they called producers,—*i.e.* of those who tilled the soil,—to the exclusion of that of consumers. Accordingly they

The bounty of nature.

Consumers left out.

never perceived that cheapness for products of arts and trade was quite as desirable as cheapness for produce, and they include wages, interest, and profits in the expenses of production regarded as a concern of society at large, whereas these should be rated as earnings. Moreover, the net produce or earnings does not come solely from land-rent, but also from the wages, interest, and profits just mentioned, since the physiocratic law regarding the indispensable minimum required to maintain labourers breaks down in many given cases. Another serious error of Quesnay's school was their assertion of *laissez faire* as a scientific axiom, when it is no better than any other excellent rule of thumb, and requires frequent violation in cases where otherwise there would be collision between private interests and the common weal.

Lastly, the physiocrats were both practically and theoretically in the wrong with their single tax on land. In practice it was simply not to be thought of, in theory it depended on their notion about the impossibility of levying taxes on wages and profits, which, according to their groundless hypothesis, were inexorably fixed by competition at a minimum price. In a word, after we have expressed to the full all due appreciation of the physiocrats for espousing the cause of real science and sound practice against the fallacies of mercantilism, and the tyrannies of economic despotism, they stand convicted of many errors which are embraced even now by the optimistic school of economics—errors, too, which some people persist in saddling upon Adam Smith and his followers. The single land-tax.

Et. Laspeyres, "Quesnay, Turgot und die Physiokraten," in Bluntschli and Brater's *Deutsches Staatswörterbuch*, vol. viii., 1864, pp. 445-455.

N. G. Pierson, "Het Physiocratisme," in *De Economist*. 1880. (An admirable criticism.)

H. Denis, "Des origines et de l'évolution du droit

économique. La Physiocratie," in *Littré's Philosophie Positive.* 1880.

§ (4) THE INFLUENCE OF QUESNAY'S SCHOOL OUTSIDE OF FRANCE

The latest French physiocrats.

Quesnay's system was represented at the last in France by Germain, Marquis de Garnier, who published his *Abrégé élémentaire des principes de l'économie politique* in 1796, and Dutens, whose *Philosophie de l'économie politique* appeared in 1835. Contemporaries of these two were Theodor Schmalz (1760-1831) and Karl Arnd, whose *Die Naturgemässe Volkswirthschaft* appeared in 1851. These were the last of the school in Germany. In England it never found followers at all. But it counted a certain number of adherents among men of moderate powers in various other countries, such as Strojnowski in Poland, Prince Galitzin in Russia (1796), to whom might be added a handful of Germans and Italians.

German physiocrats.

Among German physiocrats, besides Fürstenau and Springer, should be named Isaac Iselin, a Swiss, who founded the periodical *Ephemeriden der Menschheit* (1776-82); the indefatigable Johann August Schlettwein (1731-1802), author of a compendious work called *Grundfeste der Staaten oder Politische Œconomie* (1779); Jakob Mauvillon (1743-94), a profounder thinker than Schlettwein, as is shown by his *Sammlung von Aufsätzen* (1776); and finally, Karl Friedrich the Markgraf of Baden (1728-1811), who inserted in the *Ephémérides du citoyen* a sort of synoptical tabulation of economics called "Abrégé des principes de l'économie politique" (1772), which many agreed with Daire in attributing to Du Pont de Nemours, although he simply improved and rewrote it three years later under the title "Table Raisonnée des principes de l'économie politique" (Carlsruhe, 1775). The Markgraf above named

made the experiment of one single tax in the villages of Theningen and Balinghen, between 1770 and 1776, and in Dietlingen between 1770 and 1792. Emminghaus shows conclusively that Schlettwein's account of the new doctrines was clumsy, and that Schlosser, who took up the tale from Schlettwein, was, to say the least, but a half-hearted adherent; and therefore he maintains that the experiment tried for so short a time, and on such an insignificant area, cannot by its disastrous failure afford reasonable data either for or against the physiocratic system at large, or its special adaptability to certain cases. Experiment with the single tax.

A. Emminghaus, "Karl Friedrich's von Baden physiocratische Verbindungen, Bestrebungen und Versuche," in the *Jahrbücher für Nat. Oekon.*, 10r Jahrg., 1872, pp. 1 ff.

W. Roscher, *Geschichte der Nat. Oekonomik in Deutschland*, Munich, 1874, pp. 480-500.

See also F. von Sivers, in the *Jahrbücher*, just cited, 13r Jahrg., 1875, pp. 1-15.

The physiocrats undeniably influenced the Tuscan ministers, who carried through the so-called Leopoldine reforms. These statesmen had certain translations of French works and pamphlets — Coyer, Baudeau, Bosnier de l'Orme, and others — made and published, in order to popularise the general views which governed their policy. Zobi's *Manuale storico delle massime e degli ordinamenti economici vigenti in Toscana* (1847), and Montgomery Stuart's *History of Free Trade in Tuscany* (1876), as well as Abele Morena's indispensable and conscientious monograph on economic reforms and theories in Tuscany, — published in the Florentine *Rassegna Nazionale* from 1886 onward, — have duly and fully stated the course of events in Tuscany; and the significant fact to be dwelt upon just here is after all the failure of Quesnay's doctrines to secure anything like unconditional adhesion. Those who were wedded The Leopoldine reforms.

Italian physiocrats.

to them for better or for worse are few in number: Melchiore Delfico (1788), Nicola Fiorentino, and Neri (1767), besides four writers on the corn laws who came after him, and have not been named above, viz. Scottoni (1781), Mario Pagano (1789), De Gennaro, in his *Annona* (178?), and Scrofani in his *Memorie di economia politica* (1826); also four writers on Finance, viz. Adamo Fab' roni, mentioned in 1778 by Balletti, Giuseppe Gorani (1771), Giovanni Paradisi (1789); and above all, Giuseppe Sarchiani, a Tuscan, and author of the pamphlet *Intorno al sistema delle pubbliche imposizioni* (1791). On the other hand, there were many who reconciled a ready welcome given to the new theories with a refusal to let all their old ones go by the board. For instance, Paoletti, in his *Veri mèzzi di rendere felici le società* (1772), favours sumptuary laws; Filangieri (1752-88) combines enthusiasm for free trade and for one single tax with a steadfast faith in the balance of trade as expounded by mercantilism; Briganti adheres to the notion of compensatory tariff rates, and yet discourses upon the usefulness of commerce; D'Arco begins in 1771 by spreading full sail to the breeze of mercantilism, and then, so far at least as corn laws were concerned, in 1775 goes off on the tack of eclecticism, but finally, in 1788, brings up with Ortes in the haven of complete free trade; last of all may be named Mengotti, who published his *Il Colbertismo* (Florence, 1792) as an attempt to point out the precautions that must necessarily be taken to pave the way for free trade.

Mercantilism and the physiocrats.

Gaet. Filangieri, *Delle leggi politiche ed economiche.* 1780. This is the second book of his *Scienza della legislazione.* Reprinted by Custodi, *Parte mod.*, vol. xxxii.

Filippo Briganti, *Esame economico del sistema civile.* Napoli, 1780. Also in Custodi, *Parte mod.*, vols. xxviii. and xxix.

Count Giov. Batt. Gherardo D'Arco, *Opere.* Cremona, 1785. Vols. i. and iii.

§ (5) THE PHYSIOCRATS AND THEIR CRITICS

Useless attacks on physiocrats.

It would serve no reasonable purpose to catalogue here the swarm of writers who, during the eighteenth century, entered the lists to do battle against all and several of the physiocratic doctrines, and this for the sufficient reason that no good came, so far as the progress of knowledge goes, from all this bandying of arguments to and fro. One man gravely requires that mercantilism be regalvanised into life; the next man presents you with a patent combination of new theories mixed with old ideas; after him you come upon zealots fired with controversial ardour against this or that incontrovertible dictum of the physiocratic school. Of these there are some who offer utterly false views of their own as a substitute; others will admit such premisses of the antagonist as the incidence of taxation on net earnings, and then gloriously proceed with purely practical objections against the inevitable conclusion to be based upon such a premiss—the doctrine of one tax only. Others again will begin by refuting the manifest errors of the new school, such as, "that commerce and the arts are barren," "that the interest of the individual and that of the community are identical," or the physiocratic theory for levying taxes; but they then pass on and either oppose these by other errors of their own devising, or by assertions of their own not backed by argument or proof. Several critics belonging to these categories have been mentioned above,—Forbonnais, Steuart, and Justi, for instance; Kautz gives some account of others, especially German ones, and Roscher gives all and more than is wanted about them in his *History* (pp. 494-592). Justus Möser (1720-94), one of their number, certainly enjoyed great considera-

Möser.

tion in Germany, and in his *Patriotische Phantasien*, published in 1774, he attacks the division of labour, industries organised on a large scale, free exchange, and defends feudal restrictions upon property-holding corporations, coupling opposition to all means for increasing population with arguments in favour of higher wages, unlimited trade in bread-stuffs, and the development of agriculture by loans. A greater name outside of Germany was achieved by Büsch and Herrenschwand, who attach much importance to Quesnay's and Smith's doctrines, but abandon few if any of the prejudices of mercantilism, being particularly addicted to the notion that nothing is more vital than the question of circulation and of the amount of current coin. Johann Georg Büsch (1728-1800) was director of the Hamburg Commercial Academy, and busied himself in his voluminous works with technical details of banking, currency, and commerce at large. Here and there he is not only sound but original, especially on the subject of rents, agrarian schemes, economical crises, and population. But Herrenschwand's views upon the last of these topics are peculiarly important, since he is generally regarded as one of the many predecessors of Malthus.

Büsch and Herrenschwand.

L. Rupprecht, *Justus Möser's sociale und volkswirthschaftliche Anschauungen.* Stuttgart, 1892.

J. G. Büsch, *Kleine Schriften über die Handlung.* 1772. *Abhandlung von Geldumlauf.* 1780. 2 vols. *Theoretisch-praktische Darstellung der Handlung.* 1792. 2 vols. *Sämmtliche Schriften.* Vienna, 1813-18. 16 vols.

Herrenschwand, *De l'économie politique moderne.* London, 1786. *De l'écon. polit. et morale de l'espèce humaine.* 1796. 2 vols. *Du vrai principe actif de l'écon. polit.* 1797.

Useful critics.

On the other hand, Galiani, Condillac, Beccaria, Verri, and Ortes deserve far greater attention on various

grounds, and particularly for their fresh investigation into the principles upon which the science was based, since their new ideas prepared the way for its further progress.

Condillac's influence upon economic theories has been quite recently pointed out by Macleod, who has accordingly deserved the gratitude of economists. Condillac contrived not only to refute the physiocratic error touching the barrenness of manufactures, but also evolved in so doing a whole theory of value which largely anticipates the thesis maintained in that field by a famous school of the present day. Still, Macleod's draft upon our appreciation of his man is too large, when he urges that Condillac initiated a new era, the fact being that his predecessors—Galiani, Turgot, and Letrosne—had shown equal breadth of mind and soundness in dealing with the same subject. According to Condillac, the utility of a given quantity of this or that determines its value, and he shows the mutual advantages accruing to both parties concerned in exchange when they receive wealth, to which they attach a value greater than the wealth given by them in return.

The barrenness of manufactures.

Condillac, *Le commerce et le gouvernement*, in 1 vol. The only edition came out at Paris and Amsterdam in 1776.

§ (6) GALIANI BECCARIA VERRI ORTES

Abate Ferdinando Galiani of Naples (1728-87), a finished writer, skilled both in economics and jurisprudence, brought out when barely twenty years old a translation of Locke's works concerning money. This fact is material, since there are unmistakeable marks of Locke's influence in Galiani's classical treatise of 1750, to which allusion is made above (Chap. III. § 2). After this treatise came his "Dialogues" on the corn trade,

Galiani's works.

written while he was a Secretary of Legation in Paris. The lively controversy which these roused gave Galiani a European reputation. His book on money is generally sound and lucid, in spite of the always unmistakeable mercantilism that underlies it, and in spite of his partiality, caught perhaps from Melon, for allowing a debasement of coin in certain emergencies. He there gives a defence of the right to charge interest, a chapter on the course of exchange, and above all a theory of value; see Graziani's clever account of this last in his *Critical History*. Galiani was in fact one of the most important precursors of the view that value is ultimately determined by the concrete utility of given amounts of goods, and this utility, he thinks, is fixed by the varying intensity of men's needs. He further makes some mention of time as influencing value, and also touches upon the reciprocal interdependence of value and demand. In his Dialogues, written to show the impossibility of defending one system, and one only, whether of restriction or of liberty, which shall always apply to the corn trade, the author proves himself more than a powerful dialectician, for he to a certain limited extent anticipates the position of the modern historical school in disposing of the claims to finality and universality made by physiocratic dogmatism. This stands convicted by him of fallibility when confronted with facts, and of a too lofty independence of the varying conditions of time, place, and environment which must condition all general statements, even those of the physiocrats defining ideal economic institutions.

His mercantilism.

Value in use.

F. Galiani, *Dialogues sur le commerce des bleds.* Londres (Paris), 1770. A new and enlarged edition appeared at Berlin (1795) in two volumes; they were translated into German by Barkhausen (1777), anonymously (1778), and by Beicht (1802).

See also L. Diodati, *Vita dell' abate F. Galiani.* Naples, 1788. C. Ugoni, *La letteratura italiana*, vol. i.,

Milan, 1856, pp. 191-357. F. Fornari, *Delle teorie economiche nelle provincie napoletane.* Milan, 1888.

Beccaria's works.

The Marquis Cesare Beccaria (1738-94), famous as the author of the book *Dei delitti und delle pene* (Leghorn, 1764), published a *Prolusione* or "Prologue" in 1769, and wrote lectures on economics (1769-70), which remained unpublished until 1804: he also supported Verri and Carli in pushing through very necessary financial and economic reforms in Lombardy which affected the corn trade, the current coin of the realm, the standard weights and measures, and included the abolition of trades guilds (*corpi d'arte*) and of the practice of farming the taxes. Pascal Duprat, in the *Revue moderne* (1865), has shown himself too harsh a critic of Beccaria's *Elementi d' economia pubblica*, where the clearness of thought and expression is only equalled by the vigour and rigour of the logical processes applied. After this book no one should be surprised to find our author showing special gifts in applying mathematics to his subject, as in fact he did most expertly in an "Analytical Essay on Smuggling," published at Brescia (1764), in the periodical called *Caffè*. Inspired by this production, Guglielmo Silio, a Sicilian, produced something of the same kind in 1792. Upon the occasion of a journey to Paris where he made a short stay in 1766, Beccaria became personally acquainted with representative physiocrats, and substantially embraced their leading doctrines, but without breaking away entirely from the canons of mercantilism. Against corporations he declared war, and repudiated prohibitions of all kinds; as for the corn laws, he imitated Galiani in having no theory beyond eclecticism, but, unlike Galiani, he always leaned towards liberty in this matter. This did not, however, prevent him from defending, against Carli's vigorous opposition, bounties offered for the exportation of bread-stuffs, nor did it

Beccaria and the physiocrats.

make him the less inclined to defend a protective tariff. No doubt Say has gone too far in lauding Beccaria's originality, so far as the analysis of the functions of capital goes, for on this topic he gives only what the physiocrats lent him; Pecchio and all the rest of those who make analogous claims for his treatment of the division of labour are equally mistaken, and so is Ingram in his similar commendation of Beccaria's account of the causes producing different rates of wages in different occupations, for Cantillon made all these points long before; but for all that Beccaria extorts praise from the most unwilling by his sound treatment of population (Chap. III. § 1), and still more by his masterly analysis of the law of normal value both in cases of monopoly and of open competition; see Graziani's book above mentioned, pp. 72-76.

His originality.

C. Beccaria, *Elementi di economia pubblica.* 1769. See Custodi's *Raccolta, P. mod.*, vols. xi. and xii. (1804), and vol. iii. (Turin, 1852) of Ferrara's *Biblioteca dell' Economista.* Translated into French. Paris, 1852.

See also Cantù's accurate biographical notes in his *Beccaria e il diritto penale* (Florence, 1862), and those of A. Amati and A. Buccellati in their *C. Beccaria e l' abolizione delle pena di morte.* Milan, 1872.

Beccaria's contemporary, colleague, and personal friend, Count Pietro Verri, was also a Milanese, and lived from 1728-97. In genius as well as in literary culture and scientific attainments Verri was no match for Beccaria, but he outdid him in economics, for his writings are both more numerous and more solid. Verri was not deluded for a moment by the glamour of the physiocratic dictum that all forms of manufacturing industry were barren. Mercantilism, however, had a certain power over his judgment; its prejudices lurk in various writings of his, particularly

Verri's works.

in his *Elementi del commercio* (1765). Nevertheless a whole chapter of liberalism may be gathered out of his "Reflections on hampering Laws, especially those imposed upon the Corn Trade," which were written in 1769 and printed in 1796. Elsewhere—as in his *Memorie sull' economia pubblica dello Stato di Milano* (1768), published in Custodi's *Raccolta* (vol. xviii.)—he shows an equal power of insight when describing the causes of the decay of Lombard trade and manufactures under Spanish rule.

In his *Meditations on Political Economy* (1771) Verri not only produced something far fuller and far clearer than Beccaria's *Elementi*, but the book is the best compendium published in Italy during the eighteenth century; in fact, but for Turgot's *Reflections*, which came after it, there would be nothing from any quarter to dispute its pre-eminence. In one respect certainly, if not in any other, Verri outdoes even Turgot, since his account of production is based upon a more accurate analysis and a more comprehensive survey of the facts. To begin with, he notes that man, whether engaged in agriculture or in manufactures, never creates new things, but only combines or separates what is under his hand; (see the third section) At this point curiously enough his insight fails him, and he repeats the old error of putting tradespeople into a special category of middle-men pure and simple, standing between producers on the one hand and consumers on the other. His *Meditations* deserve to be called a systematic treatise on economics, inasmuch as they are an investigation into the various causes at work for and against the accumulation of wealth in a given country, the causes allowing or hindering a surplus of production, which he says approaches the maximum only by a continuous increase in population.

Analysis of his *Meditations*.

Here Verri parts company with Beccaria, and favours small holdings, making a vigorous onslaught upon the too great concentration of landed property in single hands,

He favours small holdings.

which he regards as just as much an infringement of lawful freedom as are direct restrictions imposed upon industries and trade. In fact, seeing that universal free trade is not attainable, our author allows protective tariffs, and thus—as Pierson has acutely perceived—he anticipates the views now current under the name of Fair Trade. Furthermore, he justifies such protective tariff duties by pointing out the practical impossibilities and the scientific fallacies involved in the physiocratic argument requiring one single tax upon land only. Taxation, as a matter of fact, falls upon the whole community more or less, and not upon landholders only; therefore, he argues, protective tariff duties must be combined with taxes directly imposed in any and every sound system of State finance. Finally, Verri attaches paramount importance to his theory of value, which materially diverges from Beccaria's. Almost confining himself to an account of current value, Verri makes it depend upon the law of supply and demand. This last he expounds in conspicuously infelicitous terms, going on at a great rate about the number of buyers and sellers, and landing himself in a formula, which has been ventilated, argued about, amended, and defended by Frisi, Gioja, Valeriani, and Rossi; see Graziani's work already cited, pp. 113-131. One thing it is high time to mention, and that is that, through a misprint in Pellegrino Rossi's *Cours d'économie politique*, which has thus far escaped every one's notice, many Italian treatises—not to mention works printed abroad—are enriched by the mention of a certain Richard Roe named "Ferry," who exists for the purpose of fathering Verri's formula of demand and supply.

Verri rejects the single tax.

Value, supply, and demand.

P. Verri, *Meditazioni sull' economia politica.* Livorno, 1771. Reprinted several times with additions by the author, and now and again,—as in vol. xv. of Custodi's *Raccolta*, and vol. iii. of Ferrara's *Biblioteca*,—with G. R. Carli's rather ill-natured

comments. Printed also with Verri's philosophical works. Three French translations were made, the first by Mignard (1773), the second (1800) anonymously, and the third (1823) by Neale. Two German translations, one anonymous (1774), the other (1785) by L. B. M. Schmidt, and one into Dutch (1801), have appeared. See also Casati's collection of letters and unpublished works, as well as Isid. Bianchi's *Elogio Storico di P. Verri*, Cremona, 1803; also C. Ugoni's *La letteratura italiana*, 1856, vol. ii. pp. 35-128; and Eug. Bouvy's *Le comte P. Verri.* Paris, 1889.

Ortes and his work.

Giammaria Ortes (1713-90) was an original genius, though his style was most unequal, and although he had a weakness for paradox, aggravated by his isolated life, which kept him aloof—though certainly to a less degree than some would have it—from contemporary currents of thought in economics. In the writings of this illustrious ecclesiastic, Venice made the most remarkable of her contributions to economics in the eighteenth century. His sound views on population have already been mentioned (Chap. III. § 1). He also wrote a number of pamphlets, of which only a few copies were anonymously published, in which he attacks mercantilism without adopting the dogmas of the physiocrats. These controversial efforts have been most carefully collected and expounded by Custodi, Cicogna, and Lampertico. The positive views which he expresses by the way are (1) that universal free trade is necessary, (2) that such medieval limitations of the right of property as mortmain and inalienable trusts, must be maintained along with many analogous restrictions. After all is said and done, the fact remains that Ortes built up his theory on an absolutely false principle, and took for granted that the wealth of every people is a fixed quantity, rigorously proportional to the number of inhabitants. Grant him

Free trade and mediævalism combined.

this, and he then shows how futile is any attempt to increase national wealth, pointing out the absurdity of confusing the shifting surface of growing and dwindling private fortunes with the national wealth which is always relatively the same.

Giovanni Mario Ortes, *Dell' economia nazionale.* 1774. Part I. *Errori popolari intorno all' economia nazionale.* 1771. *Dei fidecommessi.* 1785. See Ferrara's *Biblioteca*, vol. iii. 1852.

Fed. Lampertico, *Giammaria Ortes e la Scienza economica al suo tempo.* Venice, 1865. (An admirable monograph.)

Other Venetians.

On the Venetian economists who were contemporaries of Ortes, consult Alberti's book on *Corporations*, and further Alberto Errera's *Storia dell' economia politica negli Stati della Republica Veneta* (Venice, 1877). See also the *Rivista Veneta*, third year (1875), which contains an article by J. Facen on "Mengotti and his Works."

Minor Italian writers.

In ending this chapter it is well to recall one or two facts concerning the minor economists of the eighteenth century in Italy. They busied themselves about corn laws,—take Carli, for instance, Caraccioli, Cacherano, or Aleandri,—or else they studied taxation, as was the case with Palmieri, Gianni, Vergani, Scola, Marchesini, and Foscarini. There were others chiefly interested in coinage and currency, and of them and their works full accounts are given by Cusumano, Gobbi, and Ricca-Salerno, in books already cited above. To these let me here add my own bibliographical essay.

L. Cossa, "Saggio di bibliographia delle opere economiche italiane sulla moneta e sul credito," in the *Giornale degli Economisti.* Bologna, July 1892.

CHAPTER VIII

ADAM SMITH AND HIS IMMEDIATE SUCCESSORS

QUESNAY embodied political economy in a fully-framed system of economical jurisprudence, out of which Turgot managed to extract a system of social economics. This was the position in which political economy stood at the time when Adam Smith, by his immortal work, gave to it the importance and the character of a science in the broadest acceptation of the term, which embraces on the one hand reasoned economics, or political economy in the narrower sense, and applied economics or finance on the other. These two branches form the secure basis upon which modern investigations are built up, since, as Roscher has admirably said, all writing on the general subject which came before Adam Smith may be looked upon as leading up to his views, and all that was produced after his day follows in the lines which he laid down. Indeed, the truth of this saying accounts largely for the absence thus far of any adequate attempt to give a critical estimate of Adam Smith's work by confronting it with that of his predecessors and successors in the field of economics. Of such books as exist some account may now be in place.

Turgot, Quesnay, and Smith.

Lines of thought centred in Smith.

There are, to begin with, a number of short essays, which must be pronounced quite insufficient for the subject involved. Such are Blanqui's (1843), Cousin's (1850), De Lavergne's (1859), Du Puynode's (1865),

Studies of Adam Smith.

Oncken's (1874), Chevalier's (1874), Weisz' (1877), Stöpel's (1878), Walcker's (1890). Others, though more minute and rather more accurate, still fall below the mark. Other accounts are considerably longer, and their respective authors are Laspeyres (1865), Held (1867), Cliffe Leslie (1870), Bagehot, Inama-Sternegg, Nasse, Luzzat and Ricca-Salerno (1876), Helferich (1877), Neurath (1884), and Courcelle-Seneuil (1888).

Monographs on Adam Smith.

To these shall be added the titles of ten monographs, although they are either deficient in impartiality, as is the case of Rösler's and of Skarzynski's respective productions, or else they show a too superficial standard of criticism—both Delacour and Haldane labour under this disadvantage—or finally they touch only a portion of the whole subject involved; this last objection holds against Leser, Oncken, and Hasbach; and thus, although Zeyss and Feilbogen can be heartily commended, Baert's work, which has its weak points in respect of thoroughness in criticism, is left in possession of the field.

J. F. B. Baert, *Adam Smith en zijn onderzoek naar den rijkdom der volken.* Leiden, 1858.

H. Rösler, *Ueber die Grundlehren der von Ad. Smith begründeten Volkswirthschaftstheorie.* Erlangen, 1868; second edition, 1871.

Em. Leser, *Der Begriff des Reichthums bei Ad. Smith.* Heidelberg, 1874.

Aug. Oncken, *Ad. Smith und Immanuel Kant.* Leipzig, 1877.

W. von Skarzynski, *Ad. Smith als Moralphilosoph und Schöpfer der Nationaloekonomie.* Berlin, 1878.

Alb. Delacour, *Ad. Smith, sa vie, ses travaux et ses doctrines.* Paris, 1886.

R. B. Haldane, *Life of Adam Smith.* London, 1887. (It contains a bibliography, which though incomplete is very full.)

R. Zeyss, *Adam Smith und der Eigennutz.* Tübingen, 1889.

W. Hasbach, *Untersuchungen über Adam Smith*, etc. Leipzig, 1891.
S. Feilbogen, *Smith und Turgot*. Vienna, 1893.

§ (1) THE LIFE AND WRITINGS OF ADAM SMITH

Smith's biographers.

Adam Smith's biography has been given in the broadest and most accurate form by Dugald Stewart in his "Account of the Life and Writings of Adam Smith," published (1793) in the *Transactions of the Royal Society of Edinburgh* (vol. iii. part i. pp. 55-537). Sir William Hamilton reprinted, with certain additions, the whole of this Account in the second volume of his collected edition of Stewart's Works (London, 1858). A few additional and interesting points are added in J. R. MacCulloch's *Treatises and Essays* (Edinburgh, 1853), one of which is a sketch of Adam Smith; and, finally, Em. Leser's *Untersuchungen zur Geschichte der National-ökonomie* (Jena, 1881, pp. 3-46) adds a certain amount of further information.

His life.

Adam Smith was born at the village of Kirkcaldy, in Scotland, on the 5th June 1723, and upon completing his first schooling in his native place, went to Glasgow, where he was under Hutcheson from 1737-40, and thence to Balliol College, Oxford, where he remained until 1746. Thus equipped with a knowledge of classical and modern languages, of philosophy, mathematics, and natural science, he repaired to Edinburgh toward the end of 1748. Under the patronage of Lord Kames he there read lectures on rhetoric and belles-lettres, and formed a close intimacy with his compatriot David Hume. Called in 1751 to fill the chair of logic, he exchanged it before the year ended for the chair of moral philosophy. This branch he, like his predecessors, subdivided into (1) natural theology, (2) ethics, (3) jurisprudence, and (4) political institutions. Under this last category he placed

economic institutions, to which he soon more especially turned his thoughts. His mind, naturally apt for such an exercise, was stimulated by constant opportunities for discussion with expert commercial men. Inspired as he was from year to year by such publications as that of Hume's Essays in 1752, of Cantillon's book in 175 , of Harris's in 1757—not to mention numerous other French and English works then appearing, or the Scotch reprint going on at that time of all the English masterpieces in Economics belonging to the seventeenth century,—he soon fastened upon economic problems, and became especially engrossed by questions of international trade. To him is due a discussion held in 1754 by the Edinburgh "Select Society" on the effects produced by the bounty on exports of corn, and he wrote during the very next year a MS. alluded to by Dugald Stewart which proclaims the doctrine of free trade, subsequently arrived at by the physiocrats. In 1759 appeared his *Theory of Moral Sentiments*, a praiseworthy ethical treatise, the chief defects of which are metaphysical, and depend upon his acceptance of a psychology originated by the Scotch school under Hutcheson, and further developed by himself, Reid, and a few others.

Discussion of the corn trade.

Adam Smith, *The Theory of Moral Sentiments.* London, 1759. Enlarged in the sixth edition of 1790. See J. A. Farrer's *Adam Smith.* London, 1881.

He vacated his chair in 1764 to accept an invitation received through Charles Townsend to accompany the young Duke of Buccleuch on his grand tour. Accordingly he visited France and Switzerland, spending some months at Toulouse and nearly the whole of 1766 at Paris. There he became acquainted with philosophers like Diderot and Alembert, and with a number of economists, including Quesnay and Turgot, the two champions of the system which he afterwards assailed, though he always declared that it contained more truth

Adam Smith's travels.

than any other. On returning home our author lived for ten years in private station, and fixed his abode in his native Kirkcaldy, although Leser has made it tolerably evident that he was constantly called to London by the requirements of his work on the *Wealth of Nations*, which he had in hand until the close of 1775, and published in the first months of 1776.

Editions of the *Wealth of Nations*.

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. London, 1776. 2 vols. ·4to. Augmented in its third edition of 1784. There are excellent annotated editions by Playfair (1805), Buchanan (1814), Wakefield (1835-39), but the best is by MacCulloch, published in four volumes at Edinburgh (1828), several times reprinted, and from time to time with corrections (1839, 1850, 1863, 1870). It has been best edited as a Manual by Rogers in 1869 and 1880, and by J. S. Nicholson (London, 1884). Nicholson has enriched his edition with an able introduction of his own, and with notes which refer to modern works where Adam Smith's various views have been further developed or have undergone correction.

Translations.

The *Wealth of Nations* was translated from time to time into all the leading tongues of Europe; into Danish (1779), Spanish (1794), and Dutch (1796). Germain Garnier made one of the best translations into French in 1805, and it reached its fifth edition in 1880. C. W. Asher's is the best German translation, and was made in 1861. The first Italian version, made in 1790 at Naples, is far inferior to that of the second volume of the *Biblioteca dell' Economista* (Turin, 1880).

Summaries.

Perhaps it may be worth while, among many books of summaries and extracts, to mention that of Jeremiah Joyce (Cambridge, 1797; third edition, 1821), W. P. Emerton's *Abridgment* (Oxford,

1877). See also F. A. Basford-de-Wilson's *Analysis of Adam Smith's Wealth of Nations*, Books i. and ii. Oxford, 1885.

Adam Smith's last years.

The fame thus won by Adam Smith brought about his nomination to be Commissioner of Customs at Edinburgh whither he accordingly went to live with his mother and cousin in 1778. Soon after this, in 1787, he was elected Lord Rector of Glasgow University, and he died on the 17th July 1790.

§ (2) THE "WEALTH OF NATIONS"

From the argument of our history thus far may be gathered the fact that Adam Smith was as far from being the creator of the several branches of economics as he was from being the author either of the first treatise on economics or of a final and faultless account of it. He went to English economists, to Scotch philosophers, and to French physiocrats; and from them he received indispensable materials, half-proved general ideas, and certain attempts at the co-ordination of various economical ideals. He furthermore found in the progress of industries, and the patent abuses inherent in superannuated restrictions still adhered to in practice, food for reflections upon the nature and causes of wealth, and hints regarding reforms necessary for promoting its increase. All this is true, but this is the whole account against him; and to balance it he gave his unaided genius, breathing only the common air, using only such materials as were freely accessible to all, and were neither confined to Government officials nor to men of affairs like those worked up by Melon and Forbonnais, nor yet within the special competence only of learned men like those used by Genovesi and Steuart. Adam Smith's book does not even presuppose the unusual gifts and cultivation possessed by

Debt of Smith to others.

His originality.

men of Turgot's and Quesnay's stamp. He gave his own genius, I say, and with it he built up solid foundations upon which he raised the firm superstructure of a new science which he wrought out into its leading practical applications. In so doing he left far behind him all the concocters of empirical nostrums in political economy, or of mechanical assortments made out of heterogeneous doctrines which too frequently were irreconcilable. He outstripped even the meritorious founders of the physiocratic system, who had woven an inextricable web, spun with faultless logic out of truths reached by the keenest insight, errors in theory of the most flagrant description, and canons which, so far from having the universal application attributed to them, really could not be applied at all.

His masterpiece.

Adam Smith's book is a masterpiece because its author combined rare philosophical powers of insight with rich and varied mental acquirements, and his profound historical knowledge was joined with a phenomenal common sense which enabled him to investigate all his problems from all sides without ever suffering prejudice to intervene and carry him too far. His reasoning is alternatively deductive and inductive, and his style combines literary charm with scientific apprehensibility, and is accordingly adapted to every heedful and fairly instructed mind. He abounds in historical illustrations, constantly tests his points by appealing to facts, and as a matter of fact all his digressions into questions of justice, education, and soldiering,—found fault with though they are by many on account of their inordinate length, which certainly would suggest an encyclopædia rather than a treatise on one subject,—played their part in making the book popular, and in winning for it the control which it eventually exercised over the course of legislative reform that has prevailed in the leading States of modern times.

Not a schoolman's tractate.

One criticism has often been made, nor does it require great acuteness in the critic, to the effect that Adam Smith's book is not, strictly speaking, what the schoolmen would have called a "tractate." Such a treatise would have insisted more upon frequent and studied definitions, and would have maintained a stricter rule of due proportion in various details. This criticism has been met by the rejoinder,—made by Sidgwick among others who represent the drift of opinion among economists to-day,—that Adam Smith, like Steuart, regarded Political Economy as an art first, while its scientific aspects were in his eyes mere accessories, or at most he considered the science of economics to be merely an introductory phase of teaching in the subject, preparatory to a right comprehension of the art. To this may be added that the plan of his book is rather that of a collection of monographs, not thought of as bound together by any systematic nexus or underlying scheme in which the whole field was methodically mapped out. The present writer, however, with all due and grateful acknowledgments to the admirable criticism published in the Dublin *Hermathena* (No. 12, 1886) by Bastable, ventures to lay stress on what Adam Smith himself has said in a passage overlooked by his censors—it occurs in the ninth chapter of his fourth book. There he goes out of his way to define economics, and employs the formula used at the beginning of his *Enquiry*, and, furthermore, he consistently adheres to this definition in the arrangement of his topics, taking up economics as a science in the first two and the history of economics in the third book, while various systems of economics occupy the fourth book, the fifth being devoted to political finance. Hence the conclusion is unavoidable that he adopted a classification not materially different from that which has been and, with certain modifications, still is current among those very critics not always so conspicuous for the competence as for the zeal which dictates their

Consistent definition and arrangement.

strictures upon the masterpiece of the great Scotch economist.

The *Wealth of Nations* analysed (Book I.).

Taking up now more or less in detail the whole of Adam Smith's work, we find him laying down at the outset in his first book the premiss that out of labour springs every appreciable increment of national wealth. Then he asks what causes stimulate and enhance this inherent productivity of labour, devoting minute pains to a thorough consideration of the division of labour—a principle whose first origin and final fruits he considers —presenting a clear account of the saving effected by its right application within due limits, which ensures the accumulation of a capital to fall back upon, and secures a widening market for all wares. But division of labour necessarily leads to exchange, which is in turn regulated by a fixed conception of value, and so our author discusses two kinds of value, (1) value in use determined by the utility of wares, and (2) value in exchange, which is constituted by the purchasing power of wares. Then follows a scrutiny of the causes, the standard, and the laws of value in exchange, under the two categories of natural value and market value. Having resolved natural value into its constituent parts, he has opened a door which leads to the discussion of distribution. Here are found his famous considerations on the causes of difference in wages and profits for different branches of activity; here also comes in his far less conclusive discussion of rents—both lines of argument converging toward the final conclusion that the advancement of wealth brings with it an augmentation in rents and wages along with a diminution in profits. From this he concludes that the interest of landholders and of workmen is coincident with that of the community at large, which it is harder to harmonise with that of capitalists. Adam Smith unmistakeably finds in work done by man the great power to produce wealth, and he defines wealth as an assemblage of material objects required for the necessities, conveniences, and pleasures

Work done makes wealth.

of life. Accordingly, to produce wealth you must superadd upon changeable material at hand the qualities of use and value. Hence labour and work as such may be useful and even necessary without being productive in the economic acceptation of the word. This is the case, for instance, with work done by priests as such, and by magistrates, doctors, and house servants, since its direct issue leaves no trace behind in the form of material objects produced. This line of argument won for Adam Smith's whole doctrine the epithet of industrial, just because labour is its corner-stone, as money is at the basis of mercantilism, and land is the fundamental preoccupation of the physiocratic school. But the two last-named systems failed where Adam Smith's excelled, simply because they refused to recognise the power to produce inherent in all phases of material industry.

Productive Labour.

Book II. on capital.

Adam Smith's second book shows unmistakeable marks of physiocratic influences not so easily discernible in his first. He begins with the distinction between capital and the fund required for daily consumption, and then enumerates various forms under which capital appears, with especial reference to the difference between immobilised and circulating capital, between gross and net earnings, and he also dwells upon the necessity of saving which creates capital and supports productive labour, whereas unproductive consumption multiplies occasions for the performance of services which add nothing to wealth. Having scrutinised various forms of capital, he proceeds to discuss money and its functions as well as its fiduciary substitutes in the shape of promises to pay. This invites him to censure, as others had, the common confusion of mind which connects the volume of current money with the rate of interest, and he favours a legal rate by law determined at a figure slightly above the current rate, in order to block the flow of capital towards spendthrifts and speculators, who are always eager to borrow at a high rate of interest.

Touching investments of capital in various industries, our author maintains that agriculture is always the most productive investment, because there, under the favour of the gratuitous co-operation of the forces of nature, a surplus arises which makes the payment of rent possible.

Book III. on industry.

In his third book Adam Smith sketches a sort of history of industry, laying particular stress upon causes favourable to its prosperity, and giving plentiful cases, from different epochs and various lands, of prosperous town and country enterprises; and then in his fourth book he devotes himself to a minute and critical examination of mercantilism, against which he wages a most discreet and damaging war of arguments directed not only against its fundamental principle, but also against the various applications of that principle. He then proceeds to a rather more concise and less thorough impeachment of the physiocratic system, inclining rather to state its errors with a certain emphasis than to give much prominence to its commendable features. Having passed judgment upon the two rival theories, he now finds occasion to set forth the canons of his own political economy. The ultimate aim of good government is, according to our author, just what the physiocrats make it, the utmost freedom for the production and circulation of wealth. Like Quesnay, he attacks all the makeshift measures of outworn restrictive systems,—slavery, serfdom, feudal bonds, and complicated trusts, monopolies, corporations, elaborate regulations, prices and wages by law established, colonisation schemes, bounties, embargoes, and high customs duties. Still, our author's system, founded though it be on the principle of *laissez faire* and *laissez passer*, by no means coincides with that of the physiocrats. The one proof always looked upon by Adam Smith as of the essence of his views is based upon expediency, and is bounded by opportunity, whereas Quesnay and Turgot make their final appeal to the abstract principle of natural law

Book IV. on mercantilism and the physiocrats.

Restrictions attacked.

securing to every one the right to work. Adam Smith nowhere identifies in so many words the rights of an individual with those of the community at large, in the matter of buying in the cheapest and selling in the dearest market, although it is his firm belief that, other things being equal, the play of individual interests duly moderated by competition will issue in wellbeing for the community at large. The real point is gained, however, inasmuch as our author holds a brief for economic liberty, and has especially in mind the consumer's interest, and not solely that of one or another limited class of producers. This is why his *beau idéal* of economic progress is the cheapening of all and everything which labour produces. As a climax reached by Adam Smith in the exercise of his rare faculty of sound practical sense may now be mentioned his avowed conviction that the immediate and universal adoption in practice of industrial and commercial freedom would be not only impossible but harmful, and he furthermore contemplates, even in a far more advanced stage of civilisation than that of his day, the likelihood of persistent reasons based on considerations either of public health or of public morals which may require a more or less considerable limitation of the universal principle of free trade. Among cases instanced by himself are certain restrictions to be imposed on the free circulation of bank-notes and on free trade, either in time of war, or for political reasons when there is call for reprisals and a reasonable prospect of success; to these may be added his reasons for maintaining a duty on exported wool (Book IV. viii.), his justification of monopolies to be temporarily granted for companies undertaking great risks in enterprises likely in the end to yield solid advantages. These limitations are first allowed by him in the 1784 edition of the *Wealth of Nations*.

Smith's opportunism in Book IV.

In his fifth book our author examines the economic functions of the State, and does not confine it to the negative offices of protecting persons and property, and

Book V. on the State.

of maintaining security at home and abroad, but he assigns to it a large field of activity in matters of education, and particularly of elementary instruction, and he further argues that the State is bound to carry on all manner of works which are of supreme public importance and utility and yet can never be so remunerative as to invite private enterprise. His last theme is a discussion of the pecuniary means indispensably required for satisfying the demands of life in a civil community, and this amounts to a discussion of the administration of taxes, which had so often occupied his predecessors. Adam Smith being fully alive to the results in respect of the political and fiscal sides of this question already obtained by others, contrived to base upon them a scheme of taxation resting solidly on a sound economic understanding of the distribution of wealth. To do this he had to demolish the time-honoured view of Crown-lands as a public resource, and then to originate a rational combination of taxes on consumption and on various forms of rent, to which he finally added a lucid presentation of the disastrous effects that are certain to result from the abuse of the public credit.

Summary of results.

Such, then, are the leading points in Adam Smith's work. Taken as a whole, it determined once for all the subject-matter, the limits, the character, and the method of modern economics as a science. It contains also very precious suggestions which have stimulated the further development of certain doctrines not sufficiently cleared up by its author; the theory of population is one of these, and so is the question of wages and profits; the book itself contains hints for correcting certain erroneous and inconsistent dicta on capital and rent, and for removing the more serious blemishes in its account of productive and unproductive labour, and of the gratuitous co-operation of nature in the one pursuit of agriculture. Adam Smith, though he completely held the field against the physiocrats, was led by their influence into these his only two serious blunders.

Smith's weakness and his strength.

Let us, then, unhesitatingly admit that our author's views were influenced appreciably by the prevalent philosophy of his time, that his reconciliation of public and private interest is imperfectly worked out, that he goes too far under the impulse of a reaction from current economic institutions in cutting down the economic functions of governments, that he is insufficiently alive to the general truth that all economic institutions must be more or less related to and determined by given surroundings of place, time, and circumstances; and yet, after all these admissions against him, our author need not, and does not, stand convicted of the sweeping charges now made against him by the economists who lead German thought to-day. He is not the uncompromising individualist, nor yet is he the absolutist, the materialist, and least of all is he the abandoned idealist of their dreams.

§ (3) ADAM SMITH'S ADVERSARIES DISCIPLES AND CRITICS

Adam Smith's defenders.

The *Wealth of Nations* and the new doctrines which it contains gave rise during the years immediately after its publication to an enormous number of works written to clear up, set in order, summarise, and popularise its general import. Such defence of it against objections in detail as was made suffers from the taint of mercantilist doctrines, but there were also corrections and further developments which brought out some of its leading features with a welcome distinctness.

His opponents, the mercantilists English and French.

Of course there were opponents too, and these for the most part fall into three groups, two belonging to mercantilism of the French and the English type respectively, and one known in Germany, where it chiefly flourished, as "Romanticism." To begin with mercantilism and its English supporters: Pownall's *Letter to Adam Smith* came out in 1776, Crawfurd's

Doctrine of Equivalents appeared in 1794, Gray's *The essential Principles of Wealth* in 1797, and Wakefield's *An Essay upon Political Economy* in 1804, and its lines were followed by Cotteril in 1831, and as late as 1842 by Alison, not to mention Atkinson's *Principles of Social and Political Economy*, published in 1858. The French school of mercantilism is represented by Ferrier's *Du gouvernement dans ses rapports avec le commerce* (1802), which is simply an attempt to rehabilitate mercantilism. The learned and acute Ganilh, and also Louis Say, perceived the futility of such an extreme position, and were content to maintain the doctrine of protectionism. This Ganilh did with much plausibility in successive publications: *Des systèmes d'économie politique* (1809), *Théorie de l'économie politique* (1815), and in his *Dictionary*, published in 1826. Say wrote in 1818 his *Principales causes de la richesse*, his *Traité de la richesse* in 1827, and his *Studies* in 1836. Saint-Chamans took his cue from these two writers, and his *Nouvel essai sur la richesse* is a nightmare of protectionism, but it nevertheless had its parallel in Fichte's *Der geschlossene Handelsstaat* (1800), not to speak of Kaufmann's publications from 1827 on, or of the wild utterances of the Russian minister Cancrin in 1845, or of a milder performance in 1834, written by the Austrian protectionist Fränzl. The third group of Adam Smith's opponents combined a leaning towards the economics of the feudal system with medieval aspirations in politics, and has therefore received at Roscher's hands the name of the romantic school. Möser was first in the field, and the leading minds in the whole movement were Metternich's friend Gentz, who translated Burke and followed Adam Müller in the company of other more or less declared adherents of the same master, among whom may be named Haller, Bodz-Raymond, and Kosengarten. Adam Müller's works on the matter in hand are: *Elemente der Staatskunst* in three volumes (1809), *Versuch einer neuen Geldtheorie* (1816), *Nöth-*

The German Romanticists.

wendigkeit einer theologischen Grundlage der Staatswissenschaften (1819). These publications arraign Adam Smith's economics as being individualistic, materialistic, and rationalistic, and therefore pass upon it a summary sentence of rejection, and they also make short work of his liberal and cosmopolitan political economy, setting up in its place a theory based upon ethics where much room is made for historical antecedents and existing institutions. Müller furthermore supplements the doctrine of the division of labour by that of the association of industries; he studies the problem of what he is pleased to call intellectual capital and its functions; he favours, above all, a political economy which shall be national and restrictive, and shall lend itself to the reconstitution of feudal restrictions upon land tenure, and to the promotion of corporate guilds in arts and trades. Here and there in Müller's works, Hildebrand has contrived to discover the definite starting-point for the later theories of List and his school. This is plain enough, as also is a certain affinity between the tendencies at least, if not the stated views, of these German romanticists, and the leading notions of a band of French economists promulgated by their leader, Jean-Paul Alban, Vicomte de Villeneuve-Bargemon, in his *Économie politique chrétienne* (3 vols., Paris, 1834).

Historical reasons for dissent.

Jeremy Bentham, the famous radical jurist and the head of the English school of utilitarian philosophy, gave in his adhesion to Adam Smith, and thus gained a wide hearing and a large following for the new economics. Bentham wrote a *Manual of Political Economy*, which Dumont published after the author's death; furthermore, he produced monographs on "free trade" and "public debts," as well as his excellent *Defence of Usury*, which appeared in 1787. His thesis in this work is exactly that maintained in 1769 by Turgot, that the requirement of interest for the use of capital should have absolutely free play, and Adam Smith, who had set up certain restrictions, declared himself con-

Bentham's adhesion.

vinced by Bentham's argument. It must not here be denied, however, that the universal validity assigned to the principle of the higgling of the market, and so readily accepted by economists, especially by James and John Stuart Mill,—involving as it necessarily did various breaches of sound morals,—invited and received certain well-founded strictures passed upon it even by those of the strictest sect of political economy.

Lauderdale's attack.

James, Earl of Lauderdale, was at great pains to criticise the new doctrines in detail, and distinguished himself by not a few very acute remarks touching differences to be maintained between public and private wealth, the paramount importance attaching to utility as the basis of value, and the utter futility of undertaking to give any absolute estimate of such value, and he also discussed very pertinently the influence of distribution on production. All these points of his were well taken, and yet he was pedantic to a degree, and often wrongheaded, as is shown by his throwing doubts upon the importance of saving and of the division of labour, as well as by his wearisome argument to prove once more the good old notion that commerce is only mediately and not immediately productive.

J. Lauderdale, *An Inquiry into the Nature and Origin of the Public Wealth.* Edinburgh, 1804; second edition, 1819. Translated into French in 1808.

Adhesion of German reformers.

In Germany, Adam Smith converted Stein, Hardenberg, and other authors of administrative reforms which were especially extensive in Prussia, to the utter confusion of all the current economic Encyclopædias based upon the old-time learning of the *Cameralgelehrten* (*Cameralists*). The necessary recasting of old material into the new shapes was done by numerous popularisers, beginning with Weber, who first introduced the word political economy among Germans in his *Lehrbuch der Politischen Œkonomie* (1813); then there were the three notable followers of Adam Smith—Kraus, Sartorius,

and Lüder—who, without diverging seriously from their master, yet in their discussions gave a far larger place to the part played by nature in production, to goods other than material, to value in use, and to the econo nic functions of the State. Taking the three in turn. we come first to Christian Jakob Kraus, who pu lished a *Staatswirthschaft*, 1808-11, and there lays much stress upon the distinction between pure and applied economics; next comes Sartorius, both of whose books preceded that of Kraus. The great feature in Sartorius' *Handbuch* (1796) and *Von den Elementen des Nationalreichthums* (1806-1808) consists in his abundant store of historical illustrations. The third in our trio is August Ferdinand Lüder, who has great faith in statistics, as may be seen in his *Ueber National-Industrie* (1800-1804), and discusses, particularly, in his *Nationalökonomie* (1820), the supposed gratuitous co-operation of nature in production. With a larger measure of originality Count Julius Soden applied himself to a more exact formulation of the fundamental notions of our science; see his *National-ökonomie* (Leipzig, 1805-24, 9 vols.), a book disfigured by the obscurity of a style which is wearisomely prolix, and by the author's keen relish for elaborating purely verbal disputes. G. Hufeland, on the other hand, shows real insight in his *Neue Grundlegung der Staatswirthschaftskunst* (Giessen, 1807-13), where he gives a full account of the functions of the *entrepreneur*, and develops the conceptions of value, price, capital, and money. A still greater master of clearness than Hufeland was Johann Friedrich Eusebius Lotz, as he showed not only in his *Revision der Grundbegriffe der Nationalwissenschaftslehre* (Coburg, 1811-14), but also in an admirable "Manual," where he favours free trade, and in his slightly diffuse exposition of Finance (*Handbuch der Staatswirthschaftslehre*, Erlangen, 1821 f., 3 vols.; second edition, 1837 f.). But there was another and shorter compendium of general principles, *Grundsätze*

Kraus, Sartorius, and Lüder.

Soden.

Lotz' Manual.

der Nationalökonomie (Halle, 1805 ; third edition, 1825), by Ludwig Heinrich von Jakob, which was far more widely adopted in schools. Its author also translated Say, and wrote a correspondingly serviceable manual of finance, *Die Staatsfinanzwissenschaft* (Halle, 1821, 2 vols. ; second edition, 1837), which Jouffroy translated into French (1846).

§ (4) MALTHUS AND THE THEORY OF POPULATION

Life of Malthus.

A high rank belongs in the history of our science to Thomas Robert Malthus, a Protestant clergyman who taught history and economics at Haileybury College. He investigated the economic aspects of population with a masterly idea of the right method for scrutinising the fundamental principle involved under all existing and widely-divergent cases by which it is exemplified. Thus he founded on solid ground a doctrine which, when stripped entirely of its pseudo-mathematical integument, and stated with greater precision statistically and psychologically, has held its own up to the present hour against a horde of cavils which turn for the most part upon a loose employment of terms ; it has even weathered the shock given to it by certain incompetent friends who have fastened upon it the heavy burden of their own false conclusions, and have not shrunk from promoting the passage of laws aimed at the restriction of marriages. This was bad enough in all conscience ; but what shall we say to men who have dared to call themselves "Neo-Malthusians," and then have indulged in immoral disquisitions on "preventive intercourse" ?

The father of young Malthus, who took charge of his early education, corresponded with Rousseau, who was his friend, believed with Condorcet in the theory of indefinite progress, and was enthusiastic in supporting the idea of a happiness that could know no bounds like

that aimed at by William Godwin in his *Enquiry concerning Political Justice* (1793), and also in *The Enquirer* (1797). Nothing appears in all these ideals which surrounded our author's youth to account, except by way of reaction, for his first and anonymous publication in 179 of *An Essay on the Principle of Population as it affects ıe Future Improvement of Society.* This pamphlet urges with unsuitable vehemence, as a matter admitting of demonstrative proof, that every reform, whether economic or political, must fail of any appreciable result for good, when compared with the certain harms for society rooted in the tendency unintermittently impelling the human race to outstrip by its multiplication the necessarily limited means of subsistence at hand. These harms consist in suffering, misery, and vice, which act towards the re-establishment of a certain equilibrium between the number of men in existence at any given time and the means of subsistence to be had for them. The pessimism of Malthus' first essay is explained, though not justified, when we look at the times he had to deal with. Year after year brought famine prices, and all the great losses of war were superadded; the consolidation of business enterprises came, involving much loss; the lax administration of the poor-laws did harm, and so did the voting of parish allowances or outdoor relief. Then came the augmentation of taxes, and the increase of the public debt, which combined with the disastrous circumstances just enumerated to bring into painful prominence the alarming discrepancy between the rate at which the population was growing and the scarcity of means for its subsistence. Malthus, however, having qualified himself for the task through renewed investigations (shaped by personal observation made in the course of journeys in France, Switzerland, Russia, and Scandinavia), entirely recast and rewrote his first essay, and then published it under his own name after enriching it with numerous statistical and historical illustrations. Nor was he satisfied with this, but in its

His anonymous essay.

Its pessimism accounted for.

His final moderation.

successive editions he corrected the book, and completed it from time to time with appendices, chiefly meant to meet the leading objections of his adversaries.

Th. Rob. Malthus, *An Essay on the Principle of Population, or a View of its Past and Present Effects on Human Happiness*, etc. London, 1803. 2 vols. Sixth edition (issued by the author), 1826. See also his article on "Population" in the *Supplement to the Encyclopædia Britannica*, edited by Macvey Napier (1824).
See also James Bonar, *Malthus and his Work*. London, 1885; and H. Soetbeer, *Die Stellung der Sozialisten zur Malthus'schen Bevölkerungslehre*. Berlin, 1886.

Malthus' doctrine, as he finally stated it, gives his book the character of a really scientific and original work, both as regards its substance and also in its arrangement and general plan. The pessimism of his early youth has been softened down, and a certain number of headstrong and reckless propositions have been abandoned; in their place our author gives an acute and thoroughgoing analysis of the degree to which certain positive and preventive bars to the augmentation of population have proved effective in one stage and another of civilisation. One of these he discovers in "moral restraint," and this one is worth all the others put together, because it is the sole means by which the force of man's reason can be made to tell upon man's instincts, and by conquering them can set limits to dangerous over-population. Finally, he added in his completed book a series of invaluable instances illustrating his doctrine by connecting with it the results of emigration, of legalised charity, and of communism, all three of them being viewed in the light of stimulating causes in the direction of an increase of the birth-rate beyond the point inexorably fixed by the means of subsistence at hand. The essay of Malthus still remains the leading work on the economic problem of population, which is still far from any final solution. Not

Bars to increased population.

Malthus underrated progress.

that flaws have not been found in the essay; on the contrary, its faults have been frequently adverted to in subtle arguments advanced by various writers, not a few of whom have been Italians. One thing is admit ed on all sides against Malthus: though he did not j nore economic progress, he certainly underrated the elp that it could bring. This is plain even from facts that belong to his own day and generation. He underrated particularly the good to be gained, in respect of increased means of subsistence, through free trade, through improved systems of cultivation, and increased means of better transportation; he also underrated the power of intellectual progress and enlightenment to check the increase in the number of births.

Minor works.

Among the minor works of Malthus, besides his treatise on *Rent* (1815), his *Definitions in Political Economy* (London, 1827) deserves especial commendation; neither of these works merits the neglect which is visited upon them. His controversies with Say concerning a "general glut," and with Ricardo about "values and tariffs" and the "importation of corn," do him far less credit. It seems hardly credible that Malthus, who was a professor and had nothing if not a practical turn of mind, distinguished himself chiefly as an observer of the immediate effects of economic institutions, and believed that an absolute excess of production as such was within the range of possibility, and therefore favoured agricultural protection; whereas his antagonists Say (who was preoccupied with industrial questions) and Ricardo (who was a banker) had the wit to neglect transitory results,—so Ricardo puts it himself in his *Letters*—in view of arriving at results which would hold good in the long run—definitive results.

Th. Rob. Malthus, *The High Price of Provisions.* 1800.
Observations on the Effects of the Corn Laws. 1814.

Grounds of an Opinion on the Policy of restricting Importation of Foreign Corn. 1815. *Principles of Political Economy.* 1820; second edition, 1836. *The Measure of Value.* 1823. See also Bonar's work, above cited.

§ (5) J. B. SAY AND THE THEORY OF MARKETS

French contemporaries of Malthus.

Among the contemporaries of Malthus and Ricardo in France there were not a few who, although they could not lay claim to any real originality of their own, addressed themselves to making compendious, clear, and popular statements of Adam Smith's views. Little need be said of Isnard's *Traité des richesses* (1781), a wearisome attack upon the physiocrats quite in the vein of James Mill's *Commerce Defended* (1808),—written against Spence's work of the previous year,—and of Torrens' *Economists Refuted* (1808); nor does Canard's *Principes d'économie politique* (1802), with its whimsical scheme for levying taxes, invite discussion any more than Sismondi's *De la richesse commerciale* (1803). Better books than these are Count Destutt de Tracy's *Traité d'économie politique* (1815) and Joseph Droz' *Économie politique* (1829; third edition, 1854); the former is clearly and accurately expressed, as might be expected from the philosophic bent of its author, the latter gives proof of its writer's high moral standard, and is written in the most admirable language. None of these writers substantially diverge in their views from Say, the leader of French economic thought at this time.

Life of J. B. Say.

Jean Baptiste Say (1767-1832) was born at Lyons, and proved himself throughout the course of his private life a man who combined steadfastness with caution. He was successively clerk in a counting-house, a journalist, an active leader in politics, and a cotton-spinner, finally ending as a professor of industrial economics,

first (1819) at the *Conservatoire des arts et métiers*, and then during the closing years of his life at the *Collège de France*. Clavière, who afterwards entered the Government as minister, happened to lend him Adam Smith's boo', and this drew him on until he had so mastered the study of economics that he became its one best and most successful populariser, whose merits none can gainsay; and more than this, though not a few still choose to deny it, he certainly was an able successor of the great Scotch master, whose views he expanded and did much to complete. From the moment he produced his *Traité* (1803), which he corrected and summarised in his *Catéchisme* (1817), and enriched with a whole chapter of new considerations on private industries in his *Cours complet* (1828)—this last being in substance the lectures given by him at the *Conservatoire*—Say gave signal proofs of his pre-eminent aptitude for presenting correctly, clearly, and in shapely form the whole body of doctrine embraced by economics strictly so called. His definitions are sound, and he points them with suitably-chosen practical instances, grouping them by means of his famous triple subdivision of the subject-matter involved, and adapting them to the understanding of average minds incapable of coping with Adam Smith's long digressions, or of appreciating his historical learning and his lofty point of view. The second edition of Say's *Traité* was a substantial improvement upon the first, but its publication, having been vetoed by the Empire, did not take place until 1814. The three next editions received notable correction and expansion at his hands, and the book in one form or another was translated into nearly all modern languages. Indeed it is a popular book, which has made accessible to many of its author's contemporaries, and to many after his day and generation, doctrines which few would have had the opportunity to learn at first hand from the books where they were originally stated. Our author's limitations grow out of a weak desire that

His adhesion to Adam Smith.

Say as a populariser.

tormented him to be ranked first among living economists, and a deficient education in history and law, which exposed him to dangerous pitfalls, and misled him into erroneous views touching State interference. This he undertakes to restrict far more than Adam Smith when he discusses the unproductiveness of public expenditures and free coinage. These characteristic shortcomings had further the negative effect of preventing him from making due allowance for the progress that had been made, especially in England, and through Ricardo's able work. We find him accordingly impervious to Ricardo's reasonings on value, money, and on the distribution and incidence of taxes, so that he has never done with writing fault-finding notes for the French translation of Ricardo's *Principles* made by Constancio in 1818. He insists that the gross and the net product are identical from the point of view taken by social science, and he becomes hopelessly self-contradictory in his account of immaterial products or earnings when he undertakes, in 1823, to annotate a pirated reprint of Storch's *Cours*. He comes off second-best in a controversy with Gioja about the utility of statistics, undertaking to deny their scientific value. More of his power comes out in his account of certain points in the theory of private consumption and in his analysis of the opposite effects of saving and of unproductive consumption. But perhaps his greatest achievement is his theory of markets (*débouchés*). To be sure he did not originate the whole line of the argument— so much must be conceded to MacCulloch, who errs, however, on the side of a too severe judgment of Say. Tucker undoubtedly gave the first glimpse of Say's theory of markets, and Mengotti also touches upon it, while a still better treatment of the matter on the same lines with Say is found in an anonymous work published in 1795, *Sketch of the Advance and Decline of Nations*. This granted, however, Say certainly gave a turn of his own to these views, broadly connecting them with free trade, and

His limitations.

He cavils against Ricardo.

Say's theory of markets.

bringing them into connection with the theory of commercial crises. On this last line of argument he was at one with Ricardo, and defended himself successfully against Malthus and Sismondi, who believed in the danger of a general and permanent glut of the market for manufactured goods. His two adversaries never reflected that until the impossible day arrives when the wants of all are satisfied there can never be a general but only a partial glut, inasmuch as, generally speaking, demand and supply are always bound to counterbalance each other and bring about an equilibrium. Nevertheless Say was not entirely victorious in his encounter with Sismondi, for he failed to carry entire conviction with his arguments against the latter's *économie à rebours*, which undeniably laid bare real social wounds, and these, though for the most part due to transitory conditions, called for serious consideration. This will be apparent if their discussion of the general management of industries be carefully followed, for on the question of introducing machinery Say is most decidedly worsted.

Fear of a general glut.

J. B. Say, *Traité d'économie politique.* Paris, 1803. 2 vols. 5th edition, 1826; eighth edition, by A. Clément, 1876. *Catéchisme d'économie politique.* 1817. *Cours complet d'économie politique pratique.* Paris, 1828-30. 6 vols. *Oeuvres complètes,* published by H. Say in vols. ix.-xii. of the *Collection des principaux économistes.* Paris, 1841.

Studies on Say.

As yet no satisfactory monograph on Say and his work has appeared. Francesco Ferrara is useful, though diffuse, and rather a special pleader in his "Ragguaglio biographico e critico" (*Biblioteca dell' economista,* Series I. vol. vii., Turin, 1855, pp. v.-cx.); the same is true of G. Du Puynode's *Études sur les principaux économistes* (Paris, 1868, pp. 336-410); a better work is Ét. Laspeyres' article on Say in Bluntschli and Brater's *Deutsches Staatswörterbuch* (vol. ix. pp. 116-123, Stuttgart, 1865).

Say's name cannot be separated from that of Charles Comte, his son-in-law, who died in 1837, after producing two good volumes on *Property* (Paris, 1834), and four volumes of a *Traité de législation* (Paris, 1827), which, though never finished, contains a very complete discussion of slavery. For quite a different reason Storch's name must be coupled with that of Say. Heinrich Storch was born at Riga; he lived until 1835, and produced several works, the most noted of which is his *Cours d'économie politique* (St. Petersburg, 1815, 6 vols.), written by him for his pupils, the Grand-Dukes Nicholas and Michael of Russia. All that part of it dealing with pure science is most unoriginal, though it abounds in most suggestive applications of general principles to cases of forced currency, to the history of prices, to banks, and to slavery. More important is his *Considérations sur la nature du revenu national* (Paris, 1824), which he himself translated into German (Halle, 1825). In this work he amends and develops—in the exact direction afterwards taken by Dunoyer—Say's theory of immaterial products, and he anticipates the theory of rent, which Hermann afterwards deepened and expanded in 1832.

Comte, Storch, and Say.

§ (6) RICARDO AND THE THEORY OF DISTRIBUTION

With Ricardo's name is associated a progress in our science far more considerable than can be credited to Say. Ricardo is in fact by general consent recognised as the greatest economist of the nineteenth century. Like Malthus, he suffered much from the misconceptions of his too enthusiastic friends, but he had a still larger number of adversaries who attacked him when he wrote, and his recent adversaries have not been few. Among them it is grievous that we must mention two writers of such conspicuous merit as Jevons and Ferrara.

The greatest economist of this century.

David Ricardo's father was a Jewish merchant of

Life of Ricardo.

Dutch antecedents. From him the son, who was born in 1772, received a careful business education, but the two soon parted company on account of the offence given by young David's conversion to the Christian faith. Left to his own devices, he turned banker, and followed that calling with rare intelligence, unimpeachable uprightness, and extraordinary success. Having, in a few years, amassed an enormous fortune, Ricardo devoted himself to the broadening of his education, and was particularly interested by the study of the natural sciences. Finally he too, like Say, stumbled by accident upon Adam Smith's *Wealth of Nations*, and from that moment gave all his energies to political economy. In 1819 he entered Parliament, and there was looked upon as an authority to be directly appealed to on all questions of commerce or finance. He was one of the founders of the "Political Economy Club" (1821), and became intimate with all the leading writers of his day, particularly with Bentham and Mill, as well as with Malthus and Say, with whom he had controversies as conspicuous for their courtesy in expression as they were vigorous in argument. When Ricardo died in 1823 his loss was universally regretted as that of a man of loyalty, independence, and generosity.

His works few but sound.

During his too short life, of which only the years from 1809 to 1823 were given to science, he published few works, but they were all sound and of high value. In discussing money he maintained the famous quantitative theory, attaching all necessary reservations to his form of statement. The "Bullion Committee" of 1810 gave it a glad welcome, while Bosanquet attacked it only to find it sustained by the Currency School, under whose inspiration were framed Robert Peel's Banking Acts (1844-45). He proposes a National Bank of circulation which shall issue notes redeemable in bullion bars of gold, and opposes the sinking fund then in course of formation for the ultimate payment of the national debt. On several occasions he defended

free trade in corn against Malthus, and among his discussions of the subject, all of them profound, and all exhibiting complete mastery of concrete facts, none shows him to better advantage than his short work on *Protection to Agriculture*—a masterpiece.

D. Ricardo, *The high Price of Bullion a Proof of the Depreciation of Bank-notes.* 1810; fourth edition, 1811. *Reply to Mr. Bosanquet.* 1811. *Proposals for an economical and secure Currency.* 1816. *Plan for the Establishment of a National Bank.* 1824 (posthumous). An article on "Funding System," in the sixth edition of the *Encyclopædia Britannica.* 1820. *An Essay on the Influence of a low Price of Corn on the Profits of Stock.* 1815. *On Protection to Agriculture.* 1822. Four editions.

The Works of D. Ricardo, by J. R. MacCulloch. London, 1846. Reprinted in 1881. Translated into French by A. Fonteyraud. Paris, 1847. Add also his letters to Say published in the *Mélanges et correspondances de J. B. Say.* Paris, 1833 (and in Say's *Oeuvres,* Paris, 1844); and eighty-eight letters to Malthus even more interesting than those to Say, *Letters of D. Ricardo,* etc. Edited by James Bonar. Oxford, 1887.

Ricardo's epoch-marking work.

But after all, Ricardo's chief title to fame rests upon his *Principles of Political Economy* (1817), a work of originality and profundity so remarkable that it marks an epoch in the history of our science, though, to be sure, its good points are overstated by such enthusiastic partisans as MacCulloch and De Quincey. That it has defects is obvious to any conscientious and critical reader, but these are not often the ones which trivial-minded or incompetent critics have stretched its words and twisted its thoughts to fasten upon it. Ricardo certainly never dreamt of writing an exhaustive treatise, because, as is definitely recorded by him again and again in his letters, he was painfully aware of his dis-

qualifications as a writer, indeed his modesty has overstated them. Furthermore, he could not bring himself to consider that it was either possible or opportune to aim at any sort of scientific theory of the production of wealth. Those who misjudge him have themselves chiefly to blame for misunderstanding, in spite of his utterances, the real scope and actual subject-matter of his book. When he wrote his *Principles*, they were not even intended for publication, and, only when his friends, —James Mill in particular, as is shown in John Stuart Mill's Autobiography,—gave him no peace, did he print them at all. This book, then, was written by Ricardo as an appendix so to speak to Adam Smith's, where, taking advantage of contemporary research — chiefly that of Malthus, Say, and West—our author, after sifting and testing, combined what he approved of in them with the master's discoveries, making for his result a new theory of the distribution of wealth, this being his definition of political economy. The new theory is based most admirably on the theory of value, which is connected with equally profound and original restatements of the doctrines of international exchange and of the incidence of taxation. To accomplish a statement of this concatenation with these requisite readjustments was Ricardo's aim, and he substantially achieved a good part, though not all, of what he undertook. Why he failed, and wherein his failure consisted, lies upon the surface for any unprejudiced reader of the book. To begin with, he entirely neglects practical applications, confining himself, as he was perfectly justified in doing, to pure science. In his letters to Malthus he has himself declared that his pursuit was truth, not utility. Moreover, he limits himself to such parts of pure science as allow of the use of a few general premisses from which are deduced uncomplicated results, simple, or as he calls them, "strong cases," his chief concern being to arrive at the ultimate results of various economic laws taken one by one. Accordingly he cer-

Value, exchange, and taxation.

Strong cases.

tainly did absolutely exclude transitory and proximate results, and so far deserves the censure of Malthus, his rival, who was at one and the same time more cautious and more learned, though less acute and far less profound, and who sometimes seems to see nothing beyond these very proximate and evanescent results.

As a case in point, take Ricardo on value and you will not find him ignorant of the importance of demand, but he certainly understates it, and exaggerates that of supply, which is represented by the cost. On the other hand, a contemporary school turns the tables and exaggerates the importance of demand, represented by the utility of things produced. Again, in his masterly study of rent, our author lays overmuch stress on varying degrees of fertility, and attenuates the effect of remoteness from the market; also he underestimates the neutralising power of improvements and advances in agriculture to block the upward progress of prices in the case of agricultural produce. Never losing sight of his theoretical and general point of view, he passes habit, sympathy, and political ambition by, as if they were not, and therefore did not react upon competition pure and simple, or prevent any landholder in the world from collecting his rent to the full. From his point of view no tenant can be his landlord's special friend, or have any claims by reason of his power to turn the scales at an election. Aside from these limitations which he consciously imposed upon himself, Ricardo was seriously hampered by the inherent failings of his natural way of expressing himself. Especially in his account of distribution at large, the imperfect medium of his utterance invited misconception by an obscurity which inevitably lent itself to erroneous deductions made in the lines of pessimism by radicals of the new school, as well as to equally erroneous refutations made in the lines of optimism by conservatives of the old school.

Ricardo's failings.

His faulty expression.

The result is that our author has bequeathed to all

impartial friends of the truth a task, and no light one; for on them lie the burden and heat of a struggle to restate more accurately and more clearly, with all due corrections and additions, the theories which he originated, and which call for more interesting and practically convincing illustrations than he has given. Some there are who wrongly accuse Ricardo of being a doctrinaire, simply because he used the one and only method imposed upon him by the nature of the questions under his scrutiny. That he did not always bring his method to bear so as to escape all challenge is admitted by his staunchest supporters—his friends and his foes are here at one. He was the inferior not only of Adam Smith but of Malthus in historical and philosophical training, and yet he was the peer of them both and of Say in practical business knowledge. Say far outdid him in the orderly arrangement of his topics. Malthus was more accurate than he both in his definitions and in the careful use of scientific terms. It actually never occurred to Ricardo, though he far outshone both Say and Malthus in real intellectual depth, coherence, and clearness of thought, anywhere in all the successive editions of his *Principles*,—which he corrected and annotated with an ever-increasing mass of new illustrations,—either to state in black and white upon just what manner of premisses his arguments rested, or to map out in so many words the sphere within which these premisses held good, giving the tale of the leading circumstances calculated to neutralise or defeat their direct action. Nevertheless it was Ricardo and no other who, being fully aware that utility is not the measure but the foundation only of value, yet moved on and arrived at the classical theory of the cost of production; he, too, formulated the theory of comparative cost in international exchange. But just here, by his identification of the rather hazy notion of the quantity of labour with the cost of production—though not to the entire exclusion of the

Need of an accurate restatement.

Ricardo never states premisses.

claims of capital—he gave a colourable pretext for the would-be Ricardian socialistic doctrine that labour is the one and only cause of value. In his refutation of the doctrine of utility, set up by Say against his theory of cost, it escaped him that, simply by a new and more concretely-shaped determination of the generic term utility, a theory of final utility might be reached which would be not a contradiction, as many have supposed, but a complement of what may be called the doctrine of final cost.

Let our author's shortcomings and negligences in the presentation of his argument have all due weight, and still they will never outweigh his great contribution to science, which he enriched with an original theory of the distribution of wealth, so well founded that all subsequent corrections and additions made now, and hereafter to be made, can build securely upon it. Hence we must turn a deaf ear to the clamours of those learned men who, on the strength of quotations that will not bear real scrutiny, are ready to call Ricardo's originality in question. Indeed, if it be allowed that Adam Smith was original, then for reasons almost identical Ricardo must be said to be more so. Nearly all the constituent parts of our author's combination of principles lie scattered here and there in the casual and isolated utterances of his predecessors, who have too frequently embedded them in tangles of error. Adam Smith, for instance, supplied Ricardo with not a few leading views bearing upon value, but his expression of them is uncertain, and he couples with them others which flatly contradict them. In his account of markets, Say foreshadows some of the capital points made in our author's far more important account of international exchange, a chapter in the development of economics which Bastable has lately held up as a fascinating model of profundity and straightforward reasoning. Nowhere does Ricardo show greater originality than in his discussion of wages, where his estab-

His great contributions.

Ricardo on wages.

lishment of the connection between the theory of profits and the theory of prices is simply marvellous. His readers have only their own heedlessness or headlessness to blame if they are so far misled by the shortcomings in his explanation of these points as to mistake the real bearing of the dependence established between the relative measure of profits and the cost of labour—the cost of labour being quite a different thing from wages. Again, an analogous blunder is made by Socialists. They put their own meaning, and not his, into what he calls "natural wages" and determines by the "standard of life"—which he thought of as nothing if not variable,—and then proceed to make him shoulder the iron law of irreducible wages, which they regard as fixed by the minimum required for supporting life in the workmen and their families.

Originality of Ricardo on rent.

It is equally futile, in the present writer's opinion, to attempt to discredit Ricardo's just claim to originality in his account of rent, only his views require to be taken as he understood them. No one has forgotten how Adam Smith's contemporary, James Anderson, a Scotchman, who died in 1808, and was much addicted to agricultural protection, put the whole principle of rent most clearly and concisely into a footnote, where he applies the simple criterion of the greater or less fertility of soils. This was in *An Enquiry into the Nature of the Corn Laws* (Edinburgh, 1777), a book of his unearthed in MacCulloch's *Literature of Political Economy* (pp. 68 ff.). Various minor writings of Anderson's are cited to the same effect by Tedder in his account of that writer; see Palgrave's *Dictionary of Political Economy* (Part I., 1891, Art. "Anderson," p. 39). Shortly afterwards two other writers simultaneously arrived—quite independently of each other or of Anderson—at a definite and intentional explanation of the theory of rent, which runs parallel to his, but which diverges from it on material points not ordinarily taken into account. Malthus is one of the two, and in *An Inquiry*

Anderson's views and others.

into the Nature and Progress of Rent (London, 1815) we find him still of two minds on the subject, vibrating between the new doctrine and the old one of the net product or earnings, which was an invention of the physiocrats, from whom Adam Smith borrowed it, making, however, an exception in the case of mines. Malthus, then, starts out with the fact that different soils have their different degrees of fertility—this requires a statement of the law of decreasing returns which determines rents. So far so good; but Malthus has another string to his bow. Every given soil, in the first place, is or is not apt to yield a product more than sufficient to cover the cost of its cultivation, and, in the second place, is or is not adapted more or less to a given crop. Now, he proceeds to argue, nothing can ever diminish the demand for any one of the various kinds of corn, and this, together with the point regarding the cost of cultivation, must have a determining influence upon rents. Such are the two additional factors insisted upon in these premisses by Malthus, nor did he—and this should be insisted upon—retract them in his *Principles of Political Economy*, though that book came out after Ricardo's work bearing the same title. Sir Edward West brought out his *Essay on the Application of Capital to Land* in the same year (1815) in which Malthus' book just criticised appeared, but Bonar favours the priority of Malthus, of which Leser is still more certain; see pp. 47 ff. in his *Untersuchungen zur Geschichte der Nationaloekonomie* (Jena, 1881). However that may be, West, though perhaps the second in the field, was the first to get rid of the physiocratic superstition making rent a free gift of nature instead of a result of the limited supply of land for production. One thing certainly has its importance just here, and Gonner has done well to point it out. Ricardo's *Essay on the low Price of Corn*, written in 1815, attributes the whole credit of the new theory to Malthus, but afterwards, having read

Malthus' views.

Ricardo, West, and Malthus.

West's pamphlet, he refers to him as well as to Malthus in the preface to his *Principles*, written in 1817, and devotes the closing chapter of that work to a refutation of those very errors of Malthus which are pointed out above. After all due allowance of credit is made to the three partial originators of the theory of rent, Ricardo's superiority even in this field is unimpeachable, and consists in his having so reshaped the statement of it and the argument for it as to cast out for ever the last vestige of Quesnay and the physiocrats, and leave the theory of rent to constitute one of the hinges upon which swings the whole doctrine of the distribution of wealth.

Defence of Malthus and Ricardo.

And now, in closing, let us do homage to the straightforwardness, the flawless uprightness and sincerity, of Malthus and of Ricardo, mentioning only, in order summarily to dismiss it, an accusation which, although grotesquely at variance with facts, has been repeated in Germany by Held, where Wagner and Cohn had made short work of it, and revived in England by no less a person than Ingram. We are asked to believe that somehow the liberal views of Ricardo, himself a large landed proprietor, in respect of the corn laws, were dictated by personal considerations which induced him to fight the battles of the "moneyed interest" against Malthus, whose agricultural protectionism is supposed in some way to have been mere truckling to landlordism. Do those who contrive to believe all this know that Malthus was a clergyman who held a post in an institution of learning supported by the East India Company, and that Ricardo, banker though he was, was also a landlord?

D. Ricardo, *Principles of Political Economy and Taxation.* London, 1817; third edition (with many additions), 1821. Translated into French by F. S. Constancio (annotated critically by Say), 1818. 2 vols. The best edition is E. C. K. Gonner's, enriched by a learned introduction, notes, and appendices. London, 1891.

Studies of Ricardo.

MacCulloch has written the best biography of Ricardo (*Ricardo's Works*, pp. xv.-xxxiii.). Among various critical studies Baumstark's very full commentary (*Leipzig*, 1838, reprinted in 1877) is now rather out of date, there is an article by Laspeyres in the *Deutsches Staatswörterbuch* (pp. 619-634 of vol. viii., Stuttgart, 1864), one by Em. Leser in Conrad's *Jahrbücher für Nat. Oekonomie* (1887), one by N. S. Patten (*Malthus and Ricardo*, Baltimore, 1889), and P. Beauregard has written on Ricardo in an "Introduction" prefixed to a little volume in Guillaumin's *Petite Bibliothèque Économique* (1890), where he has collected our author's chapters on rent, wages, and profits.

End of the first classical phase of economics.

With the death of Malthus, Ricardo, and Say ends the first classical era of the new school of political economy; the achievements which signalised it are summed up in his *Elements* by James Mill (1773-1830), a disciple of Bentham, and an intimate friend of Ricardo. Though the illustrious historian of British India (1817 ff.) leaves nothing to be desired from a strictly scientific point of view in this summary, it may be confessed that it is very dry reading. Some might suppose him to have made amends by giving the first explicit statement of the theory of the wages-fund. Allusion at this point should certainly be made to the attempts to popularise the science in dialogues and story-books made by three ladies, Mrs. Marcet, Miss Martineau, and Mrs. Fawcett.

James Mill, *Elements of Political Economy.* London, 1821; third edition, 1826. Translated into French by Parisot, 1824.

Jane Marcet, *Conversations on Political Economy.* 1817. Translated into French in 1824.

H. Martineau, *Illustrations of Political Economy.* 1832-34. Translated into French with a preface by G. de Molinari.

M. G. Fawcett, *Tales in Political Economy.* 1874.

CHAPTER IX

POLITICAL ECONOMY IN ENGLAND

Progress in England since 1800.

THE progress of political economy in the present century is bound up to a remarkable degree with the institution of legislative reforms, themselves largely due to the impulse of our new science. Help also came from the gradually-widening regions opened up by improved means of transportation; from improved methods of exchange, communication, and publication; from constant readjustments of the monetary system; from the multiplication of institutions of credit; from the emancipation of agriculture and land tenure, by which the last links of feudal bondage were shattered; and from freedom allowed by universal consent to manufactures and internal trade. Moreover, the varying fortunes of the incessant struggles between free-traders and protectionists, coinciding as they did with the dangerous frequency of sudden and periodic commercial and financial crises, played their part also in promoting a lively interest in economics, which was further heightened by the more and more evidently pressing need of inaugurating a series of measures to protect the interests of the working-classes. It had become evident that the opportunities opened up by Savings Banks and by provident and co-operative institutions did not fully meet their case, nor did such care as they received from the more well-to-do classes help very much toward improving the situation.

On the other hand, the breaking down of class lines, the freedom of the printing-press, of association, and of public meeting, are but the various phases of a general movement, which is widening from year to year the circle of those who are brought into a more or less direct and responsible contact with the management of public business of one kind or another, and having a personal stake in the prosperity of the community at large, are therefore especially concerned in the study which makes this its one concern.

Primacy of England challenged by Germany.

These facts are confined to no one country, though they are more pronounced and therefore more efficacious in certain countries than in others. For many years now England has gone on maintaining her primacy as of yore, though there is from time to time an attempt, especially on the part of Germany, to challenge it. For twenty years past Germany has been gradually taking up the attitude of a lofty-minded renovator of the science, nor have German historical and statistical researches already made failed to enrich the field of economics, and to-day the complete and well-digested knowledge of investigations made by men of other nations has at last become a part of the German programme. This, added to a gift for abstruse reasoning and a trained practical sense, augurs well for the important investigations now in German hands.

France lags behind.

France, on the contrary, the sometime rival of England, is falling behind a little so far as theoretic work is concerned, and for this she has the exclusiveness of her predominant school of economics to blame. In Austria, Italy, and Holland, as well as Russia and the United States, where the movement is more recent, use is being made of English and German ideas,—of the latter with some caution in view of certain defects in the present tendency of German economics,—and marked progress is the order of the day. Scandinavia, meanwhile, and the lesser Latin and Slav States, as well as Hungary, are distanced in the race.

J. Kautz, *Die geschichtliche Entwickelung der Nationalökonomik und ihrer Literatur*, Vienna, 1860, pp. 488 ff.
M. Meyer, *Die neuere Nationalökonomie in ihren Hauptrichtungen*. Fourth edition. Minden i. W., 1885.

Popularity of economics in England.

Political economy in England, after Adam Smith's, Malthus', and Ricardo's masterpieces, was for a long time a popular science, if such there be. Instruction in it was imparted to intending statesmen in the universities and higher institutions of all kinds. It was also prescribed now and again in elementary schools as an antidote to the invading notions of Socialism, and this is the reason why socialistic ideas have received no such ready welcome in England as they have enjoyed in France as well as elsewhere in Europe and America.

Vehement opposition

The very vehemence of opposition shown during the last twenty years to the leading ideas of economics has been a blessing in disguise, since men well versed in it have been constrained to redouble their efforts to be sound and accurate in all things. It may, in fact, be confidently predicted that this period of incubation will clear the way for new triumphs, since the signs of their speedy coming are visible even now. In England, however, the diffusion of economic instruction goes on in lines quite different from those pursued in Germany and Italy, where professors at universities have matters all their own way. Not so in England, where a number of "Reviews" devoted to general culture are constantly applying the principles of economic science to questions of practical utility as they arise from time to time. The

English Reviews.

Quarterly and the *Edinburgh Reviews*, traditionally identified with the Tories and Whigs respectively, the *Westminster Review*, anciently the organ of radicalism, the *Fortnightly*, the *Contemporary*, the *National Review*, and the *Nineteenth Century*, representing either liberalism or a strict and impartial neutrality,—all these periodicals, as well as many minor ones of great merit, are well supported and widely read. Specialists have very few

organs, but the *Economist*, a weekly journal founded in 1843, and devoted to economics and politics, still maintains its ancient prestige, and goes on with its discussions about commerce, banking, and money, and there is also the old-established quarterly *Journal of the Statistical Society*, which celebrated the fiftieth anniversary of its foundation in 1885.

The Manchester League, founded by Cobden and Bright, resorted to a most persevering agitation always within the limits of the law. It received the powerful countenance of Sir Robert Peel during his Premiership, and also was backed by his successors, Lord Russell and Mr. Gladstone, and thus carried triumphantly through the economic and financial reforms first advocated by Huskisson. The corn laws were repealed, and so was the Navigation Act; tariffs for protecting manufactures were abrogated, along with the abolition of some, and the reduction of other excise duties. Other reforms combined with these to give great relief to the working-classes, who were benefited most of all by the legalising of their various combinations, by the protection afforded by law to trades unions, as well as by a number of *Factories Acts*, and of laws regarding Friendly and Building Societies, and by the establishment of Co-operative Stores. Many vexatious and outworn forms of governmental interference were abrogated, to the delight of all, while little account was taken of doctrinaire scruples in favour of *laisser faire*. Elementary instruction was gradually made compulsory, the power of the State over banks and railways was gradually expanded, postal savings banks were created, as well as life insurance under State management. The State bought up all telegraphs, and other branches of the public service were improved. All this was done solely in matters more or less obviously connected with the economic wellbeing of the whole nation, so that,—in spite of the hindrances caused by many disastrous crises,—there has been on the whole a general and steady increase of prosperity,

Repeal of the corn laws.

State telegraphs.

and even the situation of the working-classes has improved, as may be gathered from Levi's and Giffen's accurate statistical investigation, as well as from many other similar works.

Arch. Prentice, *History of the anti-corn-law League.* Manchester, 1853. 2 vols.

Leone Levi, *The History of Commerce and of the Economic Progress of the British Nation.* 1763-1878. London, 1880.

Aug. Mongredien, *History of the free-trade Movement in England.* London, 1881.

L. L. Price, *A short History of Political Economy in England, from Adam Smith to A. Toynbee.* London, 1891. (There is no better critical and historical summary of theories held by leading English economists; living writers are not dealt with.)

§ (1) THE FURTHER DEVELOPMENT OF CLASSICAL ECONOMICS

MacCulloch's bibliography.

The Scotchman, John Ramsay MacCulloch (1789-1864), though erudite was not always accurate, and his subtle mind was sometimes content to deal with the mere surface of deep subjects. Still, he was a great populariser of the teachings of Adam Smith, Malthus, and Ricardo, for he wrote many books, and his clearness in expression compensated for the absence of anything like originality. By writing biographies, making collections of old writers on Economics, and by his particularly sound work in bibliography, he gave an impulse to the study of the history of our science, which was long neglected in England before, and even after, his day. His *Dictionary of Commerce* (reprinted in 1882) is a useful repertory of technical and statistical information.

J. R. MacCulloch, *Principles of Political Economy.* Edinburgh, 1825; fifth edition, 1864. *A Treatise on the Principles and Practical Influence of Taxation and the Funding System.* Edinburgh, 1846; third edition, 1863. *The Literature of Political Economy.* London, 1845.

Torrens on exchange.

Colonel Robert Torrens excelled MacCulloch in power of insight, and rivalled him in the fertility of his pen (1780-1864). He wrote several books on the production of wealth, on wages and combinations; but his greatest contributions are an essay, where he published his theory of international exchange, and a number of tracts written by him in favour of Sir Robert Peel's commercial and financial reforms.

Rob. Torrens, *An Essay on the Production of Wealth.* 1821. *On Wages and Combinations.* 1834. *An Essay on the Influence of the External Corn Trade.* Fourth edition, 1827. (Ricardo says a good word for this.) *The Budget.* 1844.

Whately's lectures.

The Anglican Archbishop of Dublin, Richard Whately, having been Professor at Oxford, and being the author of excellent lectures introductory to political economy (1831), finally founded a chair of economics at Trinity College, Dublin, which was creditably filled by Longfield and his successor Lawson. Praise could hardly outstrip the merits of its next occupant, Cairnes, or of Bastable, the present incumbent.

Senior took the lead.

Nevertheless, if the first place among English economists who came after Ricardo and before John Stuart Mill belongs to any one, there can be no shadow of doubt that it should be given to Nassau William Senior (1790-1864), who was Professor at Oxford in 1826, and again in 1847. He was a sagacious economist; his acquirements were as varied as they were profound; his style was good, and his judgment so unbiassed and open-minded that the monographs which

he produced upon the international distribution of gold and silver (1827-28), the value of money (1829), and the measure of wages and population, are a real contribution to knowledge. More than one series of introductory lectures by him has been published (1826 and 1852), and he also inserted in the *Encyclopædia Metropolitana* (1836) "An Outline of the Science of Political Economy," which, having been printed separately, reached its sixth edition in 1872. Senior analysed the cost of production most ingeniously, but his choice of the curious term "abstinence" for describing that element in the cost of production which depends upon capital accumulated by self-denial, was unfortunate, since it gave rise to objections and controversies that turned entirely upon words. Equally important were his researches into the measure of wages and of profits, and in general into the whole terminology of economics. He was among the first in England to aim at accuracy and precision in this matter. He also made a great point of the explicit recognition that social economics as such was like any other genuine science, absolutely neutral ground, not to be invaded and occupied by either of the rival theories of political economy that confronted each other with appeals to the doctrine of *laissez faire* on the one hand, and with demands for State interference on the other.

Senior's works.

One thing evidently cannot be too much insisted upon nowadays, and that is the need of putting an end to the curious confusion of mind indicated by the sense constantly attached to the term Manchester school—German writers are perhaps the greatest sinners in this regard. This name is daily applied to the classical English school, which is arbitrarily identified under it with an optimism for which Carey and Bastiat are responsible. Nothing could be more misleading or fraught with greater error than this misnomer, which really describes only the views of a very few Englishmen—Banfield, for instance, with his *Organisation of*

The German Manchester school.

Industry (1844; second edition, 1848), and Rickards, in his *Population and Capital* (1854)—all of them being decidedly second rate. In his *Manual of Political Economy* (1868) Rogers has taken the trouble to summarise this line of thought, of which hardly a trace is to be found in the other writings of real importance to be presently mentioned.

Some of these books come down beyond the period just now in hand. They are: Th. Chalmers, *The Christian and Civic Economy* (1821; 2 vols.), and *On Political Economy* (second edition, 1832). This writer lays great stress upon the moral aspect of his subject, and is a strict follower of the principle of Malthus, which, on the other hand, Eisdell attacks in his *Industry of Nations* (1833). J. P. Stirling, *The Philosophy of Trade* (1846), has some excellent remarks on the theory of value. W. L. Sargant, in *The Science of Social Opulence* (1856), follows a method remotely analogous to Thünen's. W. E. Hearn's *Plutology* (1864, reprinted in 1889) gives an interesting discussion of the theory of production. To these should be added John Macdonell's *Survey of Political Economy* (1871), and John L. Shadwell's *System of Political Economy* (1877).

§ (2) JOHN STUART MILL

Mill's great influence.

This illustrious thinker was remarkable as a philosopher, as a writer in general literature, and as an economist. Few influences of the kind have been more widespread among educated Englishmen, or found more approbation among the cultivated classes everywhere, than that exercised by his *Principles of Political Economy*, a book which summarises and systematises under their more important aspects, and in the most exact language possible, all the leading doctrines of the classical English school. Nor does this author fail, where necessary, to strengthen these views by completing them, so that

there is no better account than his. Another merit of this work consists in the fact that Mill's mind was in touch with the controversies in progress when he wrote, and his argument, by going far towards meeting the various attacks, more especially the socialistic ones, which have been successively made upon political economy, has smoothed the way beforehand for its ulterior improvement at the hands of the critical school of to-day. But Mill's work requires a thorough understanding before you can away with the extraordinary inconsistencies and contradictions in which it abounds. Such indeed is the singularity of this book, that to understand it requires some familiarity with the author's *Autobiography*, where he gives us with wonderful frankness the key to his own intellectual and moral vicissitudes.

Socialistic attacks.

John Stuart Mill, *Autobiography*. London, 1873.

W. L. Courtney, *Life of John Stuart Mill*. London, 1889.

F. Faure, the article "J. S. Mill," in the *Nouveau Dictionnaire d'économie politique*, Paris, 1891, vol. ii. pp. 273-280.

Minto, "J. S. Mill," in the *Encyclopædia Britannica*, vol. xvi. 1883.

Life of Mill.

Born at London in 1806, he was subjected by his father to a phenomenally rigid system of intellectual training, and at the same time was kept quite aloof from all religious and sentimental influences. At fourteen, having mastered Latin and Greek, he sojourned for a few months in France (1820), where he knew Say and Saint-Simon; then he returned to England, where he became a close friend of Bentham, Austin, Grote, and Macaulay during the prosecution of his studies in philosophy and law. In 1823 a post in the India Office, directly under his father's eye, was assigned to him, and this he kept until 1858. His brief parliamentary career, as member-elect for Westminster in

1865, was brought to a close by defeat at the polls in 1868. His constituents were offended alike by his independent attitude and by his eccentric views. Shortly afterwards he retired to Avignon, where he died in 1873. Mill in Parliament.

Committed at the outset though he was to the school of philosophic Radicalism led by Jeremy Bentham and represented in the *Westminster Review*, Mill began as early as 1826 to yield to a more generous idealism aroused in his mind by reading Marmontel, Condorcet, Saint-Simon, and others. These new impulses were encouraged and reinforced by his close friendship with a lady possessing remarkable intellectual and moral endowments, which he depicts with the greatest appreciation. Their acquaintance began in 1831, and their marriage took place in 1851. To this lady our author dedicated his stirring *Essay on Liberty*. All this left him a Benthamist still, but with a difference—see an article in the *Westminster Review*, written in 1838—and he made very considerable alterations in his master's theory of Utilitarianism, as may be gathered from his work on that doctrine (*Utilitarianism*, 1863). Soon after this he came more or less under the influence of Comte, with whom he corresponded from 1841 to 1846, and he published a book on *Auguste Comte and Positivism* in 1865. His utmost zeal was enlisted for agrarian reforms in Ireland, as his *England and Ireland* (1868) abundantly shows; he also advocated warmly Hare's scheme of minority representation (*On Representative Government*, 1861), and was the enthusiastic defender of political rights for women (*On the Subjection of Women*, 1869). Mrs. Taylor.

On political economy he wrote essays in 1844, and his book on *Logic* (1843), as well as his larger book of *Principles* (1848); various productions included in his minor works (1867-75) and the posthumously-published fragments on socialism contain his matured views on economics.

John Stuart Mill, *Essays on some Unsettled Questions of Political Economy.* London, 1844; second edition, 1874. *System of Logic Ratiocinative and Inductive.* 1843. 2 vols. Ninth edition, 1875. *Principles of Political Economy, with some of their Applications to Social Philosophy.* London, 1848. 2 vols. Seventh edition, 1871. *Dissertations and Discussions.* Second edition, 1867-75. 4 vols. "Chapters on Socialism," in the *Fortnightly Review.* 1879.

Mill on social economics.

Mill's essays, written in 1829 and 1830, but not published until 1844, contain substantially all his original contributions to social economics. In the first one he develops Ricardo's theory of international commerce, and clearly formulates the famous doctrine of international exchange, which is the solidest foundation yet given to the policy of free trade. This first statement he himself subsequently reinforced by throwing upon it the light of many new examples and illustrations in his treatise on the equation of international demand and supply. His second essay deals with the influence of consumption on production, and maintains the theses: (1) that what is complained of as absenteeism is a purely local evil; (2) that although such a thing as a permanently general glut is an impossibility, there may be a temporary glut general in its character; but (3) that this can only be brought to pass by the impairing of credit, and never could result from over-production. His third essay discusses the meaning attached to "productive" and "unproductive" when applied to labour and when applied to consumption. In the next one Mill defends and explains Ricardo's theory of the connection between wages and profits, showing that the latter depend upon the cost of work, and consequently that improvements in the production of what workmen consume may increase their real wages without necessarily diminishing profits. The fifth and last essay is devoted to explaining certain rules of right method

Five essays.

in economics, which are expanded and matured in the sixth book of his *Logic*. There he agrees with Comte in positing a science of sociology at large, and maintains that it must be both concrete and founded upon the inductive method; but he is equally positive, as against the Comtists, that a science of economics is absolutely necessary. Such a science need not be independent, but it must be separate, he argues, and then gives a masterly statement of what distinguishes it from the corresponding art. It must be abstract, it must be hypothetical, and therefore its method cannot be either metaphysical or intuitive, but must be inductive. Furthermore, the inductive method used will be just that employed in the more advanced physical sciences, with the sole and material drawback, that experimental observation, rigorously so called, is absolutely out of the question in the social sciences. This method and no other, as indeed has been already indicated above in the first and theoretic subdivision of this volume, is the one which received support from Cairnes, and which has recently been overhauled and minutely readjusted by the accurate labours of Menger and Keynes. This method and no other gives to economics such firm footing as it has to-day.

Sociology and economics.

Induction.

Mill's *Principles of Political Economy* was long unchallenged as the best English treatise on the subject, and such it still remains in many respects. His aim here is to give first of all a broad picture of political economy as created by Adam Smith and expanded by Malthus and Ricardo. Next he wished to make room in his picture for later progress made here and there by the efforts of such men as Wakefield, Babbage, Rae, and Chalmers, and thus to make the leading applications of principles in pure economics thus far achieved serve as *pièces justificatives* to his account of the science as such. In doing this he was led to introduce, in place of Adam Smith's digressions, which were for the most part of tedious length, and had in many cases

Breadth of Mill's treatment.

Adam Smith's digressions.

come to be out of date, considerations corresponding to the actual theory and practice of his own day and based upon the works of Jones, Laing, and Thornton. This enabled him by the way to exemplify here and there the right use of the method of which he was so pronounced an advocate. In accomplishing every part of this scheme Mill was absolutely successful, and therefore his book, though its defects were by no means few, became the leading authority appealed to by all economists of his day. The exceptional clearness of its style, the fascination of so well grouped a presentation of the whole subject clearly and correctly mapped out, had the effect of inducing economists to neglect more or less completely the writings of the great masters who preceded Mill. This was notably true so far as Ricardo and Malthus were concerned, because their principles, as explained by so skilful a master of thought and style as John Stuart Mill, received the benefit of his more accurate and better-trained skill in putting things, and were expressed in language so well weighed and careful that the dangers of their misapprehension were minimised.

Neglect of Ricardo and Malthus for Mill.

Criticism of Mill's *Principles*.

In Mill's *Principles* a very special interest attaches (1) to his analysis of the influence of progress upon the problems of population, of prices, and of distribution; (2) to his observation that profits tend to reach a minimum; (3) to what he says about a stationary condition of economic forces; and (4) to his famous distinction between the physical character of the scientific laws governing production, and the social character of those governing distribution. Indeed Mill himself regarded the establishment of this last distinction as the greatest of his contributions to political economy. But the school of criticism now in the ascendant will not have it so, and considers his great service to have consisted in the absolute lucidity of his theory of values and distribution, and in the skill shown by him in correcting the errors of his great master, Ricardo; although, when he

Theory of values.

had done his best, both in the matter of clear statement and of sound correction, the result left more to be desired than our author imagined. As far as his statement of the theory of value goes, he certainly dealt both with current and normal value, but more with the latter, and he neglected to consider adequately what effect they exercised each upon the other. Discussing normal value, he followed Ricardo in taking the seller's point of view, and accordingly he gave rather too marked a prominence to the cost of production; nor did he escape ambiguity, as Cairnes has well shown. Again, though our author well knew that demand, so far as it is represented by utility, has its determining influence on supply, and thus indirectly influences cost, he nevertheless failed entirely in measuring the degree of that influence, because he had recourse to the vague conception of the total utility of the product, that is, of its value in use, instead of appealing to the more definite notion of the final (or marginal) utility of a definite quantity actually fulfilling its purpose. The entire significance of normal value escaped him so far as the buyer's point of view is concerned, and yet this point of view modifies many normal values, and in other cases it expresses what is the effective normal value. Our author's account of the theory of international values, though admirable, betrays confusion of mind. He does not perceive the many points of contact between any such theory and the theory of national values, from which international values cannot be completely distinct, nor is he aware that certain apparent differences attach themselves chiefly to the insufficient and inexact explanation of value in general thus far achieved in economics. To make one final point in detail against Mill, he omitted entirely the application of his theory of value—though regarding its statement as a most fundamental matter—to the explanation of the laws of distribution. This may have been an error due to his arrangement of topics, and be accounted for

International values.

Distribution.

by the fact that he deals with distribution in his second, and with exchange in his third book. But it may also be due to his too exclusive preoccupation with the social aspects of distribution, that is, with the exchange of products for productive services, which placed it in complete contrast with circulation, that is, with the exchange of one product for another, which he thought of as a purely mechanical process.

Mill's life and Mill's works.

Some account of the leading aspects of Mill's intellectual and moral career, such as that attempted earlier in this chapter, affords the only real clue for unravelling the contradictions of the various parts of his most considerable work. They are not few, and they constitute its real defects, which are quite sufficient in number without adding to them other contradictions fathered upon our author by certain critics who move heaven and earth to make out that his method was incoherent. This certainly it never was. They have at once an easy and a fruitless task when they undertake to show that there are discrepancies between the doctrines which Mill teaches in the scientific field, and the criteria which serve his turn when he is making applications of these principles. It is of the nature of applied science to shift and shape itself at the bidding of time, of place, and of social conditions.

Self-contradiction of Mill.

But self-contradiction lurks in the ever-widening and deepening vein of genial philanthropy, visible in the successive editions of Mill's *Principles*, until in the third he draws in the most rosy hues a prophetic picture of the days in store for the working-classes, and actually proclaims his belief in the eventual consummation of Socialism; but this philanthropy never quite carried him off his feet until he wrote his posthumously-published chapters on Socialism. Self-contradiction also lurks in his proposal to bar the right of collateral kindred to inherit, and also in his sympathy with the idea of heavy taxes to be imposed upon vexatious transfers of landownership, which culminated in the

later years of his life in his marvellous scheme for confiscating the future rents of land which were to be acquired at current prices by the State with the owner's consent. But his self-contradiction is most palpable and can best be understood, from the point of view of science, when these socialistic aspirations are confronted with his theoretical adhesion to the doctrines of Malthus. These he not only maintained but almost caricatured by proposing the restriction of marriages by law. Again, how are we to reconcile his approval of a stationary state, which is really a retrogressive condition of decadence, with his unwavering belief in unlimited progress? He should either part company with Laing, reject Thornton's *Plea for Peasant Proprietors* (1848; second edition, 1874), and refrain from glorifying small peasant-holdings, or else he must retract his own "Papers on Land Tenure" (*Dissertations and Discussions*, vol. iv.), and destroy all record of his own usefulness as president, from 1870 on, of the Land Tenure Reform Association. Finally, what can Mill, the socialist, pledged as such against every form of competition, have to do with the Mill who defended "co-operative societies for production," and thus endeavoured to replace competition between private enterprises by competition between associations of working-men?

Closely connected with the fame of John Stuart Mill is that achieved by Henry Fawcett (1833-84), though the latter was far outstripped by the former. Fawcett, being afflicted with almost complete blindness, fought an unequal battle, but with a courage that defied all odds. He was made Professor at Cambridge, discharged the heaviest duties that a member of Parliament could undertake in pushing through reforms in Indian finance, and in espousing the cause of co-operation. He consistently discountenanced State interference, and yet was called in 1880 to the office of Postmaster-General. There are various collections of articles and speeches by him, and to these should be

Fawcett's work.

added his meritorious special treatises on the condition of working-men and on free trade, although these last contain little that is remarkably original. And finally, his summary of Mill's *Principles* deserves honourable mention, since he has added a fund of accurate information, and a number of interesting discussions on practical questions, particularly on slavery, local taxation, newly discovered gold-mines, the poor laws, the expropriation of real estate, trades unions, and co-operative societies, as well as on many other kindred points.

H. Fawcett, *The Economic Position of the British Labourer.* London, 1865. *Pauperism.* 1871. *Free Trade and Protection.* 1878; sixth edition, 1885. *Manual of Political Economy.* 1863; sixth edition, 1883. *Essays and Lectures on social and political subjects.* 1872. See also Leslie Stephen, *Life of H. Fawcett.* 1885.

§ (3) MONOGRAPHS

Progress in detail.

Other steps in advance made by economics in England are the fruit of a host of works intended to appreciate certain facts by investigating their causes and foreshadowing their effects, or else directed against the enactment or abrogation, as the case might be, of laws and institutions affecting these facts. The intro-

Machinery.

duction of machinery, for instance, and the consequent readjustment of production, gave rise to numerous works. Some were descriptive and some were theoretical, like Charles Babbage's *On the Economy of Machinery and Manufactures* (1832), which carried to completion the analysis begun by Adam Smith of the advantages of a division of labour. Others were apologetic and technical, like Ure's *Philosophy of Manufactures* (1830), or they were philanthropic and sceptical, like Gaskell's *Artisans and Machinery* (1836), Kay's *Social Condition of the People* (1852), and Morrison's *Essay on the Relations*

between Labour and Capital (1854). Another question much mooted in numerous works at this time was that of the colonies, and H. Merivale's *Lectures on Colonisation* (1841 f.) deserve special mention, along with the bold schemes outlined in E. G. Wakefield's *England and America* (1843), and also the same writer's *View of the Art of Colonisation* (1849). Two most competent works on agrarian economy are due to Sir James Caird—*English Agriculture* (second edition, 1852), and *The Landed Interest* (fourth edition, 1880). On the kindred topic of laws for the reform of rural land tenure may be singled out Brodrick's *English Land and English Landlords* (1881), Shaw-Lefevre's *Freedom of Land* (1881), and Kay's *Free Trade in Land* (ninth edition, 1885). Then there was the vehemently-discussed question of free trade, a prolific source of many pamphlets, among which may be mentioned Byles' *Sophisms of Free Trade*, Alison's *Free Trade and Protection* (1842), written in opposition to Byles, as well as Dunckley's *Charter of Nations* (1854) and Sir T. Farrer's *Free Trade* versus *Fair Trade* (1885), written against protection.

The colonies. Free trade.

The general question of money was valiantly undertaken by a picked band of writers, of whom the leaders were Lord Liverpool (*A Treatise on the Coins of the Realm*, Oxford, 1805; reprinted in 1880), W. Stanley Jevons (*Money and the Mechanism of Exchange*, 1875; fourth edition, 1878), and J. S. Nicholson (*A Treatise on Money*, Edinburgh, 1888). Lord Liverpool and Jevons favour monometallism, while Nicholson advocates bimetallism, which has within the last few years been defended by Seyd, Barbour, Hucks-Gibbs, and many others. Banking has called forth a still larger number of pamphlets, and the range of discussion here is of greater moment. Thomas Tooke grappled with this subject in his monumental *History of Prices*, which was brought to completion by William Newmarch. This book, *A History of Prices and of the State of Circulation from* 1792-1856 (London, 1838-57, 6 vols.), has been translated into German

Money.

with certain abbreviations by C. W. Asher (Dresden, 1858 f., 2 vols.). H. D. Macleod's *Theory and Practice of Banking* is original, but not free from paradoxical assertions (fourth edition, 1883, 2 vols.; fifth edition, 1892). There is a good summary given by Courtney in his article on "Banking" in the ninth edition of the *Encyclopædia Britannica*. From a practical point of view the writings of Gilbert and Crump on this subject may well be mentioned, as well as Hankey's *The Principles of Banking*, and the largely statistical labours of R. H. Inglis Palgrave on the *Bank-rate in England, France, and Germany*, 1844-78 (London, 1880). Of greater theoretical importance than all the rest are (1) Goschen's masterpiece, *The Theory of Foreign Exchanges* (1861; fourteenth edition, 1890), where the question of international payments is dealt with, and (2) Bagehot's fascinating work, *Lombard Street, a Description of the Money Market* (1873; seventh edition, 1878), which gives a lucid and dispassionate appreciation of the banking system of Great Britain. Hardly less important are the controversial utterances in favour of the so-called "currency principle," which hangs together with Ricardo's monetary views. These vigorous thrusts were made to defend Sir Robert Peel's new laws on banking, and to beat down a sturdy resistance offered on behalf of the "banking principle." According to this principle the proposed restriction of the power to issue bank-notes was an infringement of rights parallel to those exercised in the use of such things as cheques and bills of exchange, while its adversaries rejected the parallel and substituted that of minting a gold and silver coinage. The lead in favour of the banking system was taken by S. Jones Lloyd (Lord Overstone), an eminent banker, and among his followers were such men as Torrens and MacCulloch. See Jones Lloyd's numerous tracts on the subject, collected under the title of *Tracts and other Publications on Metallic and Paper Currency* (1858). The "currency principle" was

Banking

The currency principle.

The banking principle.

defended by Tooke, who had the sympathy not only of John Stuart Mill and of Bagehot's kinsman, James Wilson (see his *Capital, Currency, and Banking*, 1847), his predecessor in charge of the *Economist*, but also that of John Fullarton, whose remarkable acuteness of mind is displayed in his book *On the Regulation of Currency* (1844; second edition, 1845).

Reforms in finance.

There were indeed various financial reforms, some of them merely projected and some already carried out, around which were centred more or less important groups of occasional pamphlets, which now and again had a real scientific bearing, and sometimes grew into the proportions of solid books. Among the earlier productions of this kind were Sir John Sinclair's *History of the Public Revenue* (third edition, 1803-1804, 3 vols.), Robert Hamilton's *The Rise and Progress, the Redemption . . . of the National Debt* (third edition, 1818), Sir Henry Parnell *On Financial Reform* (fourth edition, 1882), Tayler's *History of the Taxation of England* (1853), Hubert Hall's *History of the Customs Revenue* (1885), and Stephen Dowell's monumental *History of Taxation in England* (1884-85, 4 vols.; second edition, 1888). Then there were also Sayer's *On the Income Tax* (1831), Buchanan's *Inquiry into Taxation* (1844), and to these may be added certain more recent works, like Baxter's *Taxation of the United Kingdom* (1869), Noble's *The Queen's Taxes* (1870), Sir Morton Peto's writings, Giffen's *Essay on Finances* (second edition, 1880), and Wilson's *The National Budget* (1882). On local taxation Palgrave (1871), Goschen (1872), and Probyn (1875; second edition, 1885) have set forth their views, and finally some place here should be found for mentioning Mr. Gladstone's *Financial Statements* (1863-70, 3 vols.), and the admirable works of Newmarch *On the Loans raised by Mr. Pitt* (1855), of Capp (*The National Debt financially considered*, 1859), and of Baxter (*National Debts*, 1871).

And now, if only space allowed, here would be the

Workmen and wages.

place for some mention of the most noteworthy publications in which the problem of workmen and their wages has been broadly discussed. Just a word may be said in commendation of Howell's *The Conflicts of Capital and Labour* (second edition, 1890), of the discussion of wages as determined by "sliding scales," to be found in Munro's *Productions*, and in Price's *Industrial Peace* (1887). There are several accounts of arbitration, there is Compton's *Industrial Conciliation* (1876), and there are various works on provident and co-operative institutions. Let it be enough to add that Rogers, Brassey, Giffen, and many besides have written from time to time on wages in general, and now and again on the actual condition of working-men. Ansell (1835), Nelson (1845), Tidd Pratt (1830 ff.), Scratchley (1849 ff.), and Lewins have shown consummate practical knowledge as experts in discussing savings banks and benefit societies. On co-operative societies of consumers much has also been written, among others by Holyoake (*The History of Co-operation in England*, 1875-79, 2 vols.); Parc (1860) and Stubbs (1884) have discussed rural co-operative societies; Jones wrote in 1863 on co-operative building societies; Hole in 1866 wrote on *The Homes of the Working-Classes;* and finally there is S. Taylor's work on *Profit-sharing* (1884), the very recent account of the same matter given by Whittle, not to mention Rawson's *Profit-sharing Precedents* (1891), and Schloss' *Methods of Industrial Remuneration*, 1892.

§ (4) CRITICS AND OPPONENTS

Carlyle and Ruskin.

During the twenty years immediately after Mill's *Principles* appeared there were but few who raised any opposition to the classical school, nor had these few any followers worth mentioning among qualified economists. Violent assaults, such as Carlyle's and Dillon's, Lalor's *Money and Morals* (1854), and Ruskin's various performances between 1871 and 1887, were little heeded

if at all by serious students in economics. They all belong, even the last mentioned—though Geddes has just done his best for them (*John Ruskin, Economist*, Edinburgh, 1884)—rather to general literature than to political economy as such. A similar fate has befallen the new school of protectionists led by Eckroyd and valiantly defended by Sullivan. A few interested individuals, enough to constitute the Fair Trade League, have been convinced, but nothing from this quarter has yet moved real students of our science. Frederic Harrison, the positivist, is in the same case, and so are various more or less extravagent upholders of trades-unionism. A rather greater modicum of influence has been exercised by the numerous works of a group of very genuine and sincere philanthropists—Charles Kingsley, Frederick Denison Maurice, and Thomas Hughes—who have taken for themselves the rather misleading general name of "Christian Socialists." This is a misnomer, because, with all their hostility to competition, for which co-operation is their substitute—a substitute, be it said, from which they require more than it can give—they nevertheless have never rallied around the real Palladium of all genuine socialists,—the omnipotent intervention of the State. Not only they are averse to this principle, but so was Lord Shaftesbury (Ashley-Cooper), and so were many others who put through Parliament various laws like the factory acts, framed to protect the working-classes.

Kingsley and Maurice.

Cfr. L. Brentano, *Die christlich-sociale Bewegung in England.* Leipzig, 1883.
Th. Kirkup, *An Inquiry into Socialism.* London, 1887.
G. Cohn, "Lord Shaftesbury," in the *Deutsche Rundschau.* 3ª Heft, 1889.

But a real crisis did come, and some thought it was the beginning of the end of the classical school of political economy, while others confidently predicted the reconstruction out of its ruins of a new science.

A crisis in political economy.

Neither of these prognostications has been justified by events, for all that befell amounted simply to a thoroughgoing rectification and a considerable expansion of what remained still substantially the old science of political economy. The new movement which first declared itself in 1869, may, for convenience, be connected with three pairs of leading names. Thornton and Toynbee may stand for one phase of it, Cliffe Leslie and Ingram for another, and a third may be connected with Cairnes and Jevons.

Ingram, Price, Foxwell.

The books here to be kept in hand are the histories of Ingram and of Price already mentioned, and two articles written by Foxwell and Cohn, two censors little inclined to give the benefit of any doubt to the classical writers in economics.

H. S. Foxwell, "The Economic Movement in England," in the *Quarterly Journal of Economics*. Boston, October 1887.

G. Cohn, "Die heutige Nationalökonomie in England," etc., in the *Jahrbuch für Gesetzgebung, Verwaltung*, etc., G. Schmoller, Leipzig, 1889, 1ste Heft, pp. 1-46.

Thornton's attacks on Mill.

William Thornton (1813-80) wrote in 1846 a work on *Over-population and its remedy*, one already cited above on peasant-proprietors in 1848, and a third book, which is hardly known, on *Indian Public Works* in 1875. In another work, *On Labour, its wrongful Claims and rightful Dues* (1869; second edition, 1870; translated into Italian, Florence, 1875), he vigorously attacks the theory of value and that of the wages fund, even when stated in the more guarded form given to it by Mill and Fawcett, who, although they are most explicit, yet seek to avoid implying in it the affirmation that workingmen's coalitions and strikes are absolutely futile, though other writers maintain that this is an inevitable corollary of the wage-fund theory. John Stuart Mill, who had not been disturbed by the learned lawyer Longe's

Refutation of the wage-fund Theory, published in 1866, or by Cliffe Leslie's article to the same effect in the July number of *Fraser's Magazine* (1868), came out rather precipitately in the March number (1869) of the *Fortnightly Review* with an article reprinted in his *Dissertations and Discussions* (vol. iv. pp. 43 ff.), in which he retracted the whole doctrine, and with it the contention that a demand for products is not a demand for labour. Such an excess of zeal in retractation, quite unwarranted by the case as it stood, was regarded by all at the time, and is still regarded by avowed enemies of the science of political economy, as a tacit admission that there is no science in the field. Abundant proof of this state of the public mind may be found in the numerous controversial utterances published in 1876, on the occasion of the hundredth anniversary of the *Wealth of Nations*. J. Laurence Laughlin has given a list of these works with their titles in his compendious summary of Mill's *Principles* published at New York in 1888, and they record the low-water mark in economics, giving the most discouraging outlook for the future of political economy.

Mill's hasty retractation

On wages in general and the wage-fund in particular, see W. B. Macdonnell's *A History and Criticism of the various Theories of Wages* (Dublin, 1888), which hardly makes up by clearness of statement for its lack of thoroughness. Dr. S. Bauer has in hand a work on this topic.

Wages.

It is usual in various quarters, more especially though in Germany, to name that very gifted young man, Arnold Toynbee, as one of the recent English antagonists of the classical school. Let us beware, and not suffer the contagion of our grief that he should have died so young, and of our admiration that he should have died so nobly after giving such touching and disinterested proofs of heartfelt sympathy and real friendship for the working-classes, to bias our judgment as to the scientific value of his economic writings, which he had indeed

German estimate of Toynbee.

Toynbee's system of charity.

scarcely time to mature or elaborate. His real achievement lies in the inauguration of a wonderful system of charity and friendly fellowship by the prosecution of which a chosen band of friends are perpetuating his name among the poor. Marshall's masterly preface to Price's *Industrial Peace* (1877) contains a correct appreciation of Toynbee's posthumously-published lectures, to the effect that they contain judgments in respect of scientific economics which are rash quite as often as they are sound. Toynbee's historical researches are most interesting, his proposals for new social laws are often sagacious, and indeed they do not contemplate an over great interference on the part of the Government. Toynbee proclaims himself a radical and a socialist, but he insists upon justice, exalts the idea of self-help, favours co-operation and individual initiative, demands that private property be respected, and repudiates materialism. The jumbling together of so many jarring doctrines would be surprising in any other author's works; not so with Toynbee, however. In one of his lectures he manages to call Ricardo's school of economics an "intellectual imposture," while he does not scruple to admit in another that the only thing which that school and system requires is a few corrections and a more strictly scientific form.

His inconsistencies.

A. Toynbee, *Lectures on the Industrial Revolution in England.* London, 1884; second edition, 1887.

Leslie's attack.

Edward Cliffe Leslie (1827-82), an Irishman by birth, who was a barrister and a professor at Belfast although his domicile was in England, held a far more formidable brief against the classical school than Toynbee. His learned and eminently readable tracts on applied economics all take up questions of reform, and he is especially pointed in his arguments against indirect taxation, and in favour of emancipating land tenure from the last remnants of feudal bondage. His schooling was partly under Sir Henry Maine and partly

acquired by his own frequent and extended travels. By this means he acquired convictions regarding the historical development of economics which led him to take a position unique in Great Britain, where he was for a long time the solitary and always the most enthusiastic adherent of views which Roscher and Knies defended in Germany. The MS. of his most extensive work was lost in 1872, so that all that we now have to represent him is scattered through various Reviews in the shape of essays. Such among these as deal with agricultural matters are of especial moment. He substantially agrees with Mill and Thornton in defending small holdings and cultivation on a small scale. Here and there, also, he gives valuable points on the distribution of gold and silver, on the history of prices, and on variations in profits and wages. There are indications of Cliffe Leslie's general views in economics to be disentangled from certain brief notes which he made in criticism of Adam Smith, Mill, Cairnes, and Bagehot; but they can on the whole be best gathered from his essays on the relations between economics, statistics, and sociology, and are particularly evident in what he wrote for *Hermathena* (vol. ii., 1876; reprinted in his *Essays*, 1888, where see pp. 163-192) on the philosophic method in its application to political economy. Here he wages war on the deductive method. This amounts to calling in question the separate study of the economical aspect of social problems, and to a denial of validity to any general laws of wages, of interest, or of profits. Finally, he rejects in so many words the fundamental principle of the classical schools—their conception of the desire for wealth upon which all their deductions depend—because it is at one and the same time too vague and too one-sided. In the *Westminster Review* (vol. xcvi., 1871), analogous objections, though stated less uncompromisingly, had already been made to the deductive method by David Syme, a protectionist, who wrote the book, which Cohn never can praise

His lost MS.

enough, entitled *Outline of an Industrial Science* (1874). Lord Sherbrooke (Robert Lowe) attempted to answer both of these attacks in the *Nineteenth Century* (November 1878), but Sidgwick did it far better in the *Fortnightly* (vol. xxxi., 1879).

Ingram and Comte.

Very similar to Cliffe Leslie's are the views now defended by another able Irish economist, John Kells Ingram, who, like Harrison and Geddes, is a Comtist, and regards Comte as the forerunner of the German school of historical economics. The classical school is convicted by him to his own satisfaction of being too abstract, and he gloats over its approaching dissolution in a now famous address, as well as in his *History*, which has frequently been mentioned in these pages. These two works, together with a number of admirable contributions to the ninth edition of the *Encyclopædia Britannica*, are his chief titles to scientific eminence.

Th. Ed. Cliffe Leslie, *Land Systems and Industrial Economy of Ireland, England, and Continental Countries.* 1870. *Essays in Political and Moral Philosophy.* Dublin, 1879; second edition (with seven new economic essays in place of the purely political ones of the first edition), 1888.

J. K. Ingram, *The Present Position and Prospects of Political Economy.* London, 1878. See also E. Nazzani, *Saggi di Economia Politica*, Milano, 1881, pp. 17-21.

Positive contributions.

After recording so many purely negative contributions by way of attack to the progress of economics, it is a relief to turn our attention toward the positive contributions and important additions to the ideas of John Stuart Mill which we owe to Cairnes and Jevons, the two ablest men of his school in England. Theirs were no merely negative criticisms of Mill, for his mantle fell upon them both, although only Cairnes describes himself as a disciple, while Jevons thought himself in favour of new doctrines, to take the place of Ricardo's and Mill's. He calls Ricardo "able but

wrong-headed," and yet the upshot of his strictures upon both these masters by no means results in the extraordinary and calamitous break-up which his phraseology suggests.

John Elliot Cairnes (1824 - 75) was, like Cliffe Leslie and Ingram, an Irishman. He and Cliffe Leslie, indeed, were students together. In 1861 Cairnes was Professor at *Trinity College*, Dublin, and then for a short time (1866-72) at *University College*, London. His scientific labours were prodigious, especially during the last ten years of his life, although he then was the victim of a most painful disease. In 1857 he wrote the book on *Method* which has often been praised in these pages, and which for more than twenty years had no rival in the field. Cairnes next gave proof of aptitudes which were almost unique in tracing the action of certain economic causes of a general nature through all the mazes of an intricate and complex medley of facts by publishing in 1862 an epoch-marking investigation of slavery in the United States, *The Slave Power, its Character, Career, and probable Designs* (second edition, 1863). Here he proved to demonstration how great were the leading drawbacks of servile labour, always given grudgingly, never really skilled, and never showing any elasticity or adaptability worth mentioning. He also wrote notable articles in various Reviews. Some were critical, as, for instance, those on Bastiat and on Comte; some were on economic history, such as the famous ones on the probable effects of an increased output of gold, containing an admirable presentation of the appreciation of prices, a variable phenomenon accentuated or not according as a given country has or has not direct concerns with the gold-fields, and also according as it has raw or manufactured material for sale. Some of these scattered essays, finally, are on applied economics, and of these as good a sample as any is his account of the real nature of the dictum *laissez faire*.

Life of Cairnes.

Slavery.

On the eve of his death Cairnes published his *magnum*

Cairnes' great book.

opus on certain fundamental principles of political economy. He has many new points of view from which these principles derive a new power of carrying convictions: (1) value; (2) labour; and (3) capital and international commerce are the categories under which his argument takes shape. Dealing with value, he took advantage of Cherbuliez' treatise, which he was the first to introduce to the English public, and stated more precisely the distinction between the laws of market and of normal value. He corrects errors in Mill's account of the real cost and of the nominal expenses of production, following Senior in excluding wages and profits from the former. In his famous theory of "non-competitive groups" he undertook to prove that even in the case of home industry the law of value has often to reckon with something more than competition and cost,

Reciprocal demand.

value being determined not by demand but by reciprocal demand. Of one mistake, however, he does stand convicted, in that he immensely overestimated the importance of this doctrine, which by no means nullifies, but only modifies, the views expressed by Ricardo and John Stuart Mill; moreover, the real significance of the doctrine of utility escaped him. He criticised it apparently without really admitting the notion of any difference in degree between utility and final utility. In his discussions on wages, which come next, he lays great stress upon just what Mill threw overboard —the wages fund. His very precise account of this matter also is much influenced by Cherbuliez, though combined with considerations which reduce the latter's innovations to their right proportion. He makes a similar readjustment with regard to current exaggerations of the influence of trades unions on the scale of wages, and is very hopeful of good results from

Co-operation.

co-operation, confirming these expectations by a very telling argument against Brassey's law of general uniformity in the cost of labour; see the latter *On Work and Wages* (1872). Of quite equal importance is his

third series of discussions on capital and international commerce. He clears the atmosphere by a revision of Ricardo and Mill on commerce and international values, which leads him to replace their balance of imports and exports with the wider and more exact conception of a balance of debits and credits. This Cairnes did not originate; it had already, as Bastable points out, been stated by J. L. Foster in *An Essay on the Principle of Commercial Exchanges* (1804), containing also views on "absenteeism" which rejoiced the soul of MacCulloch. Cairnes having expounded his principles now proceeds to deal with facts, and addresses himself more particularly to the arguments for protection as stated in America. His great triumph concerns the problem of competition between highly-paid labour in the United States and European pauper labour. He shows that the difficulty is not a real one. He is, however, far less happy in the strictures which he passes on Carey's claim that industries of many and various kinds are requisite for a nation's wellbeing, nor does he really dispose of Mill's arguments in favour of protection for young industries. Sidgwick has shown conclusively that protection in this form can always be defended in theory, but Bastable in a few pregnant lines (*Hermathena*, No. 12; Dublin, 1886) has made it equally plain that this policy is always fraught with the gravest drawbacks when carried into practice.

American protection.

J. E. Cairnes, *Essays on Political Economy, Theoretical and Applied.* London, 1873. *Some Leading Principles of Political Economy newly expounded.* 1874. Translated into Italian. Florence, 1877. See also Fawcett's article on Cairnes in the *Fortnightly Review*, August 1, 1875.

William Stanley Jevons, born at Liverpool in 1835, held the post of assayer in the Sydney Mint from 1854 to 1859; he then returned to England in order to pursue his studies in philosophy and ethics, having previously

Life of Jevons.

grounded himself in physics and mathematics. He was Professor of logic from 1866 to 1876 at Owens College, Manchester, and of economics at *University College*, London, from 1876 to 1881. He met his death by drowning at Bexhill in 1882, leaving behind him important works on various subjects, but nothing, alas! which can make up to us for the ripened fruits of maturing thought which must have come from such a man had he been spared. In him logical powers of the highest order were happily associated with the trained acuteness of a mathematical expert and the rare gifts of a born economist, and to all these was added a unique aptitude for statistical observation. He was equally at home when presenting the results of his investigations in such a popular form as that of his *Primer of Political Economy* (1878), or of the volume already cited on money, and when employing the more abstruse language of science, as in his *Principles of Science* (1874, 2 vols.). Something fantastic, however, will at times lie in wait for his readers even in the midst of such a rigorous concatenation of reasoning as that in his account of commercial crises. Their periodicity he would have us connect with that observable in a long succession of harvests, and ultimately, "by indirection," with the spots on the sun; see *The Periodicity of Commercial Crises*, 1878-79; reprinted on pp. 221 ff. of his *Investigations*.

Jevons' works.

The first of Jevons' works to attract attention from experts was on *A serious Fall in the Value of Gold* (1863; reprinted on pp. 13-118 of his *Investigations*), a subject which he studied in a very different way from Cairnes; this book he followed up with one where he dealt with the probable results of a remotely possible exhaustion of fossil coal, *The Coal Question* (1865). Among his numerous economico-statistical writings, where he makes abundant use of graphic representations—choosing geometrical ones rather than the numerical indices affected by Newmarch and often employed in the

Economist—perhaps the very best are (1) his account of the variations in prices, and (2) his ingenious attempts to determine the laws underlying the discount rate by relating it to the gold reserves on hand in the Bank of England. In the field of applied economics Jevons often discussed the struggle between monometallism and bimetallism, declaring himself, though in very temperate and guarded terms, a monometallist. He favoured co-operation and profit-sharing, and also believed in State legislation on social questions without at all deserting the cause of free trade, *The State in Relation to Labour* (1882).

Jevons radicalism.

As to reasoned economics, Jevons favoured radical reforms, but his essays in this field, though valuable, fell far short of reconstructing the science from top to bottom. He was rather sceptical as to the future of our science—see the *Fortnightly Review* for December 1870, vol. xx.—and declared as early as 1862 that, economics, being a science, absolutely required the mathematical method, because only this method, he thought, could yield the exact measures required for psychological data about pleasure and pain. Now upon these, according to him, hinged all rightly-conducted economic investigations. The only exemplification of this new manner of proceeding exists in an unpublished fragment on consumption. Jevons undertook to reduce to greater precision the conception of final utility, but in so doing showed that he had never heard of Gossen's investigations (1854); for all that he certainly made a most useful contribution to the doctrine of value, in his completion of the theories of Ricardo's school. Finally, it must be said that the expression which he gave to his liking for the somewhat vague views of the French school on the laws of wages was a disservice rather than a service to political economy.

W. Stanley Jevons, *The Theory of Political Economy*. London, 1871; second edition, 1879. Reprinted in

1888. Translated into Italian in the Third Series, vol. ii., 1875, of the *Biblioteca dell' Economista*. *Methods of Social Reform*. 1883. *Investigations in Currency and Finance*, 1884, published by Professor Foxwell, with an interesting introduction, pp. xix. ff.

See also *Letters and Journal of W. S. Jevons*. 1886 (with a complete *bibliography*). And W. Boehmert, "W. S. Jevons und seine Bedeutung für die Theorie der Volkswirthschaftslehre," in Schmoller's *Jahrb. für Gesetzgebung, Verwaltung*, etc., Leipzig, 1891, 3ᵉ Heft, pp. 76-124.

§ (5) THE OUTCOME OF ENGLISH ECONOMICS TO-DAY

H. S. Foxwell, "The Economic Movement in England," in the *Quarterly Journal of Economics*, Boston, 1887, vol. ii. pp. 85-103.

A revival of economics.

Fifteen years ago wavereers stood trembling by while sceptics predicted the ruin, total and immediate, of English economics. But facts are stubborn things, and facts have gone against them. Cairnes, Jevons, Bagehot, and Cliffe Leslie are no more, and high hopes are buried with them, but a vigorous band of leaders still victoriously holds the field with a host of zealous disciples, who have been quick to take every advantage of progress made in economics abroad, and have done yeoman service for the further advancement of our science in the country where its first laurels were won.

Thorold Rogers.

James Thorold Rogers put his shoulder to the wheel both as a writer and as a Professor at Oxford, and to him is due a strong impulse in the lines of historical investigation. Before his death in 1890 he had written the history of medieval and early modern agriculture and prices, and had summarised results here obtained in other works on wages, where also he gave proofs of those patient and original researches which make his

account of the first years of the Bank of England such a genuine contribution to knowledge. As a critic, however, he did not shine, a fact which is patent from the tone he allows himself to take with Ricardo and all the other great leaders in his lectures on the *Economic Interpretation of History*, more than once alluded to in these pages. In W. J. Ashley, till lately Professor at the *University of Toronto*, and now Professor of the history of political economy at *Harvard University*, Thorold Rogers has left one more than able to follow on the lines in which he worked. Professor Ashley's works on the Economic History of England are justly celebrated. W. J. Ashley.

James E. Thorold Rogers, *History of Agriculture and Prices* (from 1259-1702). London, 1866-87. 6 vols. *Six Centuries of Work and Labour*. 1884. 2 vols. *Industrial and Commercial History of England*. 1891.

W. J. Ashley, *The early History of the English woollen Industry*. Philadelphia, 1887. *An Introduction to English Economic History and Theory*. London, 1888.

The leading Englishman in the special field of economic history to-day is, however, the very learned Professor William Cunningham, who is now occupied with a universal history of English Industry embracing institutions as well as general theories. This work bids fair to replace Adam Anderson's useful compilations (second edition, 1764, 2 vols. fol.), which are now out of date, as well as Macpherson's (1805, 4 vols.), of which the same may be said. Like Ashley and Foxwell, Cunningham is much under the influence of the historical school. Cunningham's history.

W. Cunningham, *Politics and Economics*. London, 1885. *The Growth of English Industry and Commerce*. Vol. i. *The Early and Middle Ages*, Cambridge, 1890; vol. ii. *Modern Times*, 1892.

History of corporations.

Among special investigations in history there are several notable ones on the ancient guilds, more particularly on commercial corporations, which serve to complete, as well as to correct on many points, the studies of Professor Brentano. The leading one among these is Charles Gross' *The Gild Merchant* (1890), and others of great value have since appeared.

Statistics.

Under certain of their aspects, researches recently published, either in separate monographs or in the noted periodical of the London *Royal Statistical Society*, may be viewed as complementary to works on history, and this is especially true of all that bears in them on the conditions of working-men. A leading part in these studies must be assigned, among others, to Levi, Brassey, Giffen, and Chisholm.

Foxwell's bibliography.

One other remarkable indication of the continuous progress made by English economists from year to year is the new prominence now at last assigned to works on the history of the science. Professor Foxwell, the worthy successor who now occupies the chair left vacant by Jevons' death, and the able editor of Jevons' posthumous works, is now occupied with a vast bibliographical work, projected in order to fill more fully the place now so scantily covered by MacCulloch's book on economic literature. James Bonar, a writer who has already shown his great learning in the field of theoretical economics, where he has given a lucid account of the new Austrian doctrine of value, has equally distinguished himself in history by the indispensable work upon Malthus much referred to above, and by his edition of Ricardo's Letters. He has, furthermore, given a phenomenally clear account of the close connection between schools of economics and philosophical theories, in his recent work, *Philosophy and Political Economy*, etc., 1893. Gonner's considerations on Ricardo, and Smart's translation of Böhm-Bawerk on Capital, deserve to rank with Bonar's works. And then a word of praise must also be given to the historical and literary

monographs of H. Higgs, and to D. G. Ritchie's articles in Palgrave's *Dictionary*, and so I might go on, if only space allowed.

In the higher sphere of economic investigations which are based upon mathematics—and this now includes much statistical work, like that of Rawson, Mouat, Hendriks, Inglis Palgrave, Newsholme, Wynnard Hooper, and many others—the foremost place belongs to the eminent successor of Rogers at Oxford, Professor F. Y. Edgeworth. Wicksteed has also achieved great distinction by his lucid and telling presentation of the theory of value originated by Jevons. Edgeworth

F. Y. Edgeworth, *Mathematical Psychics.* 1885.
Ph. H. Wicksteed, *The Alphabet of Economic Science*, Part I. London, 1888.

And now at last the first English name in contemporary economic thought shall be recorded. If a survey of the whole field be taken by long and by large, the first name in it is beyond all question that of Alfred Marshall, who in 1885 was called to the Professorship at Cambridge vacated by Fawcett's death. Alike as a teacher and as a writer, Professor Marshall has given proofs of an acute mind, a many-sided and well-digested familiarity with economic theories, a point of view regarding method which is at once comprehensive and accurate, and a power to measure justly the theories of the classical school. Of that school he is the representative and heir, for he follows the traditions of Adam Smith, allowance being made for altered views and circumstances. Like Jevons, but with more balance, he utilises mathematics; like Rogers and Cliffe Leslie, he favours historical studies; and finally, with Giffen, he appreciates statistical induction, at the same time giving fair warning that bare facts which are facts only, and not welded together by theoretical inductions, are mute and unintelligible. The special field of his work has been the theory of Marshall's leadership.

value, upon which he has printed, but only privately as yet, most interesting analytical notes. Not until 1879 did he bring himself to summarise the result of his studies in that remarkable elementary book, prepared with the aid of his wife, Mrs. Mary Paley Marshall, which has practically displaced another school compendium, called *Political Economy for Beginners* (1870), written by Mrs. M. G. Fawcett on the lines of her husband's manual. After having cleared up his ideas on the characteristics and the method of our science in the introductory lecture given by him on February 24, 1885, *The Present Position of Economics*, Marshall published in 1890 the first volume of his *magnum opus*, which includes various monographs, the last of which, *Some Aspects of Competition* (1890), is perhaps the most important, since it is on the burning question of the hour.

School compendia.

Alfr. Marshall, *Elements of Economics of Industry* (an abridgment of the *Principles*). 1892. See N. G. Pierson's article in *De Economist*, March 1891, pp. 177-207, and also A. Wagner's in the *Quarterly Journal of Economics*. Boston, April 1891.

Marshall's aim in his *Principles* is nearly identical with that of John Stuart Mill; he seeks to give broadly the theories of the classical school, with due corrections from the latest results of scientific investigation, and with plentiful illustrations from modern and actual conditions and requirements. To pass judgment on such a book before its completion would be a thankless enterprise, and therefore no opinion shall here be expressed upon the measure of success with which Marshall's undertaking is likely to be crowned.

Marshall's unfinished work.

One thing at least is perhaps certain, and that is that, however superior in point of thoroughness and coherent consistency in all investigations, of abundance in its details, and of familiarity with the actual state of the science, the eminent Cambridge

professor's book may prove to be when compared with Mill's, it can hardly take its place as a didactic exposition of economics. There are defects in this regard, both of style and of thought, which disqualify it for the use of more than a small number of readers —others will fail to follow its subtleties. Moreover, the order of subjects which it adopts is far less suited for the communication of researches already complete than for the valid presentation of researches in process of completion. Of course this is hardly to be counted a defect in a book so original as this one, which belies in this respect the modest claims of its author and his expressed intention of affording nothing more than "a modern vision of old doctrines." If the whole truth were told, we should rather say that it sets forth received doctrines in the language of a master, correcting them from time to time, limiting as occasion requires the applications to be made of them, and also carrying on to completion the investigations of predecessors, who too often abandoned them on account of the difficulties which accumulate just at the point where the practical importance of their concrete solution greatly enhanced their interest. Marshall profits by the work of others, while he avoids their errors; Cournot, for instance, taught him to appreciate the significance of continuity in economic phenomena, but he could not instil into him any of his errors about international commerce. From Walker he borrows the theory of wages, but not without due correction. He analyses the effects of the higgling of the market, without forgetting the part played in practical dealings by moral considerations. He allows and he explains the law of diminishing returns in respect of the production of land; but so far is he from being satisfied with purely general considerations, that he goes thoroughly into a discussion of the effects of this law on the various systems and schemes of cultivation, and also on other ways of utilising the land. He adds

Criticisms upon it.

Marshall's debt to others.

The law of value.

great clearness to the law of value in particular by insisting that it is the resultant of principles which must be dealt with separately. It depends, in the first place, on supply, which Marshall identifies with production, and then he studies production in a far more advanced fashion than Hearn, the best special student in this field. Value depends in the second place on demand, that is, on the condition of the market. Marshall's argument on this point is a completion of the remarkable account which Jevons originated. He adopts from Jevons the theory of a final degree of utility, which he prefers to call marginal utility, and then straightway he points out that this notion of marginal utility both explains and also completes the current account of the cost of production, although not a few have undertaken to oppose the two ideas.

Again, our author, overstepping the limits within which Mill's examination of value is confined, is at great pains to make it evident that what is called distribution, that is, the exchange of products for productive services, is governed by the same law which regulates what is called circulation, that is, the exchange of products for products. The conception of continuity in economic phenomena, which form no exception to the rule *natura non facit saltum*, has so far lessened Marshall's interest in definitions that he unduly neglects them—see the second book—with the unfortunate result of not extricating himself from certain well-known tangles of misconception which have proverbially afflicted English economists. One of them consists in looking upon such provision as has been accumulated for maintaining working-men and their families as coming under the head of capital, and the other and more serious one is that he includes under the expenses of production not only replacement of capital, but also some determinable compensation for the effort, the sacrifice, and the risk inherent in production as such, as well as the income of the working-classes. This is nothing short of a

Definitions neglected.

confusion between the *entrepreneur's* point of view—considered as such only by private economics—with that of society at large, which lies in the proper field of political economy. One of Marshall's great merits lies in the countervailing law of increasing returns, which he posits to offset the law of decreasing returns. This principle, not pointed out by Ricardo, by Malthus, or by Mill, is nevertheless founded on facts, and has great importance for all cases where increased demand so arouses and enhances activity in the scheme of production as to facilitate new steps in the division of labour, and thus only reaches its final effect when—paradox though it seems at first blush—both the cost and the price are lowered. Undoubtedly, as Pierson has acutely observed, Marshall greatly exaggerates the range over which this law applies. He is also misled by an extreme optimism into expectations hardly to be realised, since he asserts that the law of increasing returns is always applicable to the augmentation of capital and of labour in production, while nature is permanently subject to the law of decreasing returns. This optimism has, however, not the least affinity to that of the physiocrats or to that of Bastiat. Marshall's ideas on the working-man and his condition, on the causes regulating demand for labour and for products, and on the right limits of State interference on behalf of classes living in straitened circumstances, are beyond all commendation, so that a great gulf is fixed between them and the extremes of socialism on the one hand, and of individualism on the other. Where then are we to find the lineaments conventionally drawn in so many pictures of the Manchester School, drawn especially by our German fellow-workers? There is nothing of all this in Mill, nothing in Cairnes, and nothing whatever in Marshall; on what then is the picture based? Is it not drawn from the inner consciousness of those who must have something which will be easy to demolish by argument?

Increasing returns.

The German Manchester School.

Herbert Spencer's individualism.

One writer, and one only, Herbert Spencer, whose unchallenged eminence is equalled only by his eccentricity, represents the theories of *doctrinaire* individualism in England, and Cohn has charmingly remarked that his voice is as "the voice of one crying in the wilderness." Spencer's *The Man* versus *the State* (1885) constitutes an appeal to arguments which would be summarily disbarred before the judgment-seat of almost any believer in unrestricted freedom. The most preposterous of them all had been presented before in his *Social Statics* (1856), and is generally attributed to Darwin. He is haunted by the fear that State intervention on behalf of the weak may block the wheels of progress by hampering the operation of the law of the survival of the fittest in the struggle for life. Huxley, well known for his eminence in the field of natural science, has made his answer to Spencer's point depend upon a rectification of the conception of what the struggle for life means, and it will be perfectly safe to leave him in possession of the field against the barbaric literalism of Spencer's application of this law to social facts; see *The Nineteenth Century* for February 1888.

Henry Sidgwick.

The distinguished philosopher, Henry Sidgwick, is no unworthy colleague of Marshall at Cambridge. His works are (1) on typical schemes of morality, *The Methods of Ethics;* and (2) on Political Economy, his treatise on this subject being preceded by an able introduction full of suggestive remarks on method; its first two books are devoted to the science, and the third deals with the art of economics. Ingram and Cohn have undoubtedly undervalued this book, though, to be sure, its two parts are not equally valuable. The first part contains a rather too abstruse account of economic theory, and abounds in criticisms often remarkable rather for subtlety than for insight. His chapters on value, for instance, and on international exchange, are somewhat obscure; the denotation of his

His book criticised.

concept of wealth is too large, and the same is true of money as defined by him to include bank-notes. On monopolies he offers ingenious observations, and his chapter on local and transitory variations in distribution is most sound. The irrelevancy of his remarks on the distinction between custom and habit is all but atoned for by their sagacity. Still, his third book is far and away the best, for there he gives a model account of applied economics. Not a word is wasted; lofty views of ethics and law, and a rigorous method applied with unruffled and serene impartiality, are there combined in discussing State intervention in the processes of producing and distributing wealth. The communism and socialism of the hour are there subjected to an eloquent and scathing criticism, and there may be found an excellent chapter on the relations between ethics and economics. Arguments on these same lines are renewed in Sidgwick's learned book on politics just published, which contains summaries as well as amended statements of much which he had printed before.

H. Sidgwick, *The Principles of Political Economy.* London, 1883; second edition, 1887. *The Elements of Politics.* 1891.

Popularised economics.

There has been no lack of able men to undertake the work of popularisation, and their difficult and ungrateful task of presenting the substantial results achieved in elementary books of restricted dimensions has been zealously performed. Among these special mention shall be given here to E. Cannan's *Elementary Political Economy* (1888), J. E. Symes' *Short Text-Book of Political Economy* (1888), and E. C. K. Gonner's *Political Economy* (1888).

Nicholson and Bastable.

The debt owed to Joseph Shiels Nicholson and Francis Bastable, two young Professors at the University of Edinburgh and Trinity College, Dublin, respectively, is somewhat different. Both have contributed to the ninth edition of the *Encyclopædia Britannica*, and in these pages there has been frequent occasion

for mentioning appreciatively articles written by them and bearing the unmistakeable impress of their respective aptitudes for science, the soundness of their methods, and their steady grasp of theories, as well as the clearness of their language. Bastable is famous for his accurate restatement of the doctrine of international exchange, and Nicholson for his account of the influence on wages of machinery, as well as for his fascinating discussion of the agricultural question, in a booklet which contains very happy remarks on the limits within which the theory of rent holds good.

C. F. Bastable, *The Theory of International Trade.* Dublin, 1887. *Public Finance,* 1892.

J. S. Nicholson, *The Effects of Machinery on Wages.* Cambridge, 1878 (second edition, 1892). *Tenant's Gain not Landlord's Loss.* Edinburgh, 1883.

Summary of English economics.

And now this chapter may close, if only enough has been said to prove that English economists have given during these last years renewed proofs of their theoretical grasp, of a remarkable familiarity with practical affairs, and of a genius for wasting few words on purely verbal difficulties and discussions. All this they have done and more, since they now at last stand absolved of the besetting sin of their fathers, which consisted in an utter disregard of work done in their field outside of Great Britain. Their horizon has been enlarged, and by a study of all the masters, as well as by accurate historical and statistical investigations, they are now trained in and equipped with all the most suitable methods respectively required in the various branches of economics. And the outcome of all this confirms them in the view stated by Keynes in his account of methods often cited above, that so far as really original writers go, diverse judgments really hinge rather on points of arrangement than on the real merits of questions discussed, and are, therefore, more of surface than of substance.

England's undimished ascendency

Perhaps the best way of bringing home the fact that English economists are not only maintaining but are actually enhancing their time-honoured ascendency in Economics at large will be to call attention to the foundation in England during the year now drawing towards its close (1891) of two special Reviews and of one admirable Dictionary. The Reviews for general readers mentioned above have evidently ceased to cover the ground, and so has Macleod's *Dictionary* (vol. i., London, 1863), which not only was never completed, but also was not free from errors in treating the subjects for which it had found room. These, for the most part, were connected with credit, and Macleod has repeated his errors in voluminous productions, and then summarised them in *Economics for Beginners* (1878 ; second edition, 1880).

The Economic Review. 1891. *The Economic Journal* (edited by Edgeworth). 1891. R. H. Inglis Palgrave, *Dictionary of Political Economy.* 1891 ff.

CHAPTER X

POLITICAL ECONOMY IN FRANCE

Universal economics in France.

SISMONDI, Cournot, Dupuit, Dunoyer, Bastiat, Chevalier, Cherbuliez, Courcelle-Seneuil, and Le Play, all stand recorded on the Roll of Honour of this century, and they represent in French economics all theories and all practical applications of the universal science in question. France has still reason to be proud of Parieu, Block, Baudrillart, Levasseur, Léon Say, the brothers Leroy-Beaulieu, Molinari, Frédéric Passy, Foville, Gide, Périn and Brants, Cheysson and Jannet. But, nevertheless, the typical Frenchman now perhaps takes even less interest than ever before in our science, which always was regarded in France as a very tedious form of literature. At the present time even learned men look askance at economics as a pure science, and the situation which results is all the more distressing in view of the high position still maintained by political economy in England, of the great progress made by Germany, and of parallel movements inaugurated in Austria, Italy, and the United States.

This case of intellectual inanition is not due to any one cause but to a combination of several causes.

French economic teaching.

To begin with, instruction in Economics has been difficult to obtain in France; only here and there were there special schools, like the *Conservatoire des Arts et Métiers*, the *École des Ponts et Chaussées*, and lately the new foundation of the *École des hautes Études commer-*

ciales and that of the *École libre des Sciences politiques* have made a special point of teaching political economy. In the *Collège de France*, where no academic degrees are conferred, and where there are no regular hearers, our science has been pursued among other works of supererogation; but nevertheless just there men of the greatest eminence, such as Say, Rossi, Chevalier, and Baudrillart, have taught, and there Levasseur and Leroy-Beaulieu may be heard to-day. Not until after 1878 was economics placed by the Faculty of Law on the list of subjects for regular instruction, at first optional and then obligatory here as well as in the professional schools above alluded to. This afforded an opportunity to Professors Batbie, Cauwès, and Beauregard, of the Paris Faculty, for courses and compendious publications. The same was true, until his death in 1891, of Professor Alfred Jourdan, of Aix and Marseilles, and in other Law Faculties of various *Départements* there were Villey, Rozy, Worms, Rambaud, and many others.

A. Batbie, *Nouveau cours d'économie politique.* Paris, 1866. 2 vols.
P. Cauwès, *Précis du cours d'économie politique.* 1878-80. 2 vols.; 3rd ed. 1892-93, 4 vols.
P. Beauregard, *Éléments d'économie politique.* 1890.
A. Jourdan, *Cours analytique d'économie politique.* 1882; second edition, 1890.
E. Villey, *Traité élémentaire d'économie politique.*
E. Worms, *Exposé élémentaire de l'économie politique.* 1880.
J. Rambaud, *Traité élémentaire d'économie politique.* 1892.

Protectionism.

Again, the progress and diffusion of economic knowledge in France was most seriously interfered with by constant onslaughts made upon it on behalf of industrial protectionists, vigorously backed by the mass of public opinion, by those in the uppermost ranks of the governmental hierarchy, by the ruling majorities of deliberative assemblies, and by a swarm of writers, not a few of them men of vigorous mind. Among these

last is Cauwès, for instance, or Gourand, who wrote an *Essai sur la liberté du commerce* (1854); Richelot—the translator of List, and the admirer of Macleod—who wrote *Une révolution en économie politique* (1863); Dumesnil-Marigny, whose book is *Les libre-échangistes et les protectionistes conciliés* (1860). All these writers, it cannot be too often said, based their views on defects noticeable in the leading French defenders of free trade. These last never tired of using arguments that were too wide and proved too much, and possess a faculty for disregarding historical precedents and flying in the face of local conditions.

Causes of decline in French economics.

But after all is said and done, the leading and most real cause of the decline of economic study in France is singled out in words of eloquent regret in Léon Say's *Le socialisme d'état* (1884; see p. 200); it is the invasion of socialistic doctrines which have found ready acquiescence among the working people, the ground having been prepared by persistent usurpations on the part of the French bureaucracy. Nor is the case improved at all, but rather it is complicated, by the uncompromising optimism of the official school, with its individualism that knows no limits; the upshot being that erroneous theories are the only arm available against the wild practical schemes of socialism, which is thus practically left in possession of the public ear. French economic science has, as a matter of fact, departed from sound English scientific traditions by making everything subordinate to economic art. It has no use for Malthus, none for Ricardo, and little heeds, therefore, the process of rectification to which their doctrines have been subjected in England. It accepts *laissez-faire*, not as the rule of art that it is, but as a rational principle. Thus has science been transformed into an interested guardian of the economic *status quo*, and it now opposes State interference for good or for ill; and worse still, it also opposes even the most legitimate manifestations of liberty, which has been striving by the voluntary for-

Prominence of economic art.

mation of spontaneous and independent social groups, to strengthen the weak hands of the working-man, and by delivering him from his isolation to lend him power in an otherwise hopeless struggle with the capitalist and the *entrepreneur*.

Exclusiveness in French economics.

The exclusiveness of this school asserts itself by means of Molinari's *Journal des Économistes* (1842), Leroy-Beaulieu's *Économiste Français* (1873), and Beauregard's *Monde Économique* (1891). It also makes no sparing use of the large funds belonging to the *Académie des Sciences morales et politiques*, shaping economic thought directly by the subjects assigned for competitive prize essays, and indirectly by the somewhat one-sided views which govern final awards, so that the very solutions looked for in advance are evoked. Advantage is also taken of the monthly meeting of the *Société d'économie politique*, and of the publications from the press of Guillaumin, which makes a specialty of books on economics. The result has been truthfully described, though, as D'Aulnis remarks, with over-statements here and there, by the ablest of all the dissident French economists, Gide. Here then in France is the original, if anywhere, for that portrait of the "Manchester School" familiar to all who know the German economic literature of to-day. We have at all events diligently searched for it in England, and failed to find it there. In making their reproaches against this type of self-constituted economic orthodoxy which, though non-existent in England, is to be found in France, the German labourers in our science have just a little forgotten the truth in the saying that "people who live in glass houses must never throw stones." For there is an orthodoxy even in Germany, though of course its sectarians who represent economics in the leading chairs of German universities have aims quite other than those which they invent for that offspring of loose controversial thought, the German Manchester School.

The German Manchester School is French.

A. de Foville, "The Economic Movement in France," in the *Quarterly Journal of Economics*, Boston, January 1890, pp. 222-232.

Ch. Gide, "The Economic Schools . . . in France," in the *Political Science Quarterly*, New York, 1890, vol. v. pp. 603-635, and in Gide's *Political Economy* (English translation, 1891).

§ (1) THE CLASSICAL SCHOOL

The observations just made touching the general tendencies of economic thought in France are by no means intended to belittle the remarkable attainments and achievements of certain economists who have indeed just been particularly singled out for commendation. These are they who have departed but little, if at all, from methods current in England, and, this being their case, they necessarily are in a hopeless minority. Pellegrino Rossi, Joseph Garnier, Michel Chevalier, Antoine Elisée Cherbuliez, and Courcelle-Seneuil were of their number, and there remains living to-day Block, certain aspects of whose work place him in the same select category. A curious point to be made is that on the list here given there are only three names borne by natives of France.

English methods used in France.

Pellegrino Rossi was born in 1787 at Carrara, and was assassinated at Rome in 1848. In Switzerland, where he long lived in exile, he won fame as an expert in Criminal Law; but when he was summoned to France in 1833, it was to take the chair of political economy which Say's death left vacant. In this position he distinguished himself, but soon wandered off into a diplomatic career. Rossi, whose lectures were not published until his death, aimed at popularising Smith, Malthus, and Ricardo. This he did competently and clearly, but with very little mind of his own to give a touch of originality to his work. Still, he did manage to improve upon his English authors in respect of value

Rossi's work.

in use, too much neglected and only half explained by them. He also had the wit to take in Senior's distinction between science and art, which he set forth admirably.

His successor, in 1840, was Michel Chevalier, sometime of Saint-Simon's band, editor of the *Globe*, and an expert engineer. He was gifted as a writer, possessed an excellent knack of putting statistics, and pursued a line quite distinct from Rossi's, devoting himself rather more to applied economics. Transportation, and particularly railways (vols. i. ii.), which he did much to promote, as well as money (vol. iii.), upon which he wrote several monographs, formed the burden of his argument. In one pamphlet concerning money he predicted, in opposition to Léon Faucher, far more serious consequences than really resulted from the depreciation of gold through the new Californian and Australian yield; see his *De la Baisse probable de l'or* (1858). Ardent in his advocacy of free trade, he defended it in his *Examen du système commercial connu sous le nom de système protecteur* (second edition, 1853), and was associated with Cobden in negotiating the celebrated commercial treaty of 1860. In 1848 he discussed the working-men's difficulties impartially, and did good service against socialism with his "Lettres sur l'organisation du travail," in the *Journal des Débats*. Against Louis Wolowski (1810-76), his brother-in-law, he defended a single gold standard—*La question des banques* (1864)—which Parieu and Levasseur, as well as the leading liberal lights of Tooke's and Fullarton's school, also believed in. He was very keenly in favour of International Exhibitions, and undertook, with very slender results, an agitation against industrial prohibition on behalf of the London Exhibition of 1862. His arguments were afterwards put briefly in a short work entitled *Les brevets d'invention* (1878), and he wrote an able Introduction to the Jury Reports of the French International Exhibition in 1867. Almost simultane-

Chevalier's monographs.

Exhibitions.

ously he published a memorial against the local dues levied at Paris on articles of consumption, *L'industrie et l'octroi de Paris* (1867).

P. Rossi, *Cours d'économie politique*, vols. i. ii. Paris, 1840-41. Vols. iii. iv. (posthumous), 1851, 1854. *Mélanges d'économie politique.* 1857. 2 vols. *Oeuvres complètes.* 1865 ff. 10 vols. See also L. Reybaud, *Économistes modernes*, 1862, pp. 371-439.

M. Chevalier, *Cours d'économie politique*, vols. i.-iii. 1842-50. 3 vols. Second edition, 1855-66. Consult P. Leroy-Beaulieu's article in the *Nouveau Dictionnaire d'économie politique*, vol. i., 1890, pp. 410-416.

Garnier's writings.

The lead given by Say, Rossi, and Chevalier was followed almost implicitly by Joseph Garnier (1813-81) when he published his *Elements of Political Economy* in 1845. Garnier shared in founding—and was for many years chief editor of—the *Journal des Économistes*, as well as of the *Annuaire de l'économie politique;* he also produced numerous books, duly enumerated by Lippert. His *Elements* passed through various vicissitudes in successive editions, and emerged with a new title as a *Traité.* He gradually added complementary volumes on finance and on population, and these formed a valuable, if not a profound, series of books for the advancement of economic study. Of the same character and general calibre is the *Dictionnaire d'économie politique* (1851 ff., 2 vols.), published by Guillaumin, and edited by Charles Coquelin, who died upon its completion, but not without publishing a lively pamphlet all his own, *Du crédit des Banques* (1848; third edition, 1875). Coquelin's Dictionary enlisted the collaboration of a number of competent experts, and was for very many years the model encyclopædia of economic science.

Jos. Garnier, *Traité d'économie politique.* 1860; ninth edition, 1889. *Du Principe de population.* 1857; second edition, 1885. *Notes et petits traités.* 1858; second edition, 1865. *Éléments de finances.* 1862. Afterwards reprinted as a *Traité.* Fourth edition, 1882. See also J. J. Garnier's *Biographie de l'économiste Jos. Garnier.* Turin, 1881; and the article of Lippert in the *Handwörterbuch der Staatswissenschaften,* vol. iii., Jena, 1891, pp. 699-702.

Cherbuliez leads the French classical school.

Of all those connected with the French school of political economy, and yet true to the traditions of the classical school, who recently have cultivated pure economics with success, the Genevese Antoine Elisée Cherbuliez (1797-1869) is unquestionably the most distinguished. While living at Geneva he was Professor first of law in 1833, then in 1835 of political economy, and then up to 1848 he was on the *Grand Conseil.* After this he went to France, where he remained until the *coup d'état,* upon which he went back to Switzerland, and was made instructor in the Lausanne Academy, whence toward the close of his life he was summoned to a Professorship in the Zurich Polytechnicum. In politics he was a Republican Conservative, and wrote two political works of some authority; he was also a collaborator in the *Bibliothèque Universelle* and Coquelin's *Dictionary,* and occasionally he wrote for the *Journal des Économistes,* the drift of these minor works being partly theoretical and partly against socialism. In one notable essay of his on the causes of poverty he invokes the helpful intervention of employers; and finally he wrote a treatise on economics which, though it has many points in common with Mill's *Principles,* is far superior to that book in the coherent consistency of its leading principles, its rigorous separation of scientific truths from rules of art, the harmonious shaping of its constituent parts, and the superior acquaintance with

universal economic literature upon which it is based.

Neglect of Cherbuliez.

One significant sign of the times is the omission both of Cherbuliez and of Cournot from the *Nouveau dictionnaire d'économie politique*, edited by Léon Say and Joseph Chailles (Paris, 1890 ff., 2 vols.); and another is that the only language into which Cherbuliez' treatise was ever translated was Italian, while the French original, which the present writer singled out in 1876 as far and away the best in the language, only went through one edition.

A. E. Cherbuliez, *Théorie des garanties constitutionnelles.* Paris, 1838. 2 vols. *De la démocratie en Suisse.* 1843. 2 vols. *Simples notions de l'ordre social.* 1848; second edition, 1884. *Études sur les causes de la misère.* 1853. *Précis de la science économique et de ses principales applications.* Paris, 1862. 2 vols. See also E. Rambert, "A. E. Cherbuliez," *Bibliothèque Universelle*, Geneva, 1870, vols. xxxviii. xxxix.

Courcelle-Seneuil and Block.

Among the older French economists two, Courcelle-Seneuil (lately deceased) and Block, stand out alone, and constitute in their persons and by their remarkable gifts and astonishing scientific activity, an incorporation as it were of the stage of transition from the classical school to the optimistic views now in fashion. And then a great influence is also wielded by Léon Say, who is worthy of the illustrious name he bears, having directed with rare discretion and insight one of the most arduous tasks in the whole recorded history of modern exchange, the payment to Germany by France of an indemnity of two hundred million pounds (five milliards, or five thousand million francs). This achievement and the moderate and

Léon Say.

attractive form given by Say to his economic views, published in various excellent books, suffice to place him in the first rank; nor should his translation of Goschen's theory of foreign exchanges (second French

edition, 1875) be forgotten, any more than a work above alluded to on "State Socialism," or his *Solutions démocratiques de la question des impôts* (1866), and the stupendous *Dictionnaire des finances* (1887 ff.), which he has edited.

Jean Gustave Courcelle-Seneuil (1813-92) was first a merchant, then a journalist, and a Professor of political economy at Santiago in Chili from 1853 to 1863. He was made a *Conseiller d'État* in 1879, and those of his writings which embrace philosophy, law, politics, and technical book-keeping are of uneven merit, but his real strength appears in industrial and political economy, more especially in what he has to say on banking and on socialism. He was associated with Dussard in translating Mill's *Principles*, and published a treatise of his own largely in Mill's vein. This work deserves a large measure of commendation; its method is sound, the line between science and art is clearly and correctly drawn, the parallel between the competitive and the authoritative principles as worked out in two schemes of economics is accurately stated, it contains an instructive presentation of the positions relatively occupied on the one hand by law and on the other by economic phenomena, and finally there are to be found in it considerations touching emigration and colonies based upon an almost unique Spanish-American experience.

Translation of Mill.

J. G. Courcelle-Seneuil, *Traité théorique et pratique des opérations de banque.* 1853; sixth edition, 1876. *La banque libre.* 1867. *Liberté et socialisme.* 1868. *Traité théorique et pratique d'économie politique.* 1858-59. 2 vols. Third edition, 1891. *Traité sommaire d'économie politique.* 1865.

Maurice Block, born in 1816, was the son of German parents. He has written many books on theoretic and applied statistics, has edited the *Dictionnaire général de la Politique* (1862 ff.) and the *Dictionnaire de l'Adminis-*

Maurice Block.

tration Française (1855 f., third edition, 1891), and has been a frequent contributor to reviews, even German and English ones. His acquaintance with nearly all European tongues, and with universal economic literature, is so thorough that the *compte-rendu* of the *Journal des Économistes*, which he has written regularly for over forty years, is a model of insight and of vivid comprehension. In doing this work he was accumulating the materials for his critical history of the progress of economics since the time of Adam Smith. This book is characterised by frequent strictures passed upon the present German school, as well as by the constant praise which it bestows upon the Austrian school of political economy.

M. Block, *Les progrès de la science économique depuis Ad. Smith.* Paris, 1890. 2 vols. *Petit manuel d'économie politique.* 1873; eighth edition, 1880. *Les théoriciens du socialisme en Allemagne.* 1873.

§ (2) THE OPTIMISTS

Dunoyer and Bastiat.

The optimists are by no means in open hostility to the writers above considered. But still they constitute the numerous phalanx of writers who are inspired by ideas promulgated in university chairs, in academies, and leading reviews, to take up openly and palpably what must be called in the field of social economics an optimistic line of argument. This same line carried into political economy becomes individualistic, and demands that the labour question be simply let alone. Dunoyer was the van-courier of this army, Bastiat led it into the field, for Bastiat's power was great, though some make light of it. The living champions of the movement are Molinari, who is brilliant and eager for the fray; Paul Leroy-Beaulieu, who is learned, judicious, and moderate; and with these must be associated Levasseur, and Frédéric Passy, together with a certain number of others.

Charles Dunoyer (1786-1862) was a daring journalist during the period of the Restoration; under Louis Philippe he was named *Préfet* and *Conseiller d'État*. He showed himself in the light of a strict follower—strict but not always of unerring insight, be it said—of Malthus in his *Nouveau traité d'économie sociale*, planned in 1825 and completed in 1830. All copies of the first edition perished by fire, and he rewrote it a third time in 1845, when he gave greater breadth to his treatment. He finally incorporated the leading principles of the book in the article on "Production" in Coquelin's *Dictionnaire* (vol. ii. pp. 439-450). Dunoyer's account of economic liberty is most original; he follows it through all manner of applications, and relates it to all other leading factors of progress, moral and intellectual as well as economic. His classification of industries, though adopted in many quarters, and his theory of personal industries, embracing as it does even more than the notions of Storch and Say concerning immaterial products, have chiefly performed the negative service of arousing controversies, by which the theory of production has been materially corrected in certain minor details. On labour Dunoyer's ideas are less solid, for he considers it to be the only factor that is really productive; with these must be coupled his views about the gratuitous co-operation of natural elements. He disallowed land-rents entirely, so far as they are regarded as a unique phenomenon. Indeed his doctrine led up to the American Carey's ideas, as well as to those entertained by Bastiat, who, in fact, ascribed his conversion to Dunoyer.

Dunoyer's classification of industries.

Ch. Dunoyer, *De la liberté du travail.* 1835. 3 vols. . *Notices d'économie sociale.* 1870. *Oeuvres.* 1885-86. 4 vols. See also F. Ferrara, in vol. vii., Second Series of the *Biblioteca dell' economista*, Turin, 1859, pp. v.-xlix.

Frédéric Bastiat was born in 1801, and came into

Bastiat's life.

the possession of lands at Mugron, where, in the retirement of country life, he devoted himself to literature, fine arts, and political economy, reading the works of Adam Smith, Say, Tracy, and with especial predilection those of Charles Comte, Dunoyer, and Carey. His scientific career began in 1844, and was prematurely ended by his death at Rome in 1850. Undoubtedly his end, though it was made inevitable by the weakness of his lungs, was hastened by an inordinate strain of work. Bastiat was a sincere philanthropist, an eminent dialectician, and a formidable champion of economic freedom, which he defended, to begin with, against protectionist assaults, and after 1848 against the socialists. His part in these controversies is represented by many works, among which may be named *Capital et rente* (1849) and *Gratuité du Crédit* (1850), written against both Proudhon and Chevé, who clamoured for gratuitous credit. His *Sophismes économiques* (1845 ff.) are masterly examples of good sense and logic. He applied a *reductio ad absurdum* to the great arguments of the protectionists—his famous defence of the petition of candle-makers is a good instance of his method—by showing how closely their ideas, which insist upon spoliation to benefit the rich, coincide with socialistic schemes of spoliation for the benefit of the poor, *Protectionisme et communisme* (1849). Little, if any, fault could indeed be found with his views, if they did not imply a return to the physiocratic doctrine of an inalienable and absolute right to free trade, and also to the physiocratic disallowance of economic functions to the State—to this Bastiat clearly commits himself in his book on the State (1849)—and if, further, he did not ignore entirely the plea for protection made on behalf of infant industries. His zeal for free trade led

His free trade.

our author to translate Cobden's leading speeches along with those of Bright, Fox, and other leaders of the *Manchester Anti-Corn Law League*, prefixing a masterly preface of his own to the whole collection, *Cobden et la*

ligue, ou l'agitation anglaise pour la liberté des échanges (1845). He was not, however, equally happy in the field of pure science, whither his studies brought him at the last in search of weapons to use against the socialists, who attacked him armed with the "fatal doctrines" of Ricardo and Malthus. The physiocratic school has completely coloured his ideas about value; see *Propriété et Spoliation* (1848) and *Harmonies économiques* (1850; second edition, 1851), where there is much talk of a predetermined harmony between private interest, always providing it is absolutely free, and public interest, always identified by him with the consumer's point of view. Here, then, is the old physiocratic order of nature, and out of it comes, according to Bastiat, an indefinite progress, which of course involves a constant increase of universal wellbeing, combined with an equally constant and inevitable diminution of the differences between social classes. The conspicuous weaknesses of the foundation upon which these exalted theories rise are (1) his rickety explanation of value as the ratio of services exchanged, and (2) his fantastic theory—analogous to Dunoyer's and Carey's—of the gratuitous co-operation of nature in production. The first falls to pieces when it is pointed out—as by A. Clément, Ferrara, and Cairnes—that he uses the word service now (*a*) in the sense of utility or labour spared, and again (*b*) as meaning labour spent. His second fundamental fallacy leads him to disallow land-rent as a unique phenomenon. He transforms it into the interest on capital invested in preparing and improving the land. Beside these two abundantly misleading views may be placed our author's would-be law of distribution —Carey had stated this also before Bastiat—by virtue of which, as industry progresses, the share of production that falls to the workman goes on increasing both relatively and absolutely, whereas that belonging to the *capitaliste-entrepreneur* increases absolutely, but diminishes relatively to the wages involved. To these three deep-

The order of nature.

Bastiat's fallacies.

lying sources of error may be added the incredible contradictions in which our author involves himself in discussing population. He again and again assails Malthus in so many words, but elsewhere in the same book on *Harmonies* he silently acquiesces in something scarcely, if at all, distinguishable from the doctrine of Malthus. It is only too plain that the extreme precipitation with which Bastiat put together this particular book was a serious bar between him and a thorough analysis of certain economic phenomena. Had his undoubted power of insight, as shown in that masterpiece *Ce que l'on voit et ce que l'on ne voit pas* (1850), been allowed free and full play, the result would doubtless have been more satisfactory.

Bastiat and Malthus.

Fréd. Bastiat, *Oeuvres complètes.* Second edition, 1862-64. Reprinted several times, 7 vols.

See the works of Fontenay, Paillottet, F. Passy, Foville, and others, but most especially Francesco Ferrara's essay in vol. xii. of the *Biblioteca dell' economista* (1851), pp. v.-clx., and also J. E. Cairnes' article in the *Fortnightly Review*, October 1860. Reprinted in his *Essays*, 1873.

Bastiat exercised a great influence not only by the sound work he did, but also by the brilliancy even of his obvious errors. He refuted the sophisms of protectionists and socialists, and his words were heeded, but his mistaken account of value and his wrongheaded analysis of the distribution of wealth lived on, as is manifested not so much by mistaken utterances from disciples of his, as by the stamp of one-sidedness which they have set upon a majority of the French economists of to-day, and upon a by no means contemptible minority of German and Italian students of the science as well. Among those who were directly moulded by Bastiat may be named Martinelli, *Harmonies et perturbations sociales* (1853), Bénard, who wrote *Les lois économiques* (1862), and of living economists, Fontenay,

Influence of Bastiat's errors.

Du revenu foncier (1854), who also in later works has shown great vigour in argument, and finally Frédéric Passy, the doughty champion of liberty, the subtle and fascinating pleader for universal peace; see among other works his *Leçons d'économie politique* (1861, 2 vols.), and his *Mélanges économiques.*

Molinari.

Gustave de Molinari was born at Liége in 1819; edited the *Économiste belge* from 1855 to 1868; and now since 1882 edits the *Journal des Économistes.* Individualism has no more uncompromising defender than this multifarious writer, whose keen insight often deviates into whimsical extravagance, but never into dulness. Special questions, such as those of ownership, slavery, the corn trade, money, credit, and weights and measures, have engrossed him much; he has also taken up more general aspects of the whole complex mass of economic facts, but whatever his theme may be, he always returns to the notion of the non-competence of the State, which he maintains by arguments considered extravagant even by those who, like Foville, are most sure to judge him leniently.

Gustave de Molinari, *Cours d'économie politique.* Paris, 1855-63. 2 vols. *Questions d'économie politique.* Bruxelles, 1861. 2 vols. *L'évolution économique au 19e siècle.* Paris, 1881. *Les lois naturelles de l'économie politique.* 1887. *Notions fondamentales d'économie politique.* 1891. *Précis d'économie politique et de morale.* 1893.

Leroy-Beaulieu.

Paul Leroy-Beaulieu rivals even Michel Chevalier, his colleague of the *Collège de France,* in expert familiarity with statistical figures, and began to make his mark by writing monographs on the moral and intellectual condition of labourers (second edition, 1882), on working-women (1873), and on colonial systems (1874; third edition, 1886), all of which were crowned by the Academy of Moral and Political Sciences. His solid claim to a

scientific reputation rests, however, chiefly upon his *Treatise on the Science of Finance*, the only book that bears comparison in various respects with the German Manuals, and upon three rather rambling publications (1) on the distribution of wealth, (2) on collectivism, and (3) on the functions of the State. Without embracing extreme views, such as Spencer's and Molinari's, Leroy-Beaulieu is nevertheless a partisan of economic quietism; and this preconceived view often leads him astray, so that his solution of some difficulties is insufficient, while elsewhere, especially on matters half theoretical and half practical, he is seriously in error. For instance, he denounces Ricardo's theory of rent, and will not hear what the theory of Malthus has to say on the point, simply because it runs counter to his firm faith in the progressive augmentation of comfort for the working-classes, which is assured to them by the course of nature. He is also decidedly sceptical about the practicability of any scheme of profit-sharing or of co-operation. Nevertheless he certainly has made real contributions to the progress of our science by investigations on the rate of interest, and by his thorough-going contrast between Government enterprises as such and enterprises undertaken by stock companies; he has also called attention to the danger of interference by the State, in so far as it claims to be the sole guardian of the weak. No doubt he overstates the danger, but it is well to have it so, if only as an antidote to the equal extravagances of State socialism.

Profit-sharing.

Interest and stock companies.

P. Leroy-Beaulieu, *Traité de la science des finances.* Paris, 1877. 2 vols. Fifth edition, 1892. *Essai sur la répartition des richesses.* 1881; third edition, 1887. *Le collectivisme.* 1884; second edition, 1885. "Des causes qui influent sur le taux de l'intérêt," in the *Mémoires de l'Académie des sciences morales et politiques*, vol. xv. 1885. *Précis d'économie politique*, 1888. *L'État moderne et ses fonctions.* 1890. See

also Pierson's article in *De Economist*, September 1890, pp. 608-615.

Baudrillart.

Henri Baudrillart, philosopher and journalist, was born in 1821. He was Chevalier's Assistant Professor in economics, and Levasseur's predecessor in the chair of economic history at the *Collège de France*, and his special subject of study was the relation between economic facts and moral laws. His numerous publications enjoy a high reputation, and include a good Manual, as well as other works named and cited already in these pages. His "History of Luxury" is admirable, his volumes on the condition of French agriculture are learned and exact. These last, which he is still publishing for the Academy of Moral and Political Sciences, quite outweigh in importance Louis Reybaud's investigations into manufactures, though the latter—a novelist as well as an economist, who died in 1879—is the most famous historian of the modern socialistic school.

H. Baudrillart, *Manuel d'économie politique.* 1857; fifth edition, 1883. *Histoire du luxe privé et public.* 1878-80. 4 vols. *Les populations agricoles de la France.* 1880 ff.

L. Reybaud, *Études sur le régime des manufactures.* 1859-74. 4 vols.

Levasseur on population.

Emile Levasseur, Wolowski's nephew, was born in 1828, and has written a better compendium than Baudrillart's. He too has written meritorious works on economic history, and he is another Frenchman who has studied statistics to some purpose, since his is the best book on the population of the country.

E. Levasseur, *Précis d'économie politique.* 1867; fourth edition, 1883. *Histoire des classes ouvrières en France, jusqu'à la révolution.* 1859. *Histoire, etc., jusqu'à nos jours.* 1867. *La population française,* etc. 1891-92.

§ (3) SCHOOLS OF ECONOMIC DISSENT

Sismondi, Cournot, Auguste Comte, Le Play, Périn, and others, form no mean array as representatives of dissent from the prevailing optimism of French economics, but not all of them had the following which they deserved. Still, they have left their marks upon our science, and their criticisms and contributions in economics can by no means count for nothing.

If not all, at least a number of those who applied mathematical methods in economics, and reached conclusions divergent alike from the classical and from the optimistic school, may be described as dissenters. Take, for instance, Augustin Cournot (1801-77), who was the very first to use the mathematical method in any competent fashion, in his *Recherches sur les principes mathématiques de la théorie des richesses* (1838). He studied value and rent, scrutinising with especial attention all monopolies and the effect of taxation on prices, and obtained results not always in agreement with the theory of international exchange. Later on, fearing that the use of mathematical symbols had interfered with the results of his work — it was, indeed, unheeded for twenty-five years — he completely abandoned that method of statement, in his *Principes de la théorie des richesses* (1863), as well as in a much remodelled compendium — *Revue sommaire des doctrines économiques*—published in 1877, just before he died. Far less of a dissenter from current doctrines was Juvénal Dupuit, Inspector-in-Chief of *Ponts et Chaussées* (1804-66), who wrote certain memorials on public works, and also published a theory of value, and an interesting little book on commercial liberty, where he makes out that free trade being of the nature of an improvement in commercial processes, the perturbations caused by its adoption can hardly be distinguished from those caused by the introduction of machines, or by any other kind

Cournot and mathematical economics.

Dupuit on free trade.

of improvement in industrial processes. Among those who employed the calculus in the solution of special problems, Fauveau's name should not be omitted, nor yet that of Léon Walras, the eminent professor at the university of Lausanne, who now stands at the head of the French school of mathematical economists.

E. J. Dupuit, "De la mesure de l'utilité des travaux publics," in the *Annales des ponts et chaussées*, Second Series, vol. viii., 1844. "De l'influence des péages sur l'utilité des voies de communication," *Ibid.* 1849. *La liberté commerciale, son principe et ses conséquences.* 1861.

G. Fauveau, *Considérations mathématiques sur la théorie de l'impôt.* 1864. "Considérations mathématiques sur la théorie de la valeur," *Journal des Économistes.* 1867.

L. Walras, *Éléments d'économie politique pure.* Lausanne and Paris, 1874-77; second edition, 1889. *Théorie mathématique de la richesse sociale.* 1883.

Comte's attack on economics.

Not so much as a protesting reformer but rather as a protesting reviler of economics, or any other special science confined to economic phenomena, should now be named Auguste Comte, founder of the positivist school, who insists upon the indivisibility, even for scientific purposes, of facts economical, moral, and political. This famous man was born in 1797, and died in 1857. He began as a follower of Saint-Simon, but his own special views, including his attack on political economy, are alone recorded in his *Cours de philosophie positive.* He classifies all sciences under three categories: every science must be either (1) physico-mathematical, (2) biological, or (3) sociological; every one of them must go through three stages, the first being theological, the second metaphysical, and the third positive. These contentions, together with his account of the difference between what he calls social statics and what he terms social dynamics, and his presentation of the solidarity of all

Comte's classification of sciences.

the phenomena of civil life, have had a decisive effect not only on followers of his, like Harrison, Geddes, and Ingram, but even on great economists like Mill, Cairnes, and Marshall, who, however, by no means go so far on these lines as to deny the possibility of making a separate study of economic phenomena.

Aug. Comte, *Cours de philosophie positive.* Paris, 1830-42. 6 vols. 5th edition, 1881. *Système de politique positive.* 1851-54. 6 vols. New edition, 1880-83.

J. S. Mill, *Auguste Comte and Positivism.* 1865.

Littré, *Comte et la philosophie positive.* 1863. Cairnes, "Comte and Political Economy," *Fortnightly Review* for May 1870. Republished in his *Essays.* 1873.

J. K. Ingram, *History of Political Economy*, 1888, pp. 196-200.

Ethics and economics.

There are also other French philosophers who have made more or less fortunate incursions into the field of economics. Ambroise Clément, for instance, tries his prentice hand on a combination of economics with ethics and politics in his *Essai sur la science sociale* (1868, 2 vols.). Sécrétan, a professor at Lausanne, coquets with the notion of abolishing wages; Renouvier proclaims the right of every man to employment; Fouillée wrote *La propriété sociale et la démocratie*, where he finds fault with the exclusive rights conferred by land tenure. Finally A. Espinas, in his *Histoire des doctrines économiques* (1891), is most ingenious and interesting, though not invariably accurate in his sketch of various epochs, and their diverse economic systems, but he does not attempt any minute scrutiny of the theories held by economists at any time, least of all does he go into views held at the present day.

But far greater weight attaches to the objections made and difficulties raised against the optimists by certain expert students of applied economics in France. The greater importance here given to these lines of

dissent is based upon the consideration that all these critics, though differing widely each from the others, both in the general line of their investigations, and in the particular conclusions reached, yet unanimously agree (1) negatively in opposing the individualism and the quietism of the prevailing school, and (2) positively in demanding social reforms as absolutely imperative. The first to take this tone was Sismondi. Attacks upon the optimists.

Jean Charles Léonard Simonde de Sismondi was born at Geneva in 1773, and died there in 1842. Eminent in history and literature, he also was an expert in the science of agriculture, but maintained the conventional view on this subject in his first agricultural works, *Tableau de l'agriculture toscane* (Geneva, 1801), and *De la richesse commerciale* (1803, 2 vols.). Later on he changed completely, and his *Nouveaux principes d'économie politique ou de la richesse dans ses rapports avec la population* (Paris, 1819, 2 vols.; second edition, 1827) begins a consistent and severe attack upon views to which in his first works he was committed. He published quite in the same strain his *Études sur l'économie politique* at Paris in 1837 and 1838, and these two volumes discuss, from the new point of view, agriculture, slavery, manufactures, money, credit, colonies, and the balance between production and consumption. He attacks Adam Smith, Say, and Ricardo on many points, stigmatising the science of their predilection as "Chrematistics," because its chief concern is wealth, and it does not sufficiently make provision for man as the producer. Political economy, the real science which he opposed to theirs, must study the effect of production on the material comfort of the people, and this calls for the special attention of the State. Alarmed as he was by the rapid succession of crises in commerce, he proceeded to connect these with excessive production, and this resulted, according to his argument, partly from the division of labour, which in turn was the outcome of the introduction of machinery, and the organisation of enterprise on a Sismondi's career. Commercial crises.

Competition.

large scale; but the final root of the evil he discovered in competition, which had been allowed to run riot, with the result that rich men were always growing richer, and poor men poorer. On the strength of this argument Sismondi proclaimed the instant and imperative necessity of a return to small agricultural holdings and farming on a small scale, as well as of a revival of petty industries. Furthermore, he maintains stoutly that the employer must be bound to guarantee a livelihood to workmen in his employ, who should also be entitled to a recourse in their need to the State. Sismondi does not dream of opposing the freedom of commerce; he does not even advocate any meddling with the established system of distribution by which the profits of production are apportioned, any alteration here would be mischievous, he thinks; he confines himself strictly to a negative criticism of industrialism as established in modern times, and frankly admits his own incapacity for suggesting a better one. Enough has now been said to show how it was possible for various writers who accepted Sismondi's premisses to proceed from them independently to the most divergent conclusions. Our author has made socialists, but he has also inspired various proposals for definite reforms in the details of the existing system of the production and distribution of wealth. A most learned interpreter of his views was Theodor Fix, born at Solothurn in German Switzerland, who founded the *Revue mensuelle d'économie politique* (Paris, 1833-36, 5 vols.), and wrote in 1846 his interesting *Observations sur l'état des classes ouvrières*, which was a signal for numerous private investigations, especially into the employment of children. Among these the *Tableau de l'état physique et moral des ouvriers* (1840)—published in two volumes by that eminent medical and philanthropic authority, L. R. Villermé—deserves mention, and along with it, as being quite upon its high level, the luminous essays written by Léon Faucher not long before his death in

Negative criticism of industrialism.

1855, and published under the title of *Études sur l'Angleterre* at Paris in 1845 (2 vols.). Here the influence of Sismondi is at its best, but his influence must also be held accountable for a far obscurer and more lurid performance by Eugène Buret, entitled *La misère des classes laborieuses en Angleterre et en France* (Paris, 1842, 2 vols.). There is also a degree of affinity between Sismondi's work and what a certain group of writers —quite appropriately called semi-socialists by Kautz— have written. Villiaumé's *Nouveau traité d'économie politique* (1857, 2 vols.) is a case in point, and so is Auguste Ott's *L'économie politique coordonnée au point de vue du progrès*, 1891, where the writer shows himself to be a learned disciple of Buchez. Sismondi and the semi-socialists.

On Sismondi's doctrines see H. Eisenhart, *Geschichte der Nationalökonomie*, Jena, 1881, pp. 99-117, and for a still better account L. Elster, "J. Ch. L. S. de Sismondi," in the *Jahrbücher für Nationalökonomie*, New Series, vol. xiv., 1887, pp. 321-382.

As compared with Sismondi, Le Play (1806-22) has achieved far more advantageous results for the science. He was at the *École Polytechnique* with Chevalier, then he filled the post of Inspector-General of Mines, and to his trained skill was due the organisation of a number of International Exhibitions, particularly of that held in 1867. Le Play undertook frequent and fatiguing journeys, and prosecuted in a spirit of remarkable self-abnegation his personal investigations into the economic management and the moral condition of certain working-men's families, which he singled out as typical representatives of the whole class in various ranges of employment and in different countries. His results appeared in two extensive works, which were taken up and carried on by zealous pupils of his, whose one object was to diffuse their master's ideas, both by pressing them in the debates of the Paris *Société d'économie sociale*, and by stating them in the Reviews called *La Réforme sociale* (1881 ff.) and Le Play.

La Science Sociale (1886). Le Play is against individualism carried to excess, and yet will not allow himself to be forced because of this into opposing free competition; his remedy for social ills is a rehabilitation of the powers once vested in the father of a family, and of those possessed of yore by the *entrepreneur* in his workshop; but he nevertheless disclaims any attempt to make this a cloak for the revival of old-world guilds and corporations, and repudiates the suggestion of a return to patriarchal rule. Not the family organisation of patriarchal times, but what he calls the *famille souche*, is the institution which he favours. This involves a restoration of the now limited freedom of bequest, and the consequent abolition of those provisions in the French code which make compulsory the equal division of land among all co-heirs. So much for the contributions made by our author to applied economics. As for the pure science, his researches into consumption, and his monographs discussing various social customs will undoubtedly be a very useful addition to statistics. There are some who do not hesitate to say that previous labours will be superseded by Le Play's inquiries, but this is hardly a reasonable expectation. Among our author's many disciples are Delaire, Faucillon, Ribbe, Guérin, and last but not least Émile Cheysson, a professor at the *École des Mines* and at the *École des Sciences politiques*, the organiser of the section of social economics at the International Exhibition in 1889, and the writer of many most precious monographs both statistical and economic, in which his exceptional competence is brought to bear on discussions of the method of economic study.

Powers for the father of a family.

Laws of inheritance.

F. Le Play, *Les ouvriers européens.* Paris, 1855. Second edition, 1877-79. 6 vols. *Les ouvriers des deux mondes.* 1858-75. 5 vols. *La réforme sociale en France déduite de l'observation comparée des peuples européens.* 1864. 3 vols. Seventh edition. (This

is the theoretical *magnum opus* of the school, and has been summarised in a volume entitled *L'organisation du travail*, 1870, and reproduced in other still smaller forms.)

See also on Le Play certain rather divergent appreciations, one by V. Brants, "F. Le Play," in the *Revue Catholique de Louvain.* 1882. Another by Ch. de Ribbe, *Le Play, d'après sa correspondance.* Paris, 1884. Also see A. Jannet, *L'école de Le Play.* Geneva, 1890. H. Higgs, "F. Le Play," in the *Quarterly Journal of Economics.* Boston, July 1890.

Le Play and the Church.

Le Play, although a faithful and fervent son of the Catholic Church, was careful only to make final appeal to the precepts of the Decalogue and to those of the Gospels, because his great idea was the attainment of social peace in the whole length and breadth of Christendom. But it was hardly to be expected that no Catholic would go the other way, and as a matter of fact a school did arise making a direct appeal to Catholic doctrines, insisting upon the Christian aspects of applied economics, and summoning those concerned to show cause why economic freedom, the voluntary associations of working-men, and the fatherly prerogatives of *entrepreneurs*, should not be crowned and completed by coming under the more or less direct action of ecclesiastical authority. This school is at home chiefly in Belgium, and more especially at the Louvain University, which is backed by the clergy, who use it against the free university at Brussels and the governmental ones of Liège and Ghent. It has now representatives also in the free Law Faculties of Paris, Lyons, Lille, and Angers.

Catholic economics.

A Frenchman, Charles Périn, has borne the brunt of battle for these views in his *De la richesse dans les Sociétés chrétiennes* (Paris, 1861; 2 vols.), and has won the support in Germany of Dr. G. Ratzinger, whose views

find expression in his *Die Volkswirthschaft in ihren sittlichen Grundlagen* (1881). Périn's book has been translated into various languages, and he followed it up with others of like argument, such as *Les lois de la Société chrétienne* (1875; second edition, 1876), *Le socialisme chrétien* (1878), *L'économie politique d'après l'encyclique* (1891). He further wrote a history of modern economics, entitled *Les doctrines économiques depuis un siècle* (1880), which will often disappoint those who expect to find some traces of impartial criticism in a work of this scope. Victor Brants has proved himself a worthy successor of Périn in his professorship, possessing equal native gifts, but a far superior acquaintance with historical facts, and a much more definite familiarity with the technical points involved in various theories. As a teacher he is most powerful, and has shown the most ardent zeal on behalf of all studies having for their object the bettering of the condition of working-men. He began with his learned *Essai historique sur la condition des classes rurales en Belgique* (Louvain, 1880), and this is connected with a very valuable investigation by Vanderkindere. When raised to his professorship, Brants again summed up in three most precious volumes all the doctrines of the Catholic school in economics. These useful little books are *Lois et méthodes de l'économie politique* (Louvain, 1883; second edition, 1887), *La lutte pour le pain quotidien* (1885), *La circulation des hommes et des choses* (1886).

Périn and Victor Brants.

Brants' summaries of Catholic economics.

Other excellent compendia of equal brevity are: De Metz Noblat, *Les lois économiques*, 1861; second edition, 1880. F. Hervé-Bazin, *Traité élémentaire d'économie politique*. 1880. There is also a somewhat feeble summary of Le Play's ideas by P. Guillemenot, *Essai de science sociale*. 1884.

Paul Jannet, a retired magistrate, and now professor at the *Institut Catholique* in Paris, has written in his *Les États-Unis contemporains* (fourth edition, 1889; 2

vols.), a most indispensable work for understanding the present condition of the United States, and at the same time has shown the same rare qualities so conspicuous in Brants. Jannet's *Le Socialisme d'État et la réforme sociale* (1890) is another work directed against State socialism. Among his more recent monographs may be mentioned, *Le capital, la spéculation, et la finance*, 1892. The two writers, thus united by opinions held in common, stand together also in the good opinion of the reverend head of their Church, who has in effect, and so far as their expressed opinions affect the current problem of labour, bestowed his approval upon them. A decision from that high quarter has always the greatest weight of authority, and if it concerns questions of dogma there is no appeal whatsoever. But how great must be the infatuation of any who can make the curious mistake of undertaking to find in an encyclical from the Holy See the one thing that it neither could nor should contain—a treatise on political economy!

Jannet and the Church.

There is another group of fervent Catholics who may be said to stand in at least a partial opposition to the tendencies of the writers just discussed. Of this other group a certain number receive their inspiration from abroad, and go hand in hand with the so-called Catholic socialists, whose guide, until he died in 1877, was Monsignor Ketteler, Bishop of Mainz, and whose chief utterances will be found in the *Christlich Sociale Blätter*. Others, again, had in Cardinal Manning a learned and indefatigable leader, and one who, being by no means averse to a larger measure of State intervention on behalf of labour, found nothing but praise for the much-talked-of manifesto of the young German Emperor. The last of these groups is more purely French, and is captained by that fiery orator M. le Comte de Mun; its organ is the *Association Catholique*, and its field of action is in the *Cercles catholiques d'ouvriers;* it demands nothing less than resuscitation of the old-world corpora-

The Catholic socialists.

tions of arts and trades. Périn is too sincere a friend of liberty to sympathise with such a movement, which will never be content until the pure science, let alone the applied art, of economics is merged entirely in ethics. Accordingly, the *Association Catholique*, distinctively French and of France though it be, has to go out of France in order to find a man of learning as well as of ideas to speak for it; see the *Political Economy* (London, 1883) of C. S. Devas.

Laveleye and Gide against optimism.

The last school of economic dissent from the prevailing French doctrines weighs not by its numbers, but by the genius of its prime movers and disciples; it is usually designated by its own members as the new school, a phrase under which parallel views in Germany are described. The followers of these doctrines are not by any means of uniform intellectual eminence, nor are they in agreement among themselves. Two names may, however, be singled out as representative, the Belgian Laveleye and the Frenchman Gide.

Émile de Laveleye (1822-92) was a professor at Liège who wrote telling essays, and may in certain respects be likened to the German writer Cohn. His remarkable productions on agricultural economics, his book on commercial crises — *Le marché monétaire et les crises* (1865),—his unwearied but somewhat extreme plea for bimetallism—*La monnaie et le bimétallisme international* (1891),—his frequent contributions to American and European Reviews, have won for him a world-wide fame. Rather more than fifteen years ago he was converted to the new German doctrines, and published "Les tendances nouvelles de l'économie politique" in the *Revue des Deux Mondes* (1875), which is a somewhat slavish reproduction of various English and German monographs on collective ownership. These general views he undertook to justify—*De la propriété et de ses formes primitives* (1874; fourth edition, 1891), and finally exemplified his lack of talent for presenting the principles of pure science in his *Éléments d'économie*

Laveleye's works.

politique (1882; third edition, 1891). Indeed, so far as pure science goes, he had no fixed notions of its object, its function, or its method. This conclusion was forced upon the present writer by investigations recorded in the *Giornale degli Economisti* of Bologna (October 1891).

Gide's career.

Of quite another clay is Charles Gide, brother to the late lamented Paul Gide of the Montpellier Faculty of Law, and unquestionably the most promising economist of his years in France. To be sure this judgment, like that already pronounced upon Cairnes and Jevons, is rather on the strength of what he aims at and intends than of what he has as yet had time to achieve. He goes against optimism, is in favour of freedom, though no blind devotee of competition. Let him but measure a little the expressions which he uses about land tenure; let him but bring back to earth certain winged words of prediction touching the future of distributive co-operation, which is to usher in co-operative production, and then he will find himself far nearer the company of the classical school than he would readily believe, if some rather ill-defined censures of his upon that school are to be insisted upon. Reasons enough for saying this can be found in his text-book of political economy, which, in the present writer's opinion, is the very best now published in French, just as Cherbuliez' book is the best treatise. In this compendium he has, with easy mastery of the subject, summarised modern views, and among them Jevons' theory of value, since that is substantially identical with what the Austrian school maintains. Gide's appreciation of this school is shared by Block, who is another disguised adherent of the classical school. Of course we all know that he refuses to desert his friends the optimists, and we all enjoy his hits at their opponents the dissenters; but that does not alter the real substance of his views. Gide, on the other hand, has his labour for his pains when he tries to electrify us by defining the new school as against

Gide, Block, and the Austrian School.

the old, and calls it the school of solidarity as against liberty, of authority as against equality. But for all that, this young writer has made a great step in the right direction by creating an independent organ for the expression of a line of economic investigation which has the future before it, in spite of the conspiracy of silence agreed upon by its powerful opponents.

Ch. Gide, *Principes d'économie politique.* Paris, 1884; third edition, 1891. Translated into English, 1891. *L'École nouvelle.* Geneva, 1890. *Revue d'économie politique.* Paris, from 1887 on.

§ (4) MONOGRAPHS

Study in France of the history of economics.

To comfort us for the falling off of pure science in France we have the most unmistakeable proofs of the progress there made in studying the history of economics. Thierry, Taine, Monteil, Guérard, Leber, Mantellier, and Bourquelot have written memorably on medieval conditions and institutions. Fagniez' and Frignet's monographs are remarkable, Pigeonneau's history of the vicissitudes of commerce is a wonderful book, and Poirson, Boutaric, and others have scrutinised the economic institutions of the reign of this and that King of France. Delisle, Doniol, Dareste de la Chavanne, Babeau, and Villetard, have gone into accounts of various agricultural classes, and

Books on economic history.

Hanauer has devoted himself to the economics of Alsace, that of Lorraine having been investigated by Matthieu. Adolphe Quételet (1798-1874) created the modern study of statistics, Guerry was past master in dealing with ethical statistics, where Yvernès has also shown consummate ability; Bertillon gave his splendid powers to demography, which Levasseur has chosen for his special subject; Moreau de Jonnès, Legoyt in the past, and now Alfred de Foville, not to mention again the eminence of Block, have also distinguished themselves

in economics. Foville's brilliant articles on prices are well known, and so are his two admirable monographs, one on transportation—*La transformation des moyens de transport* (1880),—and the other on the extreme subdivision of land holdings—*Le morcellement* (1885). This last should be read in connection with A. Legoyt's book (1886). Then there is Franqueville's *Du régime des travaux publics* (second edition, 1876; 4 vols.), l'Audiganne's *Les chemins de fer* (1858-63; 2 vols.), Picard's *Traités des chemins de fer* (1887; 4 vols.), all of which seek to throw light upon the history as well as the technical management of public works, and more especially of railways.

Upon agricultural economics there are many writers besides Baudrillart, who died in 1892. There was Hippolyte Passy (1793-1880), whose book, *Systèmes de Culture* (second edition; 1852), has yet to be equalled. There was Léonce de Lavergne (1869-80), whom Cliffe Leslie praised so warmly and so justly in the *Fortnightly Review* of February 1881, and to whom we owe various learned and most readable monographs: *Essai sur l'économie rurale de l'Angleterre, de l'Écosse et de l'Irlande* (1854); *L'agriculture et la population* (1857; new edition, 1865); *Économie rurale de la France* (1860; third edition, 1866). Finally, there are the Belgian Piret, whose work, though ill planned and proportioned, has great weight—*Traité d'économie rurale* (1889 ff.); M. le Comte de Tourdonnet, with his *Traité pratique du metayage* (1882); and Rerolle, who wrote *Du colonage partiaire* (1888),—all of whom have deeply studied the metayer system; and there are many writers too who have written on credit as applied to farming and land-holding, as well as Cazeneuve (1889), who devoted his attention to profit-sharing in rural enterprises. Books on agriculture.

On manufactures, praiseworthy work was done by Léon Faucher, Ducpétiaux of Belgium, and Charles Laboulaye, a brother of the famous Édouard; on credit and banking there have also been excellent works by Manufactures.

Wolowski, Horn, and Juglar — author of a notable account of commercial crises (second edition, 1889), and Courtois *fils*, who gives the history of the *Banque de France*. Among many writers on free trade Amé should be mentioned for his *Étude sur les tarifs des douanes* (1876; 2 vols.); on the public bestowal of charity there are many praiseworthy books in French, but none has yet supplanted the criticism on this practice published by F. Naville of Geneva (1784-1836), in his rather too uncompromising *La charité légale, ses causes et ses effets* (1836).

Wages. An equally considerable number of special treatises exist in French on wages, and dealing with societies organised for resistance or with co-operative and beneficent associations. Simon, Beauregard, Crouzel, L. Smith, Laurent, Malarcé, Lafitte, Véron, Penot, Rouillet, Abrial, Batbie, Buchez, Feugueray, Lemercier, Ch. Robert, Le Rousseau, Fougerousse, and many others whose names are recorded in the present writer's *Primi elementi di economia sociale* (ninth edition, 1891), are there to bear out the statement.

Finance. Among various works on finance—besides Leroy-Beaulieu's *Traité* and Léon Say's *Dictionnaire*—the lead must be given to the very learned *Traité des impôts* (Paris, 1862-64; 5 vols.; second edition, 1866-67), by Esquirou de Parieu, a book unparalleled in any other language. Vignes, Guyot, and Denis, a professor in the Brussels University, have also written on taxation at large, while its more exclusively historical aspects have been admirably dealt with by Clamigéran, Stourm, and Fournier de Flaix among many others. On loans there is only space here to name Juvigny, Lafitte, Labeyrie, and Cucheval-Clarigny, and to refer for other names and further details to the present writer's *Primi elementi della scienza delle finanze* (fifth edition, 1890).

CHAPTER XI

POLITICAL ECONOMY IN GERMANY

Depreciation of German economists.

It is a discredit to the insight and real grasp of certain French and Italian economists that they should have placed upon record such airy and ill-considered appreciations of the real economic progress made by Germans during the last twenty years and more. On the other hand, it is quite out of the question to allow that Germany has taken possession of the leadership in all branches of economics. For the present our German friends must be content to be the first in philosophy, history, and law. Indeed the excessive pretensions to economic primacy which are obstinately maintained by the great majority of German writers on political economy, and which are far too credulously listened to by certain youths in Italy whose enthusiasm is always too ready to catch fire, have met with reproof from men of accredited learning and impartiality; Wagner is one, and his name is worth many of less eminence. In order to bring these exalted and expansive pretensions to book, it will be necessary to forsake generalisations, which lead nowhere and teach nothing, in order to inquire what precise branches of economics are cultivated in Germany.

German leadership.

Economics at German Universities.

The important position assigned to political economy at German Universities in the faculties of philosophy, of law, and of political administration, has not only promoted the diffusion of economic knowledge, but also

has shaped the general outlines of economic study as pursued in Germany, and determined the sort of arguments and the quality of the books written on this subject. Professors have been the foremost labourers in our field, to the comparative exclusion of all others; and this perhaps accounts for a certain want of touch in Germany between the current economic ideas and the common sense of everyday affairs. There is no end to the economic treatises, manuals, and compendia of which Germany can boast; of late the discussions of theory that used to be carried on with phenomenal German subtlety, but were always more or less enveloped in the fogs of verbal quibbling, have been rather discredited, and the last twenty years have witnessed a curious shifting of the centre of German economics. Formerly, investigation was chiefly focused upon purely scientific research, but now it is the fashion to go into endlessly minute historical or statistical discussions, in the expectation that a new basis for building up inductively a new economics or a still newer sociology must soon appear. Thus do the Germans encourage each other in the hope of exorcising political economy as it exists to-day, by riveting their eyes upon historical minutiæ. If this tendency is to be deprecated, there is another which claims admiration, and which is the legitimate fruit borne by the solid study of law which is the tradition among German professors. Inspired by this, they have framed a most exact theory of the economic functions of the State, and by a learned scrutiny of its constituent elements they have achieved its triumphant justification against the cavils of individualists. Still, they are wrong theoretically so far as they confuse the healthy liberty favoured by the classical school with the hard-and-fast dogmatism of *laisser faire* defended by the optimists; they are wrong practically so far as they urge a baneful and excessive interference by the State, for this brings them under the ban which must be pronounced against

Old theories and new facts.

Historical minutiæ.

State interference.

the mischievous Utopian views of socialism—whether it is revolutionary or bureaucratic matters very little. There is a third tendency—and here perhaps may be allowed, with due reservation, some part of their claim to leadership—which consisted in their fidelity to the traditions of old-world *Cameralwissenschaft.* This has led them to maintain and to give greater precision to the distinction between pure science and its applications. This they work out in two ways, either by positing political economy as a science apart from but parallel to political finance or the science of finance, or else by sketching in this last upon the broadest and largest canvas so as to transform it into the science of administration, which then supplants that rather sordid substitute of ancient times called *Polizeiwissenschaft.* But some confusion still lurks here, since there are those —alluded to earlier in these pages—who first confuse the distinction between general and particular economics with that between pure and applied economics, and then actually claim credit for so doing. It ought to be tolerably self-evident that scientific questions may hinge upon particulars and therefore be very special, and it ought to be equally plain that questions of application may have their general bearings.

Economics and finance.

However this may be, the fact remains that Germany in the nineteenth century has produced eminent students in all branches of political economy. A list containing names like Thünen, Hermann, Mangoldt, Stein, Schäffle, Roscher, Knies, Wagner, and Schmoller, is one of which any nation might well be proud. Then there are specialists like Nebenius, Hanssen, Helferich, Nasse, Soetbeer, and Cohn, and statisticians such as Engel, Rümelin, Lexis, Knapp, and Becker.

W. Roscher, *Geschichte der National-Oekonomik in Deutschland,* Munich, 1874, pp. 843-1048. (Learned, impartial, and well written.)

V. Cusumano, *Le scuole economiche della Germania, in*

rapporto alla quistione sociale. Naples, 1875. (The valuable and copious extracts here given from modern authors are too often inserted with no definite reference to the author and work cited.)

K. Walcker, *Geschichte der Nationalökonomie*, Leipzig, 1884, pp. 111-261. (A strange medley of biography and bibliography, the points made being often inaccurately stated and more or less irrelevant, and the judgments pronounced being as a rule erroneous and very often stated in offensive terms.)

M. Meyer, *Die neuere Nationalökonomie.* Fourth edition. Münden i. W., 1885. (Improved very much in its later editions.)

G. Cohn, *System der Nationalökonomie*, 1r Band, Stuttgart, 1885, pp. 123-133 and 157-173; 2 Band, 1889.

H. v. Scheel, "Die Politische Oekonomie," in Schönberg's *Handbuch*, third edition, vol. i., Tübingen, 1890, pp. 94-106.

§ (1) THE CLASSICAL SCHOOL

Rau's career.

Karl Heinrich Rau was born in 1792, and became professor at Erlangen in 1818, was transferred to Heidelberg in 1822, and died there in 1870. Among various minor writings his *Ansichten über Volkswirthschaft* (Leipzig, 1821) deserves mention for the clear description he there gives of the relative character marking all economic institutions and of the influence of local conditions of soil and climate. In his published lectures he followed Jakob's division of economics into social economy, political economy, and the economics of finance. During many years he kept himself abreast of the foremost movements in the stream of economic advance, and though he may not be called brilliantly original, and his views may be without any great background of deep research, yet on the whole his descriptions

are many-sided, his command of statistics is accurate and full, and he is well acquainted both with the legislation affecting his theme and with its bibliography. Add to this a temperate soundness in passing judgments, a harmonious fashioning of the successive parts of his subject, great clearness of statement, a sagacious faculty for taking the right view wherever he found it, a practical sense which saved him from exaggerated individualism, and it must be admitted that our author's merits were not few. So considerable an array of good points could not fail of recognition, and it is not surprising that Rau's text-book had a long vogue, both at the universities and among candidates for administrative posts. Previous manuals were more or less thrown into the shade, and Rau's long held its own against far more recent publications, some of which had much to recommend them, as, for instance, those of Zachariä (1832), Rotteck (1835), Bülau (1835), Riedel (1836-42), Eiselen (1843), Schüz (1843), Glaser (1858), Rösler (1864), and Umpfenbach (1867). His text-book.

K. H. Rau, *Lehrbuch der Politischen Oekonomie*, 1r Band. Leipzig, 1826; eighth edition, 1868-69. 2r Band, 1828; fifth edition, 1862-63. 3r Band, 1832; fifth edition, 1864-65.

There are three men who in some ways stand very close to Rau, having like him devoted special study to the theory of economics, though their aims and their results were in many ways divergent from his,—these are the three statesmen Malchus, Hoffmann, and Nebenius.

C. A. Malchus (1770-1846), having at one time been in the ministry of the King of Westphalia,—that short-lived monarchy,—cultivated the science of finance, which he dealt with in a very practical fashion and under the general guidance of the French system of taxation, —*Handbuch der Finanzwissenschaft* (Stuttgart, 1830; 2 vols.). Johann Gottfried Hoffmann (1765-1847), on the other hand, being a Professor and the Director of the Malchus. Hoffmann.

Berlin Statistical Office, showed greater insight but was far less systematic, so that his economic and financial publications are full of changing opinions, especially in respect of industrial liberty and the rights of corporations, although he is fairly consistent in the attempt to give good reasons for existing institutions in Prussia. There are several collections of writings by him, and he also produced a theory of money,—*Die Lehre vom Gelde* (Berlin, 1838), *Die Zeichen der Zeit im Deutschen Münzwesen* (1841). His is the first urgent recommendation made in Germany,—but not backed by really conclusive arguments,—of the policy of a single gold standard. Hermann's answer showed far more learning and greater grasp of the situation in detail. In 1840 Hoffmann brought out *Die Lehre von den Steuern*, and this book was even less convincing, containing as it does rather uncommonly feeble arguments against taxing landholdings and rents, and conspicuous as it is in its vagueness regarding the levying of taxes.

Nebenius.

Karl Friedrich Nebenius was undeniably the superior of Rau and Hoffmann. His career ran between 1784 and 1857, and he came to be one of the active and intelligent promoters of the Zollverein, as may be seen by reading *Der deutsche Zollverein, sein System und seine Zukunft* (Carlsruhe, 1835). In the field of science his fame is great, and well deserved by his labours on the public credit. In spite of subsequent advance, especially in the knowledge of the economic effects of loans as marked by C. Dietzel's, Wagner's, Nasse's, and Schäffle's respective publications, Nebenius' labours are still of the greatest importance, being based upon thorough research, characterised by sound judgment, and illustrated by a mass of aptly-chosen examples.

F. Nebenius, *Der öffentliche Credit.* Carlsruhe, 1820; second edition, vol. i., 1829. *Ueber die Herabsetzung der Zinsen der öffentlichen Schulden.* Stuttgart, 1835.

A second group of three workers—Thünen, Hermann,

and Mangoldt,—who turned nearly all their energy to general questions of social economics, must now be spoken of. Their originality as well as the importance of their real contributions to the advancement of pure science in the vein of the classical school have won for them most honourable pre-eminence.

Thünen's career.

Johann Heinrich Graf von Thünen (1780-1850), after teaching himself many things, enjoyed the advantages given by Thaer at Zell. He purchased in 1810 an estate in Mecklenburg called Tellow, where his studies contributed greatly to the advancement of economics, to which he applied even the calculus. He arrived independently, and with the aid of the deductive method, at Ricardo's theory of rent. One point he cleared up particularly well, — it was treated by Ricardo only in passing,—and that is the influence of situation upon land-rent. In a still broader vein is written his *Der isolirte Staat*, which discusses the law by which various systems of cultivations get themselves territorially distributed according to their distance from the market.

Natural wages.

Not so successful were his investigations into natural wages,—by which he meant fair wages,—for he assumed arbitrary and altogether too narrow premisses, and then persuaded himself that he had discovered a complete solution in the formula $\sqrt{ap}$,—that is, in the square root of a total sum gained by multiplying the value of what a workman requires for subsistence by that of the products obtained by his labour. Practically he strove towards solving the same problem by giving his agricultural labourers a participation in the useful results of cultivation; see Sedley Taylor's *Profit-Sharing* (London, 1884). As for Thünen's formula, various criticisms of it which are more ingenious than convincing have from time to time appeared; Laspeyres wrote one in 1860, and Knapp produced another in 1865, while Brentano's appeared in 1867, Schumacher's in 1869, Falck's in 1875, and Weiss' in 1883.

J. H. v. Thünen, *Der isolirte Staat.* 1r Band. Rostock, 1826; second edition, 1842. Translated into French by Laverrière, 1851. 2r Band, 1850-63. Translated into French by Wolkoff, 1857. 3r Band, 1863.

See also H. Schumacher-Zarchlin, *J. H. v. Thünen.* Rostock, 1868; second edition, 1883.

M. Wolkoff, *Lectures d'économie politique rationelle.* 1863.

Hermann's career.

Friedrich Benedikt Wilhelm von Hermann (1795-1868) showed less originality than Thünen, but was equal to him as a critic, and his superior both in knowledge of the literature of his subject and in the breadth of his investigations, made first as professor at Munich, and in his later capacity of Director of the Munich Statistical Office. Like Hufeland, Lotz, and Soden, he aimed at giving precision to the statement of abstract theories, his particular subjects being productivity, capital, value, price, rent, interest, and consumption. He was by no means fortunate, because he applied his theory of capital too widely, following Say in making the term cover so-called capital in use, and taking a further step which added immaterial capital to the same general category. The logical outcome of this may be traced in Carl Dietzel's *System der Landsanleihen* (Heidelberg, 1855), with its wild scheme of public loans. On the other hand, Hermann has earned unstinted praise by certain corrections of the theory of the wages fund, and by his masterly account of the theory of value and price. Here the most recent English investigations are forestalled, since our author carefully considers the two points of view, that of the buyer and that of the seller as well. But the really great claim of our author to rank high among scientific men is based on his theory of rent, which he was the first to define as a subjective concept by distinguishing it from the objective notions of gross and net product or earnings. With these last it was common in England to confuse it,

Public loans.

Theory of rent.

so that Bernhardi (1848) felt called upon to undertake investigations (which were not always correct) on the subject. The same confusion, however, was more memorably disposed of by Schäffle in his *Mensch und Gut* (1860), and by Schmoller in his *Zur Lehre vom Einkommen* (1863). Professor F. G. Neumann was certainly in some sense a disciple of Hermann, though his erudition sometimes betrays him into over-subtlety. He did good work in Schönberg's *Manual*, and wrote a certain number of special treatises, which were finally collected into a small book, under the title of *Grundlagen der Volkswirthschaftslehre* (Tübingen, 1889).

F. B. W. Hermann, *Staatswirthschaftliche Untersuchungen.* Munich, 1832. (The second (posthumous) edition, improved in some ways, but without the interesting and critical hints given in the first, was published in 1870.)

Mangoldt's writings.

And now a movement calls for notice which has many points in common with Hermann, and which was headed by the able Saxon economist Hans von Mangoldt (1824-68). He was professor at Göttingen and then at Freiburg im Breisgau, and has written works that are much appreciated. In 1847 he published a dissertation on savings banks, and this was followed up by interesting biographical and theoretical contributions to Bluntschli and Brater's *Dictionary*, by an excellent monograph on profit, and by a compendium of economics, which is still one of the very best. To these must be added a larger treatise, left unfinished through Mangoldt's premature death. The original features in Mangoldt's investigations consist in a very exact but rather overstrained analysis of the profit that falls to the *entrepreneur's* share. This he seeks entirely to disengage both from interest on the one hand and from wages on the other. In discussing the theory of land-rents he very ingeniously points out the analogies with monopolies, and at the same time he forgets the differences

Land-rents and monopolies.

that stand between them. Practically identical results were arrived at independently by a French writer, P. A. Boutron by name, in his *Théorie de la rente foncière* (Paris, 1867), and by Schäffle in his *Die nationalökonomische Theorie der ausschliessenden Absatzverhältnisse* (Tübingen, 1867).

H. v. Mangoldt, *Die Lehre vom Unternehmergewinn.* Leipzig, 1885. *Grundriss der Volkswirthschaftslehre.* Stuttgart, 1863; second edition (with additions by F. Kleinwächter), 1871. *Volkswirthschaftslehre,* 1r Band, Stuttgart, 1868. (Here he deals with the production, preservation, and distribution of wealth.) See also Ad. Wagner's *Gedächtnissrede auf H. v. Mangoldt.* Freiburg i. Br., 1870.

There is a group of specialists who either diverged so little from the classical school or were so preoccupied with the vigorous prosecution of special investigations, that they held aloof from the controversy which raged between the historical school and the optimists. These distinguished specialists are Baumstark, Laspeyres, and Helferich, who wrote on variations in the price of gold and silver from 1492 to 1830 (Nürnberg, 1843), E. Nasse, who produced admirable monographs on money, credit, and banks among other topics, and last, but first in the order of merit, the eminent Georg Hanssen, in whose debt we are for a series of invaluable works discussing more particularly the historical aspects of German rural economy.

Baumstark, Laspeyres, and Helferich.

G. Hanssen, *Agrarhistorische Abhandlungen.* Leipzig, 1880-84. 2 vols.

An equally eminent but a far more isolated position was that occupied in Germany by Lorenz Stein (1815-90), who was a professor at Vienna, and possessed the most thorough knowledge of the history of socialism in France. The lines of his study led him to favour very radical reforms in the teaching of law. He was

Lorenz Stein.

the creator of the science of administration, upon which he wrote a brief work well worth consulting, inasmuch as his conception of the science in question is of a breadth so amazing that the old-fashioned *Polizeiwissenschaft* for which he substitutes it is quite swallowed up. He further wrote various monographs on law and economics, together with a compendium of political economy, which was metaphysical to a degree, and also a book on the science of finance in parallel lines to those of his work on administration, and exhibiting over again their merits and their defects. Stein having once begun, there was no end to the writing of manuals on finance. Umpfenbach's is prized because it presents the fundamental notions of the science; Wagner's is more extensive, and without sacrificing either clearness or thoroughness goes into accurate statistical and legislative minutiæ; Roscher's book is readable and clearly expressed, but is a mere summary. To these must be added the superlatively good account of the whole matter written by various experts for Schönberg's *Manual*.

Meta-physical economy.

L. v. Stein, *Lehrbuch der Nationalökonomie*. Vienna, 1858; third edition, 1877. *Lehrbuch der Finanzwissenschaft*. 1860; fifth edition (in 4 vols.), 1885-86.

K. Umpfenbach, *Lehrbuch der Finanzwissenschaft*. Erlangen, 1859-60; second edition, 1877.

Ad. Wagner, *Finanzwissenschaft*. Vol. i. Leipzig, 1871-72; third edition, 1883. Vol. ii. 1878-80; third edition, 1890. Vol. iii. 1886-89.

W. Roscher, *System der Finanzwissenschaft*. Stuttgart, 1886; third edition, 1889.

G. Schönberg, *Handbuch der Politischen Oekonomie*. Third edition. Vol. iii. Tübingen, 1890.

Cfr. K. Th. Eheberg, "Geschichte der Finanzwissenschaft," in Conrad and Elster's *Handwörterbuch der Staatswissenschaften*, vol. iii., Jena, 1891, pp. 487-505.

§ (2) THE HISTORICAL SCHOOL AND ITS ORIGIN

It would indeed be an arduous task, and a labour not worth the pains, to give here a catalogue of all whose views have more or less foreshadowed those maintained by the German school, self-styled the historical school of economics. It will be enough to say that Adam Müller, Alexander Hamilton, Sismondi, Schön in his *Neue Untersuchung der Nationalökonomie* (1835), Schmitthenner in his *Zwölf Bücher vom Staate* (1839), Auguste Comte, and not a few other opponents of the classical school of political economy, have set forth certain ideas which went far to shape the theories of the school now under consideration.

Friedrich List.

Of far more importance than any one of those just named was Friedrich List (1789-1846), who now is the recognised initiator of the latter-day protectionism of Germany, and is especially looked up to in South Germany. He vigorously fought the battles of the *Zollverein*, helped to push the construction of railways, and in general favoured anything and everything in the way of reforms which helped on the economic and fiscal unification of his native Germany. In theory he favoured the temporary protection of manufactures, and his political economy undertakes to be national, as opposed to the cosmopolitan theories favoured at the Universities.

The stages of civilisation.

The basis of the system is a fanciful conception, not to be justified by any impartial consideration of history, that civilisation is marked by a uniform cycle of various determinable stages. The justification of national protection is deduced from a supposed necessity existing at the present stage of national development, which makes it imperative that consumers should momentarily sacrifice their interests in order to give sufficient play to the productive forces of the nation. So far the argument need not be quarrelled with, but, when the next step is taken and this present necessity is based

upon an assumed opposition between the play of these productive forces and the exchange value of goods, List cannot expect us to allow this opposition until he proves its existence.

Fr. List, *Das nationale System der Politischen Oekonomie.* 1r Band, 1841; seventh edition, with an interesting Introduction (pp. 1-249) by K. Th. Eheberg, Stuttgart, 1883. *Gesammelte Schriften*, edited by L. Häusser. Stuttgart, 1850. 3 vols.

See also for further information Em. Leser's article in the *Allgemeine Deutsche Biographie.* 1883.

And now we have reached Hildebrand, Knies, and Roscher, leaders of the historical school of economics. This school, as Menger points out, cannot possibly be brought within the lines of Hugo, Niebuhr, Savigny, and Eichhorn, who form what may be called the historico-juridical school, but descends directly from the Tübingen and Göttingen historico-political schools of Spittler, Dahlmann, and Gervinus.

Hildebrand's writings.

Bruno Hildebrand (1812-78) was professor at Jena in 1863, where he founded the *Jahrbücher für Nationalökonomie und Statistik.* In 1873 he associated his son-in-law, Professor Johann Conrad, with the more and more arduous work of editorship, which finally passed entirely into his hands in 1878. Conrad is especially famous for an unfinished work, *Die Nationalökonomie der Gegenwart und Zukunft* (1r Band, Frankfurt a. M., 1848). So far as this work goes it gives in broad lines a criticism of modern systems of political economy. Its criticism of the classical school is often captious and always oversteps due bounds, but Conrad never misses the mark when he refutes socialism. The book is far more distinguished for effectiveness and ingenuity than for exactitude.

Karl Knies.

Karl Knies was born in 1821, and is now professor at Heidelberg; he writes in a crabbed and lumbering style, which puts him at great disadvantage in

comparison with Hildebrand. Still Knies not only is far more industrious, but his knowledge of economics and law is phenomenal. He has shown subtlety in maintaining that descriptive statistics must be kept apart from the statistics of research, and Rümelin and Wagner have been converted by the argument. He has written a book where he first lays down and then exemplifies the rules of the historical method. It has been pointed out already that in his most excellent monographs on value, on transportation, and in his masterpiece on money and credit, which still lacks a forthcoming chapter on public loans, Knies seems to have forgotten all about his historical method.

K. Knies, *Die Statistik als selbständige Wissenschaft.* Cassel, 1850. *Die Politische Oekonomie vom Standpunkte der geschichtlichen Methode.* Brunswick, 1853; second edition (with important appendices), Berlin, 1881-83. *Die Eisenbahnen und ihre Wirkungen.* 1853. "Die nationalökonomische Lehre vom Werth," in the *Zeitschrift für die gesamte Staatswiss.* 1855. *Der Telegraph als Verkehrsmittel.* 1857. *Geld und Credit.* 1r Band. 1873; second edition, 1885. 2r Band, 1876-79.

Roscher's life and works.

Wilhelm Roscher was born in 1817, and held a professorship at Leipzig after 1848. Previously he had been professor at Göttingen, and from the year 1843, when his first professorial duties began, dates the first sketch offered by him of the historical method. According to this view, not political economy only, but also social economics, should be founded upon historico-statistical induction, and in the skill used by Roscher to defend it he has shown himself one of the most illustrious economists of this century. And this high praise may be given without retracting at all the strictures already passed upon his method. There is no call for applauding his attempt to supplant the scientific laws of social economics by laws discovered (in

the course of ingenious historical, geographical, and philosophical researches of his), as underlying the development of economic facts, and establishing a regular succession of stages in economic progress. His substantial and undeniable claim to unqualified praise lies elsewhere; we have him to thank for light and leadership given in those of his works where the deepest and most exceptional erudition does not prevent him from being quite in touch with those theories of the classical school, which he not only understands but substantially accepts. Here he excels as a critic whose impartiality is always unruffled, as a stylist who is not only clear but studiously finished, as a teacher of economic doctrines equally at home in putting their logical points and in sketching their history. Moreover, of all Germans only our author has been able to write a treatise on economics well proportioned in all its parts and quite unencumbered by the usual *impedimenta*, consisting as a rule in tiresome and pointless digressions about philosophy and law, or technical legislation.

Roscher and the classical school.

W. Roscher, *System der Volkswirthschaft.* 1r Band. Stuttgart, 1854; nineteenth edition, 1886; twentieth edition, 1892. 2r Band, 1859; twelfth edition, 1885. 3r Band, 1881; fifth edition, 1887; sixth edition, 1892. 4r Band, 1886; third edition, 1889. *Ansichten der Volkswirthschaft.* Leipzig, 1861; third edition, 1878. 2 vols. *Ueber Korntheuerung und Theuerungspolitik.* Third edition, 1852. *Kolonien, Kolonialpolitik und Auswanderung.* 1856; third edition, 1884.

See also, on Roscher, Schmoller's remarkable essay in the collection entitled *Zur Litteraturgeschichte der Staats- und Sozialwissenschaften*, Leipzig, 1888, pp. 147-171.

From what has just been said of Roscher, it will be seen that, after justifying the historical method, he quite

neglected to carry it out, and the same is more or less true of Knies. The task of really carrying into effect what both of these writers did so much to recommend was reserved for a somewhat younger man, Gustav Schmoller, who was born in 1838, and is at the present moment professor at the University of Berlin. He has written works of detail on small industries, corporations, epochs in Prussian financiering policy, and other points in the history of German economics, and he is now publishing studies of great interest on the theory of industrial enterprise. Some of these last, and many others not mentionable here for lack of space, may be found in a *Review* which our author has edited since 1881,—the *Jahrbuch für Gesetzgebung, Verwaltung, und Volkswirthschaft*, founded in 1872 by Holtzendorff, with whom Brentano was associated as co-editor in 1877. Quite worthy of mention with the above are the monographs brought out by his best pupils from 1878 onwards —*Staatswissenschaftliche Forschungen*,—and here may also be mentioned an analogous collection of historico-economical papers, brought out under the supervision of Professor Conrad at Halle. One serious reproach cannot but be made against Schmoller, and that is based upon his denial of any possible use for the deductive method in economics as a science. He bids us patiently wait until we have completed the accumulation of historico-statistical materials dealing with the economic conditions of all places at all times; but not all of us can wait so long.

Schmoller's historical method.

He rejects deductions.

G. Schmoller, *Zur Geschichte der deutschen Kleingewerbe im 19 Jahrhundert.* Halle, 1870. *Ueber einige Grundfragen des Rechts und der Volkswirthschaft.* 1875 (against Treitschke). *Die Strassburger Tücher- und Weber-zunft.* 1881. "Die Epochen der Preussischen Finanz-Politik," in the first volume of the *Jahrbuch* above described. "Die geschichtliche Entwicklung der Unternehmung,"

Jahrbuch, 1890-93. Also "Die geschichtliche Entwicklung der Arbeitsvertheilung," *ibid.*, and *Zur Social und Gewerbepolitik der Gegenwart.* Leipzig, 1890.

Schäffle's career.

Another of the younger men, younger as compared with Roscher and Knies, and associated with Schmoller, whose senior he is, having been born in 1831, is Albrecht Eberhardt Friedrich Schäffle. His professoriate, begun at Tübingen in 1861, was continued at Vienna in 1868, he having in the meantime been from 1862 to 1865 a member of the Würtemberg *Landtag*, and having sat in 1868 in the *Zollparlament.* In 1870 he became Minister of Commerce in the Hohenwart Cabinet, with which he fell in 1871. He now lives at Stuttgart, and edits the quarterly *Zeitschrift für die gesamte Staatswissenschaft*, founded in 1844 by the Tübingen professors who edited it until 1875. Schäffle made his beginning with a good compendium of political economy, which grew bulkier and more valuable through successive editions. There he shows complete grasp of the theory of business-enterprise, deals competently with money, credit, and means of transportation, and dwells effectively upon the distinction between economics at large and its special branches. A still more ample book of his on economic sociology comes next; here, misled by his own overstatement of certain analogies between the structure and the functions of the human frame and those of the body politic,—the State regarded as a social organism,—he becomes the victim of errors so obvious that Krohn and a host of other critics have laid hands upon him. One writer, however, Lilienfeld, comes very near swallowing everything which our author says,—*Gedanken über die Sozialwissenschaft der Zukunft* (1873 ff.). As time has gone on Schäffle has more and more inclined to treat socialism with leniency, and this has led many to the belief that he is its defender, nor has he done much to disabuse them by his

His compendium.

Schäffle and socialism.

disapproval, expressed later on, of what is called social democracy. One thing cannot be denied, and that is our author's belief in the good to be obtained by the sovereign intervention of the State in matters of economics. This belief is recorded on every page of his various monographs dealing with the monetary system, the labour question, and various fiscal problems.

Alb. Eb. Fr. Schäffle, *Die Nationalökonomie.* Tübingen, 1861; third edition, under the altered title, *Das gesellschaftliche System der menschlichen Wirthschaft*, 1873. 2 vols. *Bau und Leben des sozialen Körpers.* 1875-78. 4 vols. Second edition, 1881 ff. *Kapitalismus und Sozialismus.* 1870. *Die Quintessenz des Sozialismus.* 1875; thirteenth edition, 1891. *Die Aussichtslosigkeit der Sozialdemokratie.* 1885. *Die internationale Doppelwährung.* 1881. *Der corporative Hülfskassenzwang.* 1883; second edition, 1884. *Die Grundsätze der Steuerpolitik.* 1880. *Gesammelte Aufsätze.* 1885-86. 2 vols.

H. Bischof, *Grundzüge eines Systems der Nationalökonomie.* Graz, 1876. (A summary of Schäffle's treatise.)

§ (3) THE LIBERATION MOVEMENT AND THE PROFESSORIAL SOCIALISTS

The German Manchester school.

The band of liberationists, made up for the most part of journalists and lawyers, has received at the hands of its adversaries the name of the German Manchester School, which is the more remarkable since its ideas have been derived from reading French works, more especially those of Bastiat. This group of men organised at Berlin, under the leadership of that facile and brilliant writer, Prince-Smith, a political economy Society (1809-74). Annual congresses were held under its auspices, and it founded in 1863 the quarterly *Vierteljahrsschrift für Volkswirthschaft und Culturgeschichte.* With the backing of the deliberative

assemblies convened during the early years of the newly-organised German empire, this society fought for the abolition of laws restricting the freedom of labour, of association, and of domicile; it further promoted the abrogation of imprisonment for debt, and of all restrictions upon the rate of interest in loans, as well as the unification of various monetary systems and standards of weights and measures, together with the remodelling of the banking system, and the reform of taxation and tariffs. Hermann Schulze-Delitzsch (1808-79), notwithstanding his somewhat superficial training, which laid him open to Lassalle's bitter mockery, won a great name among liberal-minded economists by the fervour, perseverance, and wonderfully practical genius which he displayed in the creation, organisation, and popularisation of people's banks and of other co-operative societies. His coadjutors in the work were Schneider, Parisius, Richter, and various other contributors to his famous daily paper *Die Innung der Zukunft;* see A. Bernstein, *Schulze-Delitzsch* (Berlin, 1879). To this group of men belong also Faucher, who died in 1878, Michaelis, and Reutzsch, the editor of the *Handwörterbuch der Volkswirthschaftslehre* (Leipzig, 1865, reprinted in 1869), and among its lesser lights are Wolff, Braun, Wyss, and others. Another group, distinguished for moderate general views and special investigations of a high order, was headed by Ad. Soetbeer, the translator of Mill, and the Secretary of the Hamburg Chamber of Commerce, who became honorary professor at Göttingen, and has written excellently on the statistics of gold and silver, with a result that favours the single gold standard. This view has Bamberger's support, as well as that of some who, like Nasse, belong to a different school. Soetbeer's recent death has not involved the disappearance of his school, since another of its leaders is A. Emminghaus, to whom we owe a number of valuable monographs, and especially the thorough discussion of insurance. But

Liberal reforms in Germany.

Schulze-Delitzsch.

Soetbeer.

Wirth and Böhmert.

there have been deserters from this army of liberation, one of whom is Maximilian Wirth, a journalist who has worked at statistics and published books of various kinds, among which is a rather superficial and very ill-arranged manual of political economy, entitled *Grundzüge der National-Oekonomie* (1856-70). Another backslider is Victor Böhmert, Director of the Royal Bureau of Statistics at Dresden, editor of the *Arbeiterfreund*, and the zealous advocate of giving workmen a share in profits.

V. Böhmert, *Die Gewinnbetheiligung.* Leipzig, 1878. Translated into Italian by P. Manfredi, Milan, 1880. On the opposite side H. Frommer, *Die Gewinnbetheiligung.* Leipzig, 1886. See also L. Steinbrenner's *Die Betheiligung*, etc., Heidelberg.

Reaction towards protection.

Among the majority of German professors practically belonging either to the historical school or to Schmoller's neo-historical and Schäffle's sociological school, a vigorous and more or less justifiable movement began shortly after 1870 by way of protest against the exaggerations of absolute quietism and the rash schemes of the liberationists. In this movement their governments were generally with them, for after 1879 they nearly all followed Prince Bismarck's lead in the direction of protective tariffs as well as of so-called social legislation. Professorial lectures, congresses, reviews, and other special publications, were full of proposed reforms in social economics to be based upon history and statistics, and brought into harmony with ethics and jurisprudence; from the same quarters, and simultaneously, came proposals of social reform to be carried through by the State, and to be kept upon the lines of a golden mean between the two warring sects of Liberal Conservatives and of revolutionary Socialists; see *Schriften des Vereins für Socialpolitik* (Leipzig, 1873-93, in 51 vols.). The independence of the attitude thus maintained by the German professoriate was visited upon it in the

shape of the nickname of *Catheder-socialisten*, given to those of its members who held these views. The phrase has been changed of late, and the movement is now most frequently called State socialism, by way of distinguishing it from Street socialism. As a criticism of these views is given summarily in the first part of this book, only a word is needed here. It is worth noticing that a good number of writers who talk rather strangely about land-ownership, the right of inheritance, progressive taxation, and obligatory insurance for working-men — such writers as Wagner, Schäffle, Samter, Neumann, von Scheel, and others — have taken up in all simplicity many schemes originated by the socialists. With these writers others who were still more advanced have gone hand in hand—the learned and ingenious Lange is a case in point, as may be seen in his *Die Arbeiterfrage* published in 1865, ten years before his death, and reissued for the fourth time four years after it in 1879. And now a few words of general comment are in order. Most of the subtler influences in Germany work all in one direction, and have been sketched or hinted at. The further effect in the same lines of the use that has been made of appointments to professorships has been absolutely decisive. The German school has gone off at a tangent, it has denied the existence of general laws, it has led young men out of the way of theoretical investigations, it has turned every one of them to the study of history or politics, and thus it stands plainly convicted of a narrowness of view which is not less flagrant than that of the French optimistic school, but only in the opposite extreme. This has been a scientific calamity since, during the last twenty years, the progress in Germany of the pure science of economics has greatly slackened. These are not the days of Thünen, and we have to blame Schmoller and his new school rather than Roscher and Knies, the original leaders. Roscher and Knies were not capable of the grotesque confusion

State and Street socialism.

The German school criticised.

Pure science neglected.

English doctrines misconceived.

between Bastiat and Ricardo, which has led latter-day Germans of the new historical school to see no difference between the typical English views and those of optimism and individualism. Perhaps the worst sinner in this regard is Held, whose work is otherwise meritorious; see his *Zwei Bücher zur Socialen Geschichte Englands* (Leipzig, 1881). Again, what would Roscher have said to so grossly mistaken a treatise on Adam Smith's fundamental doctrines as Rösler's? See this author's *Ueber die Grundlehren der von Ad. Smith begründeten Volkswirthschaftslehre* (Erlangen, 1868; second edition, 1871). *Vorlesungen über Volkswirthschaft* (1878).

This does not by any means imply a sweeping condemnation of all recent German works so far as theory is concerned—far otherwise; nor should the conspicuous merits of the really first-rate German writers on history and statistics be for a moment left out of sight. Abundant record of their praise has been already given in these pages; and now a number of excellent monographs on economic legislation, treated from the purely German point of view and also comparatively, must be mentioned. Vocke, Neumann, von Scheel, Lehr, Leser, Kaizl, von Falk, von Reitzenstein, Eheberg, and many others have done good work here, as is abundantly shown in Gehauz' *Finanz-Archiv* (Stuttgart, 1884 ff.), a review dedicated to this branch of knowledge. Nor is the *amende honorable* here intended complete without allusion to praiseworthy German labours in other parts of the domain of economics. No attempt is possible in the space available to give a full list of such works, but those of Conrad, Meitzen, von Miaskowski, and von der Golz on the agrarian question may be instanced with those of Kleinwächter, Brentano, Hasbach, and others on industrial and labour problems; and on the commercial question the works of Lexis and Schraut should be mentioned, together with what Nasse, Arendt, and several others have written on money and banks, and

Excellent German monographs.

Paasche's monograph on prices, Mithoff's on distribution, and Pierstorff's on profit; the list if completed might never end.

Two writers there are who hold a rather special position in Germany—these are Cohn and Wagner, who, although belonging to the sect of *Catheder-socialisten*, may yet be distinguished from it by their views on several not unimportant subjects.

Cohn's career.

Gustav Cohn began his professoriate at Riga, continued it first at Tübingen and then at Zurich, whence he was called to his present post at Göttingen. His maiden effort was on English railway legislation; his brilliant essays in the field of economic history and political economy next called attention to his very varied powers. The last work from his pen is on the whole less successful, and consists in a Manual of political economy enriched by acute and valuable observations, but conspicuously deficient in much that is absolutely necessary for the systematic treatment of any and every science. One thing for which Cohn certainly deserves praise is the temperate notions which he always entertains about method, and the balance of mind which he invariably exhibits in judging of what the great masters of our science have written.

Gust. Cohn, *Untersuchungen über die englische Eisenbahnpolitik.* Leipzig, 1874, 1875, 1883. 3 vols. *Volkswirthschaftliche Aufsätze.* Stuttgart, 1882. *Nationalökonomische Studien*, 1886. *System der Nationalökonomie.* Vols. i. and ii. Stuttgart, 1885-89.

Wagner's writings.

Wagner's claims to scientific eminence are even greater than Cohn's. He was born in 1835, his father being a famous physiologist, and a brother of his being a meritorious geographer. He had pursued his professorial career first at Vienna, then at Hamburg, at Dorpat, and at Freiburg im Breisgau, until he was called more than twenty years ago to Berlin. Wagner

is a specialist of the first rank on money, banks, forced circulation, and finance. He defended and sagaciously analysed the banking theory of Tooke and Fullarton, but afterwards he was gradually converted to the idea of restricting the emission of notes, and came nearer and nearer to advocating a bank established by the State. He joined Arendt, Schäffle, and Lexis in defending international bimetallism—*Für bimetallistiche Münzpolitik Deutschlands* (1881); he wrote the article entitled "Statistik" in the tenth volume of Bluntschli and Brater's *Dictionary* (1867), and furthermore devoted himself from time to time to reforming the Austrian monetary policy. He published while at Dorpat in Russia a memorable work on the forced circulation of paper currency, in which he accurately distinguished between oscillations in the rate of discount and depreciation in the value of purchasable goods. In his *Die Abschaffung des Privateigenthums* (1870) he defended property in land against attacks from the socialists, but by advising the governments of large towns to resort to the expropriation of houses as the only possible measure against extortionate house rents, he invited vehement censure, which he duly received from Roscher and Nasse. As to his ponderous *Course in Economics*, its merits lie in the profound researches on which it is based, the breadth of its erudition, the abundance of historical, statistical, and legislative illustration which it contains, and in its clear and correct style; its defects lie in the author's too great readiness to embrace the doctrines of "State Socialism" both in political economy and in finance. Wagner treated taxation in general and various special forms of it, more particularly public loans, equally well in his own *Course* and in Schönberg's Manual. Still, no treatise of his appears likely to supplant Rau's, because of his fatal tendency to treat certain matters out of all due proportion, especially questions of philosophy, history, and law. In pure science Wagner is most sound as to

Wagner and the socialists.

the method to be used, and no one could more definitely disagree with Schmoller than he does. He shows insight and impartiality in estimating the value of Adam Smith, Ricardo, and Malthus, nor does he neglect his English contemporaries, and so far he is quite above the average German prejudice on this point. This observation may serve to prepare us for the unique position taken among German economists by Heinrich Dietzel, a much younger man than Wagner, whose pupil he was. Dietzel, though only born in 1857, has already enough of a mind of his own to stand quite alone in Germany—using the word as a strictly geographical term—in a protest against the prevalent exclusivism. As a professor at Bonn he has taken up the line of argument peculiar to the Austrian school to the extent of clearly maintaining the necessity of coupling a theoretical investigation of general laws governing economic phenomena with positive researches into matters of fact.

Wagner's pure science of economics.

Ad. Wagner, *Beiträge zur Lehre von den Banken.* Leipzig, 1857. *Die Geld- und Credittheorie der Peel'schen Bankacte.* Vienna, 1862. *System der deutschen Zettelbankgesetzgebung.* Freiburg i. Br., 1870; second edition, 1873. 2 vols. *Die Ordnung des österreichischen Staatshaushaltes.* Vienna, 1863. *Die russische Papierwährung.* Riga, 1868. *Lehrbuch der Politischen Oekonomie.* 1r Band. Leipzig, 1876; second edition, 1879; third edition, 1892-93. 5r Band, 1871; third edition, 1883. 6r Band, 1880; third edition, 1890. 7r Band, 1886-89.

H. Dietzel, *Ueber das Verhältniss der Volkswirthschaftslehre zur Socialwirthschaftslehre.* Berlin, 1882. "Der Ausgangspunkt der Socialwirthschaftslehre," in the *Zeitschr. f. die ges. Staatswissenschaft.* Tübingen, 1883. "Ueber Wesen und Bedeutung des Theilbaus," *ibid.*, 1884-85. "Beiträge zur Methodik

der Wirthschaftswissenschaft," in Conrad's *Jahrbücher*. Jena, 1884.

Great activity in Germany.

Let the ultimate appreciation of the existing tendency of economic studies in Germany be what it may, one thing should not and cannot be denied, and that is the cumulative intensification of German scientific activity in this field. Quite a sufficient proof of this statement may be found in the array of special Reviews already alluded to above, and to these shall now be added the Tübingen *Archiv für sociale Gesetzgebung*, which began in 1888 under Braun; the *Allgemeines statistisches Archiv*, directed by Von Mayr (1890 f.); and two immense publications besides, one taking shape as a treatise, and the other as a dictionary. Both these last are the collective result of all the most interesting investigations into economic, administrative, and financial ideas of the day, gathered together and sifted by the industry of a powerful band of specialists, who have brought and are bringing to bear upon their illustration a rich accumulation of suggestive points taken from history, statistics, and legislation, so that we have in these two works real encyclopædias, one being systematically and the other alphabetically arranged. There is nothing as yet in any other language to compare with either of these publications, but their very completeness prompts the suggestion that there should now be prepared some reasonably short compendium which might summarise this enormous mass of learning. Held's *Grundriss* (second edition, 1878), the Austrian W. Neurath's *Elements* (1887), and A. Adler's *Leitfaden* (second edition, 1890), are on the general lines here thought of, but all these works are rather too short, nor are they always sufficiently precise. Something of the kind may also be said of H. Schober's *Volkswirthschaftslehre* (fourth edition, 1888), which is almost always under Roscher's inspiration.

Need of a compendious work.

Gustav Schönberg, *Handbuch der Politischen Oekonomie.* Tübingen, 1882. 2 vols. Third edition, 1890-91, in three huge volumes. Translated into Italian for Boccardo's *Biblioteca dell' Economista.*

J. Conrad, L. Elster, W. Lexis, and others, *Handwörterbuch der Staatswissenschaften,* vols. i.-iv. Jena, 1889-93. J. Lehr, *Politische Oekonomie.* Munich, 1892.

CHAPTER XII

POLITICAL ECONOMY IN AUSTRIA, THE NETHERLANDS, SPAIN, AND PORTUGAL

FOR the sake of economising space, the leading facts of special interest in the present condition of economics among four nationalities—two being of German and two of Latin origin—are here put into one chapter, and it should perhaps be remarked beforehand that the scientific bearing of what comes to us from Austria and the Netherlands is far more important than anything contributed by Spain or Portugal.

§ (1) POLITICAL ECONOMY IN AUSTRIA

Earlier Austrian writers.

Conspicuous though certain zealous Austrian labourers in the field of economics have been and still are, and great as are the names of a group of statistical investigators identified with Austria—von Czörnig and Ficker, after whom came Neumann-Spallart, and such living writers as Brachelli and the Bavarian K. Th. von Inama-Sternegg, the able historian of German economics—yet it cannot reasonably be said that Austria holds its own as against the rest of Germany, even after due allowance of credit has been made for a host of Austrian publications on commerce, money, and banks. The elder Professor Mischler of Prague has published several rather prolix compilations; Beer has written learnedly on history; Plener and Peez, like

others, have produced meritorious monographs; there are good essays by Neurath; and Hertzka has shown great subtlety of mind, but only to go over in the end into the ranks of socialism. To these works may be added a few of greater merit, such as the valuable compendia of two Viennese professors—Kudler, who died in 1853, and Neumann-Spallart, who died in 1888—the former was a protectionist and the latter a free trader; and then Karl von Hock (1808-69) must be mentioned as the author of works on finance which, if not original, are at least remarkable for learning and shapeliness, as well as for a particularly firm touch in all that concerns the indirect taxation of consumption.

Jos. Kudler, *Die Grundlehren der Volkswirthschaft.* Vienna, 1846. 2 vols. Second edition, 1853.
F. S. Neumann, *Volkswirthschaftslehre mit besonderer Anwendung auf Heerwesen.* Vienna, 1873.
C. v. Hock, *Die öffentlichen Abgaben und Schulden.* Stuttgart, 1863. *Die Finanzverwaltung Frankreichs.* 1857. *Die Finanzen und die Finanzgeschichte der Vereinigten Staaten von America.* 1867.

Recent rise of an Austrian school.

Only in the course of the last ten years have the labours of those two eminent professors, Carl Menger and Emil Sax, culminated in the development of a distinctively Austrian or Austro-German school. Sax laboured for years single-handed, and Menger has more recently come to his aid. The merit of this school consists in its having summoned students of economics to take up again questions of pure science, and especially the time-worn and fundamental theme of value; they have also once more insisted upon the use of the deductive method in solving questions, which along with that method have been flagrantly deserted by German economists, whose sole idea and engrossing pursuit is detail in history and the minutiæ of statistics.

Emil Sax.

Emil Sax was born in 1845, became professor at the German University of Prague, was elected a member

of the Reichsrath, and has written a sound book on working-men's houses, but his great celebrity as an economist was achieved by his masterly special account —Schönberg's *Manual* summarises it—of the means of transportation. With no unsteady hand he pointed out the public nature of all such arrangements, proceeding by way of the most impartial and clear-headed analysis. These merits put his work on a footing far superior to that of such books as Cohn's and Wagner's, which show many marks of personal bias. Sax has held his own in discussions of method, defending the conclusiveness of deductive reasoning; he has subjected the influence of the higgling of the market, as well as that of such moral influences as modify it, to a searching scrutiny, and thus has thrown light upon both; he has also set forth even in the domain of pure science the inevitable necessity of State intervention. Equally remarkable is the originality of our author in the book where he seeks to base the whole of finance upon deductive reasoning, and to give it a place in pure science; and he has followed the same argument in dealing with value. But in respect of this last point he certainly is guilty of serious over-statements, and resorts to a form of presentation which is anything but clear.

Deductive reasoning.

Em. Sax, *Die Wohnungszustände der arbeitenden Klassen.* Vienna, 1869. *Die Verkehrsmittel in Volks- und Staatswirthschaft.* 1878-79. 2 vols. *Das Wesen und die Aufgabe der Nationalökonomie.* 1885. *Grundlegung der theoretischen Staatswirthschaft.* 1887. "Die Progressivsteuer," in the *Zeitschrift für Volkswirthschaft*, i. Vienna, 1892.

Carl Menger.

A still more remarkable influence is that of Carl Menger, born in 1840, brother to Maximilian Menger, a member of the *Reichsrath*, and to Anton Menger, professor of law, both of whom devoted much attention to economic questions of a certain kind. Carl Menger is

a professor at Vienna, and his very first production received very high praise, though hardly so much as it deserved. Then came essays on capital and money in which, though ignorant of what Jevons had done, and without any recourse to the calculus, he reached conclusions which were either parallel to those of Jevons or altogether original on the subject of the relative and purely personal measure of value for goods instrumental, substitutive, and complementary. He also made applications quite peculiarly his own, which formed the basis for a series of writings by his pupils, von Wieser, now a professor at Prague, Zuckerkandl, and Komorzynski.

C. Menger, *Grundsätze der Volkswirthschaftslehre.* Vienna, 1871. "Zur Theorie des Kapitals," in the *Jahrbücher für National-Oekonomie.* Jena, 1889. See the article entitled "Geld" in the *Handwörterbuch* of Conrad, Elster, etc., vol. iii. 1892. *Der Uebergang zur Goldwährung.* Vienna, 1892; also "Beiträge zur Währungsfrage," *Jahrbücher für Nat.-ök. und Statistik*, iii. Folge, Band iii. Jena, 1892.

Fr. v. Wieser, *Ueber den Ursprung und die Hauptgesetze des wirthschaftlichen Werthes.* Vienna, 1884. *Der natürliche Werth.* 1889.

R. Zuckerkandl, *Zur Theorie des Preises.* Leipzig, 1889.

Joh. v. Komorzynski, *Der Werth in der isolirten Wirthschaft.* Vienna, 1889.

See also W. Smart, *An Introduction to the Theory of Value on the Lines of Menger.* London, 1891.

Menger's attack upon the historical school.

War was declared upon the too exclusive tendencies of the historical school when Menger published his *Untersuchungen*, which amount to a very clear introductory statement of what must first be posited before any discussion of right method in economics can be entered upon. This account of the right method has been the object of our author's special labours for many years, and he is at the same time directing various investigations that have in view a general biblio-

graphy of political economy. Schmoller printed an acrimonious and quite ignorant review of Menger's *Untersuchungen*, only to bring down upon his head Menger's most lively and remarkably aggressive rejoinder. Then came a more steadied and studied discussion, in the course of which both Wagner and Dietzel took sides with Menger, with but very few reservations. Menger—and this must be remembered greatly to his credit—is very far from either despising or neglecting historical study, and the study of the literature and history combined,—indeed, he has done and still does much to encourage such studies, as any reader of the excellent dissertations by his pupils—Bauer, Feilbogen, and Schullern—well knows. Reference to the two former has already been made in these pages, which will also contain further allusion to the last of the three.

Menger not opposed to historical study.

C. Menger, *Untersuchungen über die Methode der Socialwissenschaften und der Politischen Oekonomie insbesondere.* Leipzig, 1883. *Die Irrthümer des Historismus.* Vienna, 1884.

Among all Menger's pupils, however, Eugen von Böhm-Bawerk, professor first at Innspruck and now at Vienna, is undoubtedly the leader. He began with a remarkable monograph proving that established ownership, whether *de jure* or *de facto*, though it doubtless plays an important part in constituting individual capital, cannot properly be viewed by political economy as social capital. Far more clear though far more brief than Wieser's, is our author's development of the theory of value, based though both accounts are upon the conception of the margin of utility established by Menger. But now we come to Böhm-Bawerk's greatest work, which is incontrovertibly his history and theory of interest upon capital, which receives at his hands an explanation hinging upon the difference in value between present and future products, no matter whether the

Böhm-Bawerk.

products in question are destined for consumption as such or swallowed up in the course of production. This is a book of profound research, acute criticism, and extreme lucidity.

Other pupils of Menger, such as Gross, and in particular Mataja, who succeeded Böhm-Bawerk as professor at Innspruck, occupied themselves with profit; Schullern analysed the conception of rent; Meyer explained the theory of a just distribution of the burden of taxes, and criticised all over again, and sharply, the theory of rent; Eugen von Philippovich, author of a praiseworthy study on the Bank of England in its relation to commerce—*Die Bank von England* (Vienna, 1885)—was called as professor to Freiburg im Breisgau, where his inaugural lecture was a memorable one,—*Ueber Aufgabe und Methode der Politischen Oekonomie* (1886). With all this attention to pure science and theory the Austrian school by no means leaves out the application of theory required by contemporary facts and problems. Many works prove this, among others Mataja's *Das Recht des Schadenersatzes* (1888), and Seidler's two books, one on *Budget und Budgetrecht* (1885), the other on penal fines, —*Die Geldstrafe*, in the 20th vol. of the *Jahrbücher für Nationalökonomie* (1890).

Other pupils of Menger.

Works on details.

Eug. v. Böhm-Bawerk, *Rechte und Verhältnisse vom Standpunkte der volkswirthschaftlichen Güterlehre.* Innspruck, 1881. "Grundzüge der Theorie des wirthschaftlichen Güterwerths," in Conrad's *Jahrbücher*, 1886. *Kapital und Kapitalzins.* Innspruck, 1884-89. 2 vols. Translated into English by W. Smart, 1891.

V. Mataja, *Der Unternehmergewinn.* Vienna, 1884.

G. Gross, *Die Lehre vom Unternehmergewinn.* Leipzig, 1884. *Wirthschaftsformen und Wirthschaftsprinzipien.* 1888.

H. v. Schullern, *Untersuchungen über Begriff und Wesen der Grundrente.* Leipzig, 1889.

Rob. Meyer, *Die. Principien der gerechten Besteuerung.* Berlin, 1884. *Das Wesen des Einkommens.* 1887.

E. v. Philippovich, *Grundriss der Polit. Oekonomie,* Freiburg i. Br. 1893. Two volumes still in progress.

Theory of the margin of utility.

In full accord as the present writer is with his illustrious colleagues at Vienna and Prague so far as method is concerned, and fully agreeing as he does to their strictures passed upon Ricardo's occasional failures in applying the right method, he nevertheless ventures to believe that the Austrian theory of the margin of utility, admirable as it is, may be made too prominent. Should it not rather be used to supplement and correct the doctrine of current value, instead of being put in the place of normal value and made to serve as the cardinal doctrine of a new economics based purely on psychology? There are certain reflections which are well worth weighing as set forth by Dietzel and Patten, men who are quite of Menger's mind as to method, and who are far above the tricks with terms played by many opponents of the Austrian school. These will be found in the *Jahrbücher für Nationalökonomie* in 1890-91.

On the Austro-German school see James Bonar, "The Austrian Economists," in the *Quarterly Journal of Economics.* Boston, October 1888. Em. Sax, *Die neuesten Fortschritte der nationalökonomischen Theorie.* Leipzig, 1889. Translated into Italian by A. Graziani. Sienna, 1889. E. v. Böhm-Bawerk, "The Austrian Economists," in the *Annals of the American Academy.* Philadelphia, January 1891.

See also the new quarterly *Zeitschrift für Volkswirthschaft, Socialpolitik und Verwaltung.* Vienna, 1892.

§ (2) POLITICAL ECONOMY IN THE NETHERLANDS

L. Cossa, "L' economia politica nei Paesi Bassi," in the *Giornale degli Economisti.* Bologna, October 1891.

Ability of Dutch economists.

It is certainly no exaggeration to say that political economy is flourishing in the Netherlands. At the universities of Leyden, Utrecht, Groningen, and Amsterdam, economic study is worthily represented; it receives solid support in general Reviews, such as *De Gids*, and special ones, *De Economist* and *Vragen der Tijds*. There is everywhere the fullest knowledge of contemporary work done in the same field in France, Germany, and England, and the Dutch have contrived withal to maintain a continuous link of tradition connecting them with the classical school, making constant improvements in the statement of results, and developing questions of pure as well as of applied science in sound dissertations written for degrees. Such are van Houten's on value (1859), that of J. Baron D'Aulnis De Bourouill, professor at Utrecht, on social rent (1874), which agrees with the views of Jevons; then there is Greven's Leyden dissertation on population (1875), where an attempt has been made to cope with the notions on evolution of Spencer, Greg, and Galton; Heymans' thesis on method (1880) should also be mentioned, as well as Cohen Stuart's on progressive taxation (1889), and finally Falkenburg's on wages, and Verrijn Stuart's on the claim of Marx that his views are derived from Ricardo's theorems.

Dissertations.

Essays and manuals.

Other professors claim notice: van Rees (1825-69), for instance, who has written historical and literary disquisitions of great learning; and Quack, with his brilliant essays on socialism; and Vissering (1818-88), the author of a well-informed though somewhat superficial manual; Cort van der Linden, who wrote a good compendious book on finance, largely under the lead of German ideas. Anton Beaujon, who died prematurely in 1890, was in many respects superior to all these writers; he devoted himself at first to statistics, then came his leading work, written in English, on fisheries, and last of all he published an invaluable monograph in which he established free trade by sound

deduction as a necessary corollary of international exchange.

H. Q. G. Quack, *De socialisten. Personen en stelsels.* Amsterdam, 1875-79.

Sim. Vissering, *Handboek van praktische Staathuishoudkunde.* 1860-65; fourth edition, 1878. 2 small vols.

P. W. A. Cort van der Linden, *Leerboek der financien.* 1887.

A. Beaujon, *History of the Dutch Sea Fisheries.* Amsterdam, 1884. *Handel en handelspolititiek.* 1888.

Theses of Mees.

W. C. Mees (1813-84), president of the Netherlands Bank, was a scientific authority of the first order. He began with two theses, the first on the alterations in coinage, *De vi mutatæ monetæ in solutionem pecuniæ debitæ* (1838),—and the second on old-fashioned banks of deposit. Here he made clear the real nature of the operations of the Bank of Amsterdam, the title of the thesis being *Proeve einer geschiedenis van het bankwezen in Nederland* (Rotterdam, 1838). He wrote later on an excellent monograph on workhouse labour,—*De Werkingrigtingen van armen* (1844); and many years afterwards he came out with works on pure science which, though written in a somewhat arid style, show a learning which is at once well digested and sober-minded.

A work of his entitled *Overzicht van eenigen hoofdstukken der Staathuishoudkunde* (Amsterdam, 1886) puts clearly and simply a most masterly summary of the theories of Ricardo and John Stuart Mill on the production, value, and distribution of wealth, and carefully couples with it a statement of the limits within which they are applicable. Especially to be commended is his theory of the relation between wages and rent, and of international exchange, which he develops in the most telling fashion. He has further published memorials in the proceedings of the Amsterdam Royal Academy of Sciences, which are complementary essays

of the greatest value. The first of these deals with the monetary system, already the subject of a monograph by Mees, *Het muntwezen van Nederlandsch Indie* (Amsterdam, 1881),—who further pursued the subject in memorable official reports,—*De muntstandaard in verband mit de pogingen tot invoering van eenheid van munt* (1889). Our author here gives a correct account of the theory of international bimetallism, without making himself responsible in any way for the extravagances of the blind adherents of bimetallism. On this same theme, much mooted in Holland and usually in harmony with our author's views, others have written,—Pierson to begin with, and then van der Berg, a director of the Java Bank, as well as Boissevin and Rochussen (1891) in very recent works. The memorials of Mees on the distribution of taxes (1874), and on the leading notions of economics (1877), are replete with sagacious observations.

Mees on the monetary system.

Among all Dutch economists now living N. G. Pierson stands foremost. He was born in 1839, made professor at Amsterdam in 1877, called to succeed Mees as president of the Netherlands Bank in 1884, and to be minister of finance in August 1891. Gifted with a subtle mind, and enlightened by a wide acquaintance with and a real grasp of sound doctrines, he has developed remarkable aptitudes for historical, scientific, and practical studies in economics, and has written a host of dissertations on money, credit, value, wages, rent, taxation, and the like, and these have been for the most part published in the periodicals already mentioned—*De Gids* and *De Economist*. He is a staunch admirer of the English school, and more especially of Ricardo, Mill, Jevons, and Marshall; he succeeds in being faithful to free trade without being led off into optimism; he favours the moderating intervention of the State in the labour question, but protests most energetically against socialism.

Pierson's writings.

Among his special publications a translation of

Translation of Goschen.

Goschen, *On the Course of Exchange*, requires some mention, also his discourse upon the idea of wealth,—*Het begrip van volksrijkdom* (The Hague, 1864),—his *Twee advijzen over muntwezen* (1874), and finally his telling and learned disquisition on colonial government,—*Het Kultuur-stelsel* (1868), which was entirely rewritten and published under the title *Koloniale politiek* at Amsterdam in 1877.

Pierson's "Political Economy."

But Pierson's *magnum opus* is his treatise on political economy, where he frees himself from conventional subdivisions of the subject, throws aside all the ways and words of technical erudition in order to explain the doctrines of modern economics. This he does with all the thoroughness of Mees, but with a vivacity entirely his own. He opens with value, which leads him on to distribution and circulation. Then, after a discussion of finance, which embraces practical affairs, he is landed in an account of consumption, population, and production, upon the importance of which he dwells. This work of Pierson's is, in short, one of the very best existing scientific accounts of the present condition of political economy.

N. G. Pierson, *Leerboek der Staathuishoudkunde.* Haarlem, 1884-90. Two vols. *Grondbeginselen der Staathuishoudkunde.* Haarlem, 1875-76. A new and somewhat altered edition came out in 1886.

§ (3) POLITICAL ECONOMY IN SPAIN

See my own article cited above, p. 432, and also M. H. v. Heckel, "Zur Entwickelung und Lage der neueren staatswissenschaftlichen Litteratur in Spanien," in the *Jahrbücher für Nationalökonomie*, Jena, 1890, New Series, vol. xxi. pp. 26-49.

Adverse circumstances.

Unstable governments, financial and economic disorganisation, multifarious hindrances in the way of the diffusion of knowledge, and the absence of originality of mind, which has made Spanish and Portuguese economists mere echoes of opinions expressed elsewhere,

especially in France, are quite enough to account for the absence of striking features in contemporary Spanish and Portuguese books on economics.

Unoriginal text-books.

Spain at least is well supplied with elementary text-books, though to be sure they are none of them noteworthy for the breadth of their leading ideas or the sagacity of their criticisms. Hence the frequent practice of translating compendious works from other tongues.

Alvaro Florez Estrada, who died in 1833, wrote a book called *Curso de Economía Política* (first edition, London, 1828, 2 vols.; seventh edition, Oviedo, 1852; translated into French by L. Galibert in 1833), which was in high favour for a long time. It consists of a very able summary statement of the theories of classical economists, to which the author now and again adds something of his own by way of analysis. The Marqués de Valle Santoro (1829) wrote a valuable book on the elements, but the protectionist A. Borrego's *Principles of Political Economy* (1844) was the more popular book of the two. Manuél Colmeiro went still farther in the lines of protectionism in his *Tratado elemental de economía política ecléctica* (Madrid, 1865, 2 vols.). This eminent writer and historian was afterwards converted to free trade, and made due recantation in his *Principios de economía política* (Madrid, 1859; fourth edition, 1873). B. Carballo y Vangüemert, who died in 1864, taught more orthodox doctrine in his *Curso de economía política* (Madrid, 1855 f., 2 vols.). Far more complete than this last is what Bastiat's disciple, Professor S. D. Madrago of the Madrid University, published under the title of *Lecciones de economía política* (Madrid, 1874, 13 vols.). Analogous ideas were inculcated by the Senator Mariano Carreras y González, who wrote in 1863 a compendium on statistics, and is the author of a widely-used school-book of economics bearing the significant title of *Filosofía del interes personel* (Madrid, 1865; third edition, 1881). Quite as optimistic is the vein of J. M. de Olözaga y

Borrego's conversion to free trade.

Bustamente, whose erudite work—*Tratado de economía política* (Madrid, 1885 f.)—is very widely used in Spain, and well known abroad.

Spanish monographs.

The *Gaceta Economista* (1860-68, 2 vols.), and the *Proceedings of the Madrid Economic Society* (1835-77), as well as of the *Academy of Moral and Political Sciences*, contain numerous and notable monographs; others may be found in the volumes of essays and studies published in 1855 by Díaz, in 1856 by Durán y Bas, and in 1878 by Escudero. Figuerola defended free trade, and so did Barzanellana, Bona y Ureta, Ochoa, Sanroma, and others. Olivier wrote on territorial credit in 1874, and Isbert y Aryas did the same in 1876. Santamaria de Paredes discussed property in 1874, and Martínez in 1876. Caballero's book on population (1863) was the signal for a lively controversy; Pastor y Rodríguez wrote on commercial crises in 1879; Arenal wrote in 1880, and Farran and Menéndez in 1882, on the social question; Ramirez in 1876 discussed savings banks. Aranaz studied charities in 1859, and the same subject was continued in 1868 by Pérez Molina, in 1879 by Montells y Bohigas, and there have been other works on this topic.

Works on finance.

Of works on the science of finance there is a great abundance. Canga Argüelles published in three volumes his *Diccionario de Hacienda* (London, 1826; second edition, Madrid, 1834-40); López Narvaez wrote his *Tratado de Hacienda* (1856), an elementary book, as was also the compendium published in 1878 by Lozano y Móntes. Above and beyond these may be mentioned Conte's *Examination*, etc., published in four volumes (Cadiz, 1854 f.), systematic treatises by Pena y Aguayo (Madrid, 1838), and by Toledano (1859 f., in 2 vols.), as well as the more satisfactory and more modern book by Piernas y Hurtado and De Miranda y Eguia (*Manual de instituciones de hacienda pública española* (Cordova, 1869; fourth edition, Madrid, 1887), which abounds in the historical, legislative, and financial lore of Spain. L.

María Pastor died in 1872, but not before producing three remarkable books: (1) on taxes, *La Ciencia de la contribución* (Madrid, 1856); (2) on credit, both private and public, *Filosofía del crédito* (1850; second edition 1858); and (3) his *Historia de la deuda pública española* (1863). Heredia also wrote on taxation (1813), Lopez de Aedo in 1844, and Valdespino in 1870, and others might be added to the list. A. Hernández Amores wrote an elementary treatise on the public credit (Murcia, 1869).

History of economics.

On the history of economics several works might be mentioned, like that of F. Gallardo Fernández,—*Orígen, progressos . . . de las rentas de España* (1806-32, 7 vols.),—that most interesting account of Spanish banks by R. Santillan, *Historias de los bancos . . .* (Madrid, 1865, 2 vols.); and the valuable essay by De Cardenas on land tenure,—*Ensayo sobre la historia de la propriedad territorial en España* (Madrid, 1873, ff., 2 vols.).

Socialism in Spain.

The doctrines of the professorial socialists or *Katheder-socialisten*, attacked by Rodríguez, Sanroma, and Carreras, have been vigorously though by no means intemperately defended in F. Giner's *Principios elementales del derecho* (1871), G. Azacárate's *Estudios políticos y económicos* (1876), Botello's writings (1889), and in Sanz y Escartin's *La cuestión económica* (1890). Piernas y Hurtado, already mentioned above, has sagaciously adhered to eclecticism, as may be seen in his *Vocabulario de la economía* (1877; second edition, 1882), and he has very recently published his *Estudios económicos* (1889), and his interesting lectures on co-operation, *El movimiento cooperativo* (1891). Finally, room should be made for the title of L. de Saralegui y Medina's *Tratado de economía política* (1890, third edition).

§ (4) POLITICAL ECONOMY IN PORTUGAL

I. F. Da Silva, *Diccionario bibliographico portuguez.* Lisbon, 1858-87. 14 vols.

J. Fred. Laranjo, "Economistas Portuguezes," *O Instituto*, vol. xxix. and ff. Coimbra, 1882-84.

Small beginning in Portugal.

Political economy has fared even worse in Portugal than in Spain. The first writer of any importance was the Bishop of Pernambuco and Elvas, whose name was J. J. da Cunha d'Azéredo Coutinho, and who lived from 1742 to 1821. He published a few essays on commerce, mines, money, and slavery, and that is about all there is to be said of him. In the *Proceedings of the Academy of Sciences* (1789-1816) there are several monographs dealing with practical applications of general principles. Then comes José da Silva (Lisbon, 1756-1835), who did much for the diffusion in Portugal and Brazil of Adam Smith's theories, and in various ways gave proof of sound juridical and economic views which are gathered together in the two volumes of his *Estudos do bem comum e economia politica* (Rio de Janeiro, 1819 f.). Some Portuguese writers were more or less inclined to be physiocrats, like Professor J. J. Rodrigues de Brito of the Coimbra University (1753-1831), who wrote *Memorias politicas sobre as verdadeiras bases de la grandeza das naçoes* (Lisbon, 1803 ff.); others favoured a mild form of protection, as, for instance, F. S. Constancio, who translated Malthus and Ricardo, and who founded and edited in London the *Annaes das Sciencias* (1818-22), and José Accursio das Neves (1766-1834), who had a very thorough knowledge of the economic history of Portugal,—*Variedades sobre objectos relativos ás artes, commercio y manufacturas* (Lisbon, 1814 ff., 2 vols.).

General works.

The first Portuguese compendium of political economy was by a priest, D. Manuel d'Almeida (Lisbon, 1822), and the form of it was rather scholastic, because this was supposed to make it suitable for use in the professorial instruction which the deputy Rodrigues proposed to initiate. This plan was, however, successfully blocked by those who favoured the restrictive system inaugurated by the minister Pombal in the preceding

century. This book was followed up by the *Instituiçoës* (Lisbon, 1834) of José Ferreira Borges (1786-1838), which was borrowed for the most part from Tracy and Storch, and the *Preleçcoës* (Oporto, 1837), Ag. Alb. da Silveira Pinto (1785-1852), the *Noçoës elementares* of Ant. d'Oliveira Marreca (Lisbon, 1838), Pinheiro-Ferreira's *Précis d'un cours d'économie politique* (Paris, 1840), and the more recent *Essai sur la théorie de l'économie politique* (Paris, 1867) by F. L. Gomes, and L. Aug. Rebello da Silva's *Compendio de economia politica, moral, industrial e commercial* (Lisbon, 1868, 3 vols.).

The chair of economics at Coimbra was founded in 1836, and first occupied by Adriano Pereira Foriaz de Sampajo, who only vacated it in 1870. He published a compendium, the first (1839) edition of which was based on Say's *Catéchisme*, the second (1841) being substantially in the lines laid down by Rau. Successive republications made gradual additions to its bulk, which reached the maximum in the fifth edition,—*Novos elementos de economia politica e estadistica* (Coimbra, 1858 f., 3 vols.); the sixth edition (1867) and the seventh (1874) resulted in new changes, which cut it down to two volumes. The work, though by no means deep, has merits of arrangement, clearness, and abundant annotation, which have caused it to supplant the various books above mentioned as a school text-book. Sampajo's compendium.

In 1865 began, in the same University of Coimbra, the regular teaching of the science of finance, which was coupled, as in Spain, with instruction in the national laws on finance. A fruit of these studies may be found in the *Estudos finançeiros* of Mendonça Cortez, which were summarised by Curnido de Figuereido (1873), whose *Introducção á sciencia das finanças* came out in 1874. A better text-book is the treatise of Professor Antonio dos Sanctos Pereira Jardin (born in 1821), entitled *Principios de finança* (Coimbra, 1867; third edition, 1880). Cortez on finance.

A radicalism that hovers upon the brink of socialism finds expression in F. M. de Sousa Brandao's *O trabalho*

The historical school.

(Lisbon, 1857), whereas the influence of the historical school and of sociology may be traced in a work called *O regime das riquezas* (Lisbon, 1883) by the well-known minister of finance, Oliveira Martins, and also in the *Principios de economia politica* (Oporto, 1883) written by J. J. Rodrigues de Freitas, professor at the Polytechnic School of Oporto.

Portuguese monographs.

There are many monographs, among which may be mentioned the *Principles of the Science of Finance* ("Syntelologia"), published at Lisbon in 1834 by Ferreira Borges; the history of the public debt by Da Silveira Pinto,—*Divida publica Portugueza* (London, 1831); Morato Roma on money,—*De la monnaie* (Lisbon, 1861); Serzedello on banks,—*Os bancos* (1867); and Professor Laranjo on immigration and the colonies,—*Theoria geral da emigração*, vol. i. (Coimbra, 1878).

CHAPTER XIII

POLITICAL ECONOMY IN SCANDINAVIAN AND SLAVONIC COUNTRIES AND IN HUNGARY

Sources of information.

THE very briefest notes must suffice for the economic literatures of Scandinavian and Slavonic countries, as well as for Hungary, nor could these have been gathered together without frequent reference to the various works written by Professors Falbe-Hansen, Scharling, Petersen, Hertzberg, Rabenius, Hamilton, Lilienstrand, Wreden, Yanzhul, Jahnson, Loria, Kautz, and Bela Földes, to all and each of whom the writer is also indebted for valued and indispensable information. The works of which mention is to be made are partly interesting either from a purely historical or local point of view, or else they offer—in a form which, to be sure, often has a value of its own—doctrines not substantially diverging from those already familiar in the best works by English, German, or French authorities. During the last twenty-five years, however, the forward strides which have been made in Russia are so phenomenal that a brilliant future for economics in that country seems now assured.

Progress in Russia.

§ (1) SCANDINAVIAN COUNTRIES

(A) *Denmark*

Early mercantilism.

Mercantilism in Denmark connects itself with Bishop Eric Pontoppidan, Frederik Lütken, Andreas Schylte,

and Otto D. Lütken. Pontoppidan wrote a statistical description of Denmark (1763-81), and a book called *Oekonomisk Balance* (1759), and he also edited the *Danmarks og Norges oekonomisk Magazin* (1757-68, 8 vols.); F. Lütken wrote *Oekonomiske Tanker* (1755-61, 9 vols.); in Schylte's political works (1773-76) a plentiful recourse to Hume is manifest; O. D. Lütken propagated liberal views on money (1735), and held Malthusian views as early as 1758. These he strove to set forth in certain statements on population — *Undersögninger* . . . (1760),—which he put into more or less systematic shape before Malthus was born.

Danish reforms.

The reforms identified with the ministry of Struensee and concerning the abolition of servile labour, of community in lands, and of feudal levies, were largely inspired by physiocratic ideas. The comparatively liberal customs law of 1797 came but few years after the *Wealth of Nations* had been translated into Danish (1779 f.). Not so soon, but in due season, further translations of Say, Sismondi, Blanqui, Ricardo, and MacCulloch were made, and then came the turn of Bastiat and Fawcett.

Compendia.

Upon the establishment at the Copenhagen University of a Professorship in economics, the first Professor, C. Olufsen (1815-27) issued a compendium entitled *Grundtraek af den praktiske Statsökonomie* (1815), which never wandered far from the beaten track of German economics. In 1848 a special Faculty of Political Administration was organised, and included David, who had edited many years before the *Statsökonomisk Archiv* (1826-29, and after an interval again 1841-43), as well as Bergsöe, the author of an elaborate statistical account of Denmark (1844-53). Rather later Professor C. J. H. Kayser published a good compendium, giving briefly, and under the general guidance of Hermann and John Stuart Mill, the general drift of the classical school of economics, *Om Arbeidets Ordning* (1857; translated into Swedish in 1867). N. C. Frede-

ricksen, his successor, who emigrated to America in 1877, took up with the optimists, as may be gathered from his three monographs on free competition (1863), on development (1870), and on the fundamentals of economics (1874). The popular manual of M. Gad contains nearly the same views—*Det almindelige Velstands Natur og Aarsager* (second edition, 1879).

A recent revival.

A new impulse was given to economic studies in Denmark after the foundation in 1872 of the Political Economy Society, and of a Monthly *Nationalökonomisk Tidskrift* (1873 ff.), among the writers for which are Professor H. Westergaard, the able statistician, as well as Professors V. Falbe-Hansen and W. Scharling, who published for a prize awarded in 1860 two admirable monographs on variations in prices since the discovery of America. Falbe-Hansen is at the head of the Government bureau of statistics, and is a most moderate-minded adherent of the German school. More pugnacious adherents of the same school are the Privatdocent Petersen-Studnitz, who edits the Monthly above mentioned, Krebs, W. Arntzen, and H. Ring, the joint authors of a compendium entitled *Nationalökonomien* (1875), as well as Cl. Wilkens, who wrote an essay on Sociology—*Samfundslegemets Grundlove* (1881). Scharling contributes to various German periodicals, and has written an "Introduction to Political Economy"—*Inledning til den politiske ekonomi* (1868), as well as a "Plan" for a course of lectures—*Grundrids af den rene Arbejdslaere* (1871)—and is a consistent adherent of the classical school. The mathematical phase of our science is represented by Westergaard, already alluded to above, and by F. Bing and Julius Petersen—*Bestemmelse af den rationelle Arbeidslön samt nogle Bemerkinger om Oekonomiens Methode* (1873).

Danish socialism.

The unusual prominence of socialism in Denmark has been accompanied by the production of many works on the labour question, of which an account is given by R. Meyer, *Der Socialismus in Dänemark* (Berlin, 1874).

(B) *Norway*

Norway goes with Denmark.

Many causes have contributed to make the lines of economic study in Norway practically identical with those in Denmark, the chief among them being (1) the approximate identity of the Norwegian and Danish languages, and (2) the political union of the two countries, which was only dissolved in 1814. Purely descriptive and local discussions in economics have been quite frequent in Norway ever since the middle of the last century. Economic disorganisation, monetary derangements, the failures of banks—these and the like are among the topics discussed most frequently. Captain Mariboe (1815-21) has written on banks, and there is a particularly admirable monograph on this subject by Professor Anton Martin Schweigaard, *Om Norges Bank og Pengevaesen.* Schweigaard began a statistical account of Norway, which, though he had not time to finish it, is in good repute. His labours as member of the *Storthing* interfered with its completion. He was a prime mover in the abolition of corporations and protective duties, and in the building of railways.

See E. Hertzberg, *Professor Schweigaard.* Christiania, 1883.

Pamphlets.

At the moment when discussion of the monetary question was at its highest heat, and culminated in the so-called Scandinavian League (1872-75), there was no lack of controversial pamphleteering by T. H. Aschekong, the ex-minister O. J. Broch (1867), the banker Heftye (1873), and Gamborg (1874). On the other hand, such a thing as a Norwegian treatise or compendium on economics in general appears not to exist, unless a popular book by H. Lehmann (*Velstandslaere*, 1874), which is inspired by Bastiat, be regarded as such. There is a number of living economists who enjoy a considerable reputation, and some of whom

have been already named. Others are A. N. Kjaer, at the head of the Government Statistical Office, who has written admirably on navigation—*Bidrag til belysningen af Skibsfartens oekonomiske Forhold* (1877). In 1876, upon the occasion of the election of a second University Professor of Economics, the subject assigned for competitive treatment by all applicants was credit and banking. Gamborg, who has been mentioned above, offered a treatise entitled *Seddelbanken*, while Kjaer's was entitled *Om Seddelbanker*, but the successful candidate was Ebbe Hertzberg, whom we have to thank for two valuable works published in 1877—(1) *En kritisk fremstilling af Grundsaetningerne for Seddelbanker*, and (2) *Om Kredittens Begreb og Vaesen*. Gamborg wrote a very brief dissertation on the theory of interest—*Om renten af Penge* (1870).

(C) *Sweden and Finland*

Early Swedish economics.

Sweden has an economic literature of its own going back to the middle of the last century, and more especially conversant with manufactures, but not without a certain preoccupation with such general topics as came within the scope of the old-fashioned *Cameralwissenschaften*, and would inevitably be treated more or less in the spirit of the mercantilist school in economics. A. Berch, who died in 1774, was a most distinguished writer in his own day and generation, and his writings deserve some record. Some of them are *De felicitate patriae per Oeconomiam promovenda* (1731), *Inledning til allmänna Hushällningen* (1747). But A. Chydenius (1729-1803) easily led all others in his day. He wrote on the Liberal side various monographs containing just the ideas taken up and wrought out by Adam Smith. See his *Politiska Skrifter*, edited (1877-80) by E. G. Palmen. Professor L. G. Rabenius, the protectionist, came after him, and taught at Upsala, where he published a manual—*Lärebok i National-Ekonomien* (1829),

Swedish universities.

and his son Theodor succeeded him, and wrote on tithes (1856), industrial liberty (1867), and luxury (1873). He translated in 1882 the present writer's *Elements of Finance*. The present professor, D. Davidson, has studied the science of economics more thoroughly, and has written on the accumulation of capital as well as on the theory of rent—*Bidrag til Kapitalbildningen* (1878), *Bidrag til Jordräntеteoriens Historia* (1880). At the Lund University, which is a more recent foundation (1666), excellent instruction is given under Count G. K. Hamilton, to whom we owe, among other things, a number of contributions (1) on the ideal economics and the course of economic development; (2) on money and credit—*Om Penningar och Kredit*, 1861—and on the labour question—*Om Arbetsklassen*, 1865.

Banks in Sweden.

Practical issues provoked a lively discussion in Sweden upon banks and the forced circulation of paper currency, which have been discussed among others by Nordström (1853), Skogman (1845 f.), J. M. Agardh (1865), Leffler (1869), Carlquist (1870), not to mention Bergfalk's famous account of commercial crises (1859). Nor did the science of finance suffer neglect in Sweden, where many worked in this field, but only one work can be mentioned here—Collin's *Afhandlung om Statsincomsterna* (1816). Perhaps the best idea of the condition of economics in Sweden is to be had from C. Westman's *Nationalekonomiens Grunddrag* (1881-85), a book prepared for secondary schools, and from G. A. Lefler's *Grundlinier til Nationalekonomiken* (1881), which was prepared for higher educational needs, and follows the lead of the German school.

Economics in Finland.

The leading economist in Finland is Professor A. Lilienstrand, of the Helsingfors University. He has written many occasional treatises (1851-57) and two remarkable monographs (1) on associations—*System af Samfundseconomins Läror* (1860), and (2) on the territorial condition of Finland—*Finlands Jordnaturer* . . . (1879).

§ (2) SLAVONIC COUNTRIES

(A) *Poland and Bohemia*

Count Frederick Skarbek (1792-1869), Professor at Warsaw, wrote several excellent compendia—one of economics in 1820, one of administrative regulations in 1824, and one of finance in 1824. These he completed by publishing a dictionary in 1828, and in 1859 f. two treatises on pure and applied economics respectively. The earliest of the compendia was translated into French in 1829, and under the title of *Théorie des richesses* its two volumes are often quoted on points involved by the excellent analysis of circulation which it gives. But the merchant Sigismund Dangel's manual (*Ogólne zasady ekonomii polityczněj*, 1862), and the much-prized economico-social labours of Joseph Zupinski (Lemberg, 1872, 5 vols.), are not known outside of Poland. A. Witold-Zaleski, another Warsaw professor, has earned the gratitude of students by statistical works, as well as by monographs on the relation between economics and ethics (1867), on working-men's associations (1873), and on many other subjects. Joseph Oczapowski, sometime professor at Warsaw and Cracow, has contributed to the *Revue d'économie politique*, and is the author of various historical, critical, and dogmatic essays in general harmony with the prevailing school of Germany; see the collection of them published in 1889. Leon Bilinski, now professor at Lemberg, is a more prolific writer, and an adherent of the same school. He was born in 1846, and has written both in German and in Polish. In German he published investigations on the taxation of luxuries (1875), on railway rates (1875), and on the reform of local financiering (1878). In Polish he wrote studies on taxes and rent—*Studya nad podatkiem dochodowym* (1870), a manual of financiering —*System nauki skarbowéj* . . . (1876), a decidedly

Polish compendia.

diffuse treatise on economics—*System ekonomji społecznéj* (1880-82, 2 vols.), by which he replaced a previous work published in 1873 f.

Agriculture.

Soldraczinski, Rembowski, Skarzinski, and Stawiski have written on agricultural economy; Falkenhagen-Zaleski has shown a phenomenal activity in dealing with banks and commerce; Mayzel's subject is insurance; Prince Lubomirski, Nagórni, and others have discussed financial questions. The works of Tengoborski, Cieszkowski, von Miaskowski, and Ochenkowski are well known because they were written either in English or in French.

The Bohemian tongue contains a compendium of finance by Professor J. Kaizl (*Financní věda*, 1838), of the University at Prague.

(B) *Russia*

The first book on economics.

If the book called *Domostroi*, — a compilation on domestic economy from works by various authors who lived in the sixteenth century, — is not taken into account, then we may say boldly that the literature of political economy in Russia dates no farther back than the middle of the seventeenth century. The *Domostroi* was published in 1849 by Golokhvastov, and in 1872 Nekrasov devoted some labour to its explanation, as did Brückner in 1874. Mercantilism, then, is the first rallying-ground for economics in Russia, and in the seventeenth century the learned Servian Krizhanich wrote in this sense works which Bodenstedt has been at some pains to make accessible. Then in 1724 came a real literary curiosity published under the title of *Poverty and Riches*, and produced by a self-taught peasant who had embarked in commercial and industrial enterprise, and whose name was Pososhkov. He died in prison, after having given an unexpectedly intelligible utterance to the restrictive ideas embodied

in the political economy of Peter the Great. See A. Brückner's *Iwan Possoschkow*, Leipzig, 1878.

Modern economics made its first impression in Russia through lectures given by Tretyakov (1772), through the translations of the *Wealth of Nations*, published in 1802, of Sartorius in 1812, and of Schlötzer's compendium in 1805. But the real hold which it has acquired is due to the writings of Storch already mentioned,[1] which, taken as a whole, are far better than the treatises of Butovski (1847), Stepanov and Tchivilev (1848), Kamenski (1855), and Vernadski's short compendium (1858). Gorlov's *Principles of Economics* (1859) is not an original book, but has the merit of being definite and very clear; the same author's *Science of Finance* (1845) breaks the ground in this field so far as Russia is concerned; but Turgueniev's phenomenal monograph on taxes (St. Petersburg, 1818; second edition, 1819) contains a fundamental discussion of all leading points, and is not only the masterpiece of that generation, but deserves to be made accessible for students of to-day by translation. Tretyakov's lectures.

In order to form a definite picture of the character, aims, and importance of the works on political economy published in Russia, the part played by a most rigorous censorship must not for one moment be left out of account. Economics is taught in Russian universities, it is a frequent topic in various Reviews—the *Economic Journal*, the *European Messenger*, the *Russian Messenger*, the *Journal of the Ministry of Finance*, and others, among which is the *Magazine of Political Sciences* (1873 ff.)—but the censorship is always there to prevent certain things. Its effects were especially hampering during the thirty years' reign of the Emperor Nicholas, and they resulted in turning many choice minds entirely away from facing problems of pure science and in cutting them off from certain lines of applied economics. This is a quite sufficient explanation of the prominence Russian censorship.

[1] See above, p. 311.

given in the Russian literature of economics to the history of ideas and facts, to statistics, and to comparative legislation.

Karatayev, *A Bibliography of Finance, Commerce, and Manufactures* (1714-1879). St. Petersburg, 1880. (Here may be found the titles of upwards of 6000 works.)

Ed. Berendts, *Volks- und Staatswirthschaftliche Anschauungen in Russland.* St. Petersburg, 1888.

The history of economics.

Balugjenski's work (1806), and also Maslov's (1820), on *Systems of Economics*, belong to the domain of the history of economic literature, as does Babst's decidedly superficial account of law (1852), and far better works, such as Geissmann's account of the physiocrats (1849), Muraviev's book on Turgot (1858), Tsekanovski's on Adam Smith (1859); again there are Yanzhul's most notable volumes on the history of free trade in England (1876 ff.), and the interesting researches on French taxation during the eighteenth century made by Brzeski (1888), as well as an older investigation by Alexeyenko into Adam Smith's, Say's, Ricardo's and Mill's theories of taxation (1870).

Russian monographs.

From works bearing upon economics at large let us now turn to those of greater detail, which deal with the data of economics, to monographs like Hagemeister's (1883) and Tolstoi's (1842) on Russian finance; to Osokin's important account of internal tariffs (1850), and of duties levied on patents (1856). Then, upon the theme of comparative fiscal legislation, A. Zablovski-Desyatovski has produced a learned work on Prussian finance (1871), and there is one which has not yet been finished by Kovalevski on the ancient jurisdiction of imposts in France (1870), and there are Ragozin's essays on the taxation of tobacco (1870), and Lvov's on patent duties (1879).

More numerous and certainly not less but more

important are such statistical publications as are recorded and interpreted by Professor Janson of St. Petersburg, in a paper which he has courteously allowed the present writer to read (1880). Buschen wrote a popular account of Russian statistical work (1867), and so did Livron (1874), and then we have the erudite and painstaking book of Janson, in three volumes, *A comparison between Russian statistics and that of the Western States of Europe* (1878-80). Tchaslavski, Orlov, Kablukov, and Wilson have busied themselves with agrarian statistics. Wilson's Atlas (1869) is uncommonly accurate, but Yermolov's *Mémoire sur la production agricole de la Russie* is the best work of them all. To supplement in certain directions the results offered in the above-mentioned publications we may go to Verekha on forests (1837), to Borkovski who wrote in 1872, as Bezobrazov did in 1870, Janson and Orbinski in 1880, and Fedorov in 1888, on the corn trade, and finally Skalkovski and Bezobrazov give very welcome information concerning mines. The considerable difficulties offered by the subject of manufactures and commerce in Russia have not resulted in any neglect of this important branch of statistics. On manufactures there is an admirable collection of monographs (1862-65), and the excellent Atlas of Timiryazev (1870; second edition, 1873); concerning commerce and the various Russian fairs we have the writings of Aksakov (1858) and Bezobrazov (1865). Statistics.

Many causes culminating in 1865 are responsible for the remarkable awakening of interest in economics which seems to date from about that time. Among these may be mentioned the writings (1859-1862) of N. G. Chernyshevski, exiled for a time to Siberia in 1863. He also translated Mill, adding comments of his own, and, like the economists above mentioned, favoured the maintenance of the village communities in Russia. His work is known in France through translations. The emancipation of the serfs brought Revival in 1865.

about a very critical state of things in Russia, then there were reforms in taxation which facilitated a broader line of research, joint-stock companies became more and more numerous, especially those organised for building railroads; a State Bank of large proportions was founded and put great quantities of paper money into circulation. The studious activity of economists dating from this time may here be represented by Kavelin, Posnikov, Yefimenkov, Trirogov, Trylov, Skrebitzki, Ivanyukov, Thörner, Prince Vasilchikov (1876), and Sieber (1883), all of whom treat of the condition of the peasantry and of village communities; by Yakovlev, Koyupanov, and Luginin, whose subject is rural banks for lending money; by Tsekhanovski, Golovachov, Witte, and J. S. Bloch, who have studied railways. Bloch's statistical work in five volumes (1878) is learned but not critical, and the best book of all on railways is A. Tchuprov's, published at Moscow (1875-78), who is definitely German in his views, favouring the State management of railroads. On joint-stock companies there is what Tarasov and what Isaiev (1879) have written, and also Thörner's monograph on comparative legislation; on banks and circulation we have works by Lamanski, Kulomsin, Wreden, Chvachenkov (1880), and Kaufmann, who has also treated of savings banks (1875).

Russian finance.

The science of finance is a very favourite study in Russia. Bezobrazov's lectures published by lithography, as well as those of Lebedev—a professor at St. Petersburg, who has also produced a stupendous book on financial law,—and the lectures of Mühlhausen, professor at Moscow, are far superior to such barely tolerable books as Lvov's and Patlaeffski's manuals, and have done much to disseminate sound financial views. Yanzhul has produced excellently learned monographs in this field, he too being a Moscow professor. There is a collected edition of some of these (1884); Lebedev has given a detailed account of local taxes (1886);

Alexeyenko has dealt with direct taxes (1879), Rukovski with personal taxes (1862), Thörner with land taxes (1860), Sodovski with manufactures, and Subbotin with industrial taxes (1877). Finally there are three monographs by Bezobrazov and Bunge, which record the most searching investigation of this whole subject, as well as the completest mastery of all books concerning it.

W. P. Bezobrazov, "Impôt sur les actes" (1864), "Les revenus publics de la Russie" (1872), in the *Mémoires de l'Académie Imp^e de Saint-Pétersbourg.*

N. Bunge, *Theory of Credit.* Kiev, 1852. *Forced Circulation in Russia*, 1871. Translated in Ad. Wagner's monograph, which contains an introduction and learned additional notes. See also F. de Rocca, *La circolazione monetaria ed il corso forzoso in Russia.* Rome, 1881.

Free trade.

A number of controversies arose about free trade and protective tariffs, and in these Bobrinski, Kalinovski, and Walcker, as well as Thörner, Bunge, and Yanzhul, have taken part. On the labour question there have been many writers—among them are Novoselski (1881) and Isaiev, so far as it especially concerns the peasantry; this question is also treated by Novitski (1876), Sokolovski (1878), Umantz (1884), Grigoriev (1885), and by Kablukov in the same year.

Monographs.

Among monographs on the pure science, Korsak's on the forms of industry (1861) must be mentioned, Wreden's on the theory of enterprises (1873), Volkov's (1854) on rent, and Fuchs on the same subject (1871). Then there is another rather less important essay by Antonovich on value (1877), to which finally must be added Sieber's remarkable work on the theory of value according to Ricardo and Marx (1885), which has received high praise from Loria, and another of his on the historical development of industry. Antonovich occupies the whole field of

economics in his ample treatise (1886), and so does Wreden in his (1874; second edition, 1880), and Ivanukov also in his (second edition, 1886)—all these writers being of the German school. Other much-appreciated compendia are by Liliev (1860), Bunge (1870), and L. W. Chodski (second edition, 1887); and to these it may be pardonable to add a most accurate translation of the present writer's *First Elements of Social Economics*, made in 1886 by Professor Sokalski of Kharkov, who added a bibliographical appendix of his own.

The Baltic Provinces.

The historical writer mentioned above, Al. Brückner by name, belongs to the Baltic Provinces. He has written an interesting monograph on money,—*Kupfergeldkrisen* (1867). From the same district comes the distinguished writer Alexander von Oettingen, who has devoted himself to bringing statistics to bear upon ethical data. From the Baltic Provinces comes also the banker Goldmann, who wrote *Das russische Papiergeld* (1866); the sociologist P. von Lilienfeld, already mentioned above, and Barens, who has written on rent (1868), belong to Courland.

§ (3) HUNGARY

The small space available here, and the existence of good special histories, allow us to abbreviate this account of Magyar literature in economics, and to say especially little of its earlier phases.

See the book by Kautz (cited on p. 123). The present writer was also kindly allowed by the courtesy of the late lamented H. J. Bidermann to consult his admirable historical sketch, *Das Studium der Politischen Oekonomie und ihrer Hilfswissenschaften in Ungarn.* Kaschau, 1859 (privately printed).

The University of Tyrnau.

The foundation of the chair at the University of Tyrnau for *Cameralwissenschaften* in 1760, which was

later transferred to Pesth; similar innovations at the Academies of Grosswardein in 1769, at Agram in 1772, as well as at other places from time to time; the ventilation of important projects for legislation in political assemblies where they came up for discussion by influential members of the aristocracy,—roused a public interest in economic questions which was out of all proportion to the scanty knowledge of the subject which could be drawn upon, and the scarcity of economic data to work with, this last being a result of the almost entire neglect of statistics in Hungary. The work of Sonnenfels, translated into Latin by Beke (1807-8), was used as the required school text; Hubner's valuable works had less vogue—see his *Politia civitatis* (1829)—and the same is true of Henfner's *Introductio in œconomiam politicam* (1831); both of these books are more or less based upon the German manuals of that day.

Scarcity of good books.

A powerful impulse was given to economic studies in their application to the needs of the country by Count Stephen Széchenyi, an illustrious patriot, who wrote under the inspiration of liberal ideas and in the native Hungarian tongue. Among the brilliant special studies which he produced are: (1) *Hitel* (*On Credit*), 1830; (2) *Vilag* (*Light*), 1831; (3) *Stadium*, 1833; (4) *A kelet népe* (*The Oriental People*), 1841. Controversies ensued in which many took part, notably the Conservative Count Joseph Deséwffy, who wrote a monograph on credit of his own, *A hitel*, 1831 (a German translation appeared at Kaschau in 1831). Széchenyi's influence and popularity were such that he helped on reforms that were urgently needed in order to secure the abolition of feudal impediments and of monopolies, to refashion the means of transportation and secure the extension of facilities for credit, and many other things equally necessary. In the same general lines Csato wrote on economics in general (1835), and Györy treated of the effect of machines on wages (1834),

Monographs and pamphlets.

and on means of communication (1835), while Srányi dealt with the public debt and paper money (1834).

List.

The next impulse given came from the enthusiasm awakened by Friedrich List's work, and from a widespread desire to establish a restrictive system which

The protective league.

was nursed by the famous protective league, called *Védegylet*, until its exaggerated schemes were censured by List himself. In the writings of Fényes, Pusztai, Pulszky, in Tréfort's disquisitions on various systems of economics (1843), may be traced the effects of this somewhat hysterical mood. More moderate, though substantially of the same mind, are Erdélyi in his *Nemzeti Iparunk* (*Our Economics*), 1843, and the erudite Aug. Karvasy, a professor at Pesth, in his compendium of political economy, a valuable book which embraces the economics of scientific finance,—*A politika Tudományok*, 1843, in two volumes (second edition, 1845-47). The same writer gave an account of the historical turn which economic studies had taken (1855). There are good monographs on land tenure by Gorové, Brunneck, Micskey, Mészáros, Korizmics, and many others; on industry, corporations, and usury by Erdélyi, Szokolay, and Simon; on commerce, credit, and banks by Fogarasy, Janko, Kóvacs, Farkas, and Csengery; on money and finance by Count Emil Deséwffy, Kemény, Fay, Kritzbay, and others; on socialism by the same Karvasy mentioned above, as well as by Baron Eötvös and Deresényi.

Kautz, Földes, and others.

Among contemporaries it is necessary to make special mention of Roscher's learned pupil, Professor Kautz, who is now at the University of Pesth; of the indefatigable Professor Béla Földes (Weiss), the author of various papers written now in Hungarian and again in German, and of a compendium of political economy (1881); Mariska and Matlekowics, to whom we owe two treatises on the science of finance; Lónlay, who has repeatedly discussed banking; Gyorgy, Hegedus, and so on to the end of a long chapter, for which there

is not room here. Matlekowics enjoys an especially considerable reputation for his diligent and trustworthy works on commercial politics, not a few of which are very widely known, because he published them in German. The same may be said of Horn's studies on banking which came out in France.

J. Kautz, *Nemzetgazdaság és Pénzügytan* (*Political Economy and Finance*). Budapest, 1884. 2 vols. Fifth edition, 1885. Other monographs by him are (1) on the history of gold and silver (1877), and (2) on the monetary question (1881).

Béla Földes, *A nemzetgazdaságtan és pénzügytan kézikönyv* (*The Economic and Financial Handbook*). 1881.

W. Mariska, *Pénzügytan* (*Finance*). 1871.

S. Matlekowits, *Pénzügytan* (*Finance*). 1876.

CHAPTER XIV

POLITICAL ECONOMY IN THE UNITED STATES

THE physical, social, and political conditions peculiar to the United States of North America, and the immense expansion of wealth, enlightenment, and power of which that country has been the theatre, naturally prompt the student of economics to look for the records of a development of his science commensurate with and parallel to what has been achieved in other lines.

Protection, taxation, and the National Debt.

And it is true enough that the enormous dimensions rapidly assumed both by the territory and the capital of the nation as a whole, the gigantic development of its available means of communication, the ceaseless alterations in its system of banking and currency, the alternations in successive tariffs between protection more or less complete and approximately free trade, the experiments of all kinds in taxation, the portentous increase and the no less phenomenal extinction of the National Debt, the conflicting play of manufacturing and anti-slavery interests in the North in favour of protection against the pro-slavery and agricultural power of the South which favoured free trade—all these phenomena

Monographs.

are of the highest importance, and have been made the subject of valuable studies, historical and statistical, and the lessons to be learned from them by European economists are by no means few.

Orrin L. Elliott, *The Tariff Controversy in the United States from* 1789-1833, with a summary of the period before the adoption of the Constitution. Leland Stanford Junior University Monographs, *History and Economics*, No. 1. Palo Alto, California, 1892.

A. S. Bolles, *Industrial History of the United States.* Third edition. Norwich, 1879.

W. G. Sumner, *A History of American Currency.* New York, 1878.

E. J. James, *Studien über den Amerikanischen Zolltarif.* Jena, 1877.

W. G. Sumner, *Lectures on the History of Protection.* New York, 1877.

A. S. Bolles, *The Financial History of the United States from* 1774 *to* 1860. New York, 1879-83. 2 vols.

E. G. Bourne, *The History of the Surplus Revenue of* 1837. New York, 1885.

Exceptional causes at work.

But the very first lesson which we learn by a scrutiny of all these special investigations is the recognition that exceptional circumstances of various definite kinds have operated in the United States so as apparently to suspend for a time the validity of several universally acting laws of economics as formulated by the classical school, and therefore to prevent any advancement in our science at all parallel to the increase of wealth and the development of institutions. These laws were those touching over-population, decreasing returns, rent, and pauperism, none of which seemed, even to those American writers who admitted their truth in the abstract, to have any practical meaning or possible bearing on the immediate concerns of their own country. The great majority of Americans were simply incredulous about them. Then again, even those discussions of general economic principles which were actually carried on about slavery, free trade and protection, monometallism and bimetallism,

Local limitations.

direct and indirect taxation, the perpetuation or extinction of debt, the advisability or otherwise of a single United States bank and of a legal-tender bank-note currency, are for the most part represented by written and spoken utterances of very questionable scientific value. The reason of the remarkably inconclusive and unscientific treatment of economic themes by Americans is to be found in the political aspirations of parties contending for supremacy. No position could be defended on its merits as long as the accumulated stores of science were treated as a mere arsenal which federalists and anti-federalists, republicans and democrats alike could occasionally resort to in order casually to provide themselves with weapons for party warfare. Questions of conviction and of soundness hardly arose in the minds of such disputants in the field of politics; for them it was enough to have the wherewithal to deal telling blows upon their momentary antagonists. Daniel Webster, for instance, began as a free trader, but his opponent being Calhoun, who shifted from the side of protection to that of free trade, no duty was plainer for Webster than to take up with protection, which he instantly did. Analogous passages in Henry Clay's policy regarding the United States Bank could be instanced, and it is notorious that S. P. Chase, Secretary of the Treasury during the war of the Rebellion, founded his great system of National Banks under the influence of considerations which were almost entirely financial. But still there were exceptions, and certain eminent statesmen, like Jefferson, Madison, Sherman, Garfield, and, conspicuous among them all, Hamilton, have undoubtedly given a sober and serious study to economic problems, and have shown unquestionable talent for solving them. Science also owes a large debt to the zeal of administrative officers of the United States, which has urged them to produce important records of work ably done upon special questions of fiscal and financial reform. Among these let it be enough to mention names like John Quincy Adams,

Daniel Webster.

S. P. Chase.

H. Lee, Gouge, Gallatin, and David A. Wells,—the last being of our own generation.

John Quincy Adams, *Report upon Weights and Measures* (1817). Washington, 1821.

H. Lee, *Report of a Committee*, etc. Boston, 1827. (A defence of free trade.)

W. M. Gouge, *A short History of Paper Money and Banking.* Philadelphia, 1833.

A. Gallatin, *Considerations on the Currency and Banking System*, 1831. Together with other works of his collected in vol. iii. of his works, edited by H. Adams in 1879.

Colleges and universities.

The instruction afforded in political economy by colleges and universities—which were multiplying all over the land, thanks to great acts of private generosity —was given for many years almost exclusively by ministers of this or that religious sect; nor is the practice now wholly unknown. There was no question of a Government grant for this special purpose, nor was there any public interest worth mentioning in this branch of instruction, and it is therefore not a matter for surprise that the text-books provided for it have been quite unheeded by learned men outside of America. They admired the works of Story and Kent upon law for years before they ever heard that America had economists at all, and until very lately their neglect of American economics has been complete, exception being made in favour of Carey and Henry George, neither of whom can be described as having real scientific training, and both of whom stood wholly aloof from instruction of any kind.

These considerations have prompted the following sketch, which is accompanied with references to the original sources of information, and based upon information generously afforded to the present writer by his American fellow-workers in the field of economics—White, Dunbar, Walker, Sumner, Newcomb, Laughlin,

Patten, Clark, Ely, Andrews, and other distinguished economists.

See S. A. Allibone, *Critical Dictionary of English Literature and of English and American Authors.* Supplement by G. F. Kirk. Philadelphia, 1878. 3 vols. Ch. F. Dunbar, "Economic Science in America," in the *North American Review*, vol. cxii. Boston, 1876. Th. E. Cliffe Leslie, "Political Economy in the United States," in the *Fortnightly Review*, No. 203. October 1880.

Dr. H. J. Furber.

Much use has been also made of materials courteously placed at the writer's disposal by Dr. H. J. Furber of Chicago, in the shape of the unpublished MS. of his valuable work entitled *Studies historical and critical on the Development of Economic Theory in America* (Leipzig, 1890). Two final chapters to be devoted to the very latest publications on the subject were still lacking in the work as used here.

§ (1) THE NATIONAL AND THE COSMOPOLITAN SCHOOL

Franklin as an economist.

Benjamin Franklin (1706-90), the author of *Poor Richard's Almanac*, is the first practical economist whom the United States ever produced. A work of his on population has been referred to on p. 167 above, and he produced others in which among other things he attacked slavery, defended paper money, and pointed out that labour is the measure of value. Dickinson's *Letters to a Gentleman* (1765) set forth sound ideas on commerce and money, and Pelatiah Webster declared vigorously against forced currency.

B. Franklin, *A modest Inquiry into the Nature and Necessity of a Paper Currency.* 1729. *Principles of Trade.* 1774. His other writings of economic interest are in the second volume of Jared Sparks' edition of his complete works. Boston, 1840.

See also Rich. Hildebrand's "Franklin als Nationalökonom," in the *Jahrbücher für Nationalökonomie.* Jena, 1863. Pelatiah Webster, *Political Essays on the Nature and Operations of Money.* Philadelphia, 1791.

The conspicuous leader among American writers on political economy belonging to the eighteenth century is Alexander Hamilton (1757-1804), the author of most remarkable official reports on the public credit, on banks (1790), and on money and manufactures (1791). He consistently supported bimetallism, the institution of one federal bank of circulation, and the necessity of a moderate protection of nascent industries by tariffs. He nowhere countenances protection for protection's sake, his position on this last point being nearly that now occupied by fair traders. Alexander Hamilton.

A. Hamilton, *Works.* New York, 1855. 4 vols. See also Shea's *Life and Epoch of A. Hamilton,* 1879.

Daniel Raymond, the first of all the spokesmen for American national and protective theories, was partly inspired to his utterance of them by animosity against England, and his *Thoughts on Political Economy* (1820; second edition, 1823) put forward very lame arguments to prove the necessity of internal free trade and of restricted foreign trade. These contentions are partly based upon the notorious distinction drawn by Lauderdale and Ganilh between private and public economy. Not very different are the notions ventilated by Phillips in his *Manual of Political Economy* (1828) and by Simpson's *The Working-Man's Manual* (1831). Both these books also ring the changes upon the depravity of the English, but they are far outdone by Colton's *Public Economy of the United States* (1848), where it appears that Adam Smith, Ricardo, and Malthus had been paid to advocate free trade, and thus to accomplish the ruin of other nations. Alexander Everett gained much noto- Raymond for protection.

riety and many supporters for his *New Ideas on Population* (1833), where he makes short work of Malthus by attributing fantastic errors to him, and by maintaining that the demand for labour and the day's wage increase in proportion as population grows more dense. A far more sensible defence of restrictive ideas was that of John Rae, a Canadian Scotchman, in *Some new Principles of Political Economy* (Boston, 1834), where he undertook to refute Adam Smith's theory of production, and really did contribute on the accumulation of capital certain observations of his own which John Stuart Mill adopted. In more recent years the late Professor Bowen of Harvard College proved himself the ablest member of this school, and wrote a treatise which defended the "banking principle," and rejected the wages fund as well as the theory of rent. He further denied the practical value of Malthus' views for America, where the farmer owned his own land and every workman was a capitalist. He defended a temperate protectionism in order to utilise the mineral resources of the country and to promote a reasonable variety in nascent manufactures. Finally, there is another protectionist, Stephen Colwell, who wrote a commentary on List's book in 1856, and produced a subtle and accurate analysis of the mechanism of payments, in which he assails paper money, but somewhat mars his argument by contending that banks should not be held liable to pay the face value of their own bills until payment on discounted bills shall fall due.

Rae and Bowen favour protection.

Francis Bowen, *Principles of Political Economy.* Boston, 1856. Rewritten and published under the title of *American Political Economy*, 1870.

S. Colwell, *Ways and Means of Payment.* Philadelphia, 1859.

In marked contrast with these national theories as stated above was the prevalence of English ideas in the schools, which were early supplied with reprints of Adam Smith (1789, 1811, 1818, and often afterwards),

Adam Smith and Say used in schools.

and for which Ricardo was made accessible, as well as Say, in Nicholas Biddle's translation. All these works were criticised on the lines of extreme individualism in the writings of Thomas Cooper—praised without stint by MacCulloch—and of Francis Wayland. Wayland was certainly a clear writer, and although there was no originality in him, the suitable corrections and additions of Chapin have kept his works sufficiently abreast of the times to justify their continued use here and there as college text-books. The same can hardly be said of Willson's *Elements* (1839, or of the treatises of Potter (1841) and of Opdyke (1851), both of these last being anti-Malthusians, nor has Vethake's *Principles of Political Economy* (1838; second edition, 1844) been preserved from oblivion. It is the fruit of riper deliberation than any of the others, but is written in a prolix and involved fashion, allowing in case of war certain exceptions to the general rule of free trade.

The anti-Malthusians.

Th. Cooper, of Columbia College in the City of New York, *Lectures on the Elements of Political Economy*, 1826; second edition, 1829.

Fr. Wayland, *The Elements of Political Economy.* Boston, 1837. Recast by A. L. Chapin. New York, 1881.

A. L. Chapin, *First Principles of Political Economy*, 1881.

§ (2) RESTRICTIVE AND LIBERAL OPTIMISM

The so-called Pennsylvania school has not contented itself with a denial pure and simple of the English theories, but has taken the more positive, but also the more precarious course of advancing counter-propositions of its own. The leader is Henry Charles Carey (1793-1879), a famous man no doubt, but still self-instructed, just as much as is Henry George, and therefore open to the charge which holds against George of ignorance of scientific methods. Carey first published an essay on wages (1835), in which he attacked a pessimism which

Carey a self-taught economist.

he found lurking in the very essence of the theory of a wages fund. His political economy (1838) gives the theory of value as determined by the cost of production, deducing from it what he was pleased to call a law of the distribution of wealth. According to this law of his, the increase of profit, being absolute only and not relative, is more than counterbalanced by the increase of wages, which is both absolute and relative, with the result that improvement in the condition of working-men must inevitably be continuous. In his *Credit System* (1838) he is preoccupied with the scarcity of money; in his *Past, Present, and Future* (1848) he recants his earlier liberal views, returns with redoubled vigour to the charge against Ricardo and Malthus, and then states the famous theory of the order of cultivation for lands. From this theory he deduces the false laws (1) of increasing returns, and (2) of the greater relative accumulation of capital than of population. He restated these ideas for the popular mind in the *Harmony of Interests* (1850), and his system is presented still more broadly in his *Social Science* (1858), his most considerable work. Here he stands up for the doctrine of a providential identity between cosmic and social laws—a theory which receives more detailed statement in his *Unity of Law* (1872),—a work which offers a rich harvest of blunders in physics. Carey's theories met in Lange with the master who could show up their unsoundness in method; see his *J. Stuart Mill's Ansichten über die Sociale Frage* (1886), and Held ranked them with mercantilism, but Dühring has excelled himself in the sophistries by which he contrived to make Carey absolutely triumphant; see his *Die Verkleinerer Careys* (1868). A more temperate defence which accepts Carey's views without abandoning free trade is that of Wirth (1863) and of Ferrara; see vol. xiii. 1st series, of his *Biblioteca dell' Economista*, introduction (1853).

Carey on the distribution of wealth.

Lange's attacks on Carey.

H. C. Carey, *Principles of Political Economy.* Philadelphia,

1837-40. 3 vols. Translated into Italian in the volume above cited of the *Biblioteca dell' Economista*. *Principles of Social Science*. 1858-59. 3 vols. Summarised by Miss K. MacKean under the title *Manual of Social Science*, 1864. Reprinted in 1879. *Miscellaneous Works*, edited by his nephew, H. Carey Baird, 1880.

See on Carey: W. Elder, *A Memoir of H. C. Carey*, 1880. J. W. Jenks, *H. C. Carey als Nationalökonom*. Jena, 1885. Friedrich Engels, *Dühring's Umwälzung der Wissenschaft;* second edition, 1886. Abraham Adler, *Ricardo und Carey über die Grundrente*, 1873. And also Lexis in the *Handwörterbuch der Staatswissenschaften*, vol. ii. p. 808.

Peshine Smith on population.

Among Carey's pupils the most original is E. Peshine Smith, whose account of population is especially noteworthy, and indeed was adopted by Carey himself. Elder, though a subtle and effective writer, lacks perfect accuracy, and is a trifle inconstant; Ellis Thompson knows more than any of the rest about economic literature; by far the feeblest mind among them was Horace Greeley (*Essays*, 1869). W. D. Wilson, who is not of Pennsylvania, has attempted in his *First Principles* (1875; reprinted in 1879) the very difficult task of making Carey's views harmonise with those of Malthus. An appeal to the identity of being and not-being might help the argument.

E. Peshine Smith, *Manual of Political Economy*. New York, 1853. Translated into French by C. Baquet, 1854.

W. Elder, *Questions of the Day*. Philadelphia, 1871.

Rob. Ellis Thompson, *Social Science and National Economy*, 1875. *Elements of Political Economy*, 1882. *Protection to Home Industry*, 1886.

Perry and Sturtevant.

Professors Perry and Sturtevant are hardly followers of Carey, but rather of Bastiat. Both favour freedom,

being convinced that competition makes fair prices, and quite easy in their minds about the increase of population. Perry combines Bastiat with Macleod, calls economics the science of value, believes in the gratuitous co-operation of nature, disallows rent, although he does admit the law of decreasing returns. He opposes currency banks, and favours a tariff for revenue with the proviso that no duties be levied *ad valorem*, but all of them shall be specific. Sturtevant's views are substantially the same, and he has the merit of being less prolix and of giving definitions more correctly.

A. Latham Perry, *Elements of Political Economy.* New York, 1866; the twentieth edition was published under a new title of *Principles*, etc, 1891. *Introduction to Political Economy.* 1877; third edition, 1882. (Containing only the most general statement of the theories of value, production, commerce, money, credit, and taxation.)

J. R. Sturtevant, *Economics, or the Science of Wealth.* New York, 1877. Reprinted in 1881.

§ (3) THE CLASSICAL SCHOOL

New questions brought forward.

Towards the middle of the present century, after the liberal reform of the customs tariff, the establishing of a sub-treasury and the publication of John Stuart Mill's treatise on political economy, the classical school gained the upper hand. Old questions had for the most part disappeared with slavery, so that when the war of the Rebellion was ended the only opponents remaining in the field against it were Carey's disciples, who clamoured for the perpetuation of institutions established in the stress of war, and dictated by its necessities. These were the National Bank, the "Greenback" currency, and the National Debt.

For several years Professor Bascom's compendium of economics—a clear exposition of what are substantially Mill's doctrines—was much in use. Bascom favours

monometallism, opposes banks of emission, and proposes the substitution of certificates based upon a gold reserve, and payable in gold for "greenbacks." On the same general lines, but in a far obscurer style, is Amasa Walker's *Science of Wealth*, which is particularly full in discussing monetary and fiscal questions. He too attacks the Banking Act of 1863, and attributes the crisis of 1873 to the permanent deposits made and maintained according to its provisions; he too urges the immediate payment of the National Debt, but he differs from Bascom in rejecting the doctrine of Malthus. "Greenbacks" and monometallism.

John Bascom, *Political Economy*. Andover, 1860. Reprinted in 1874.

A. Walker, *The Science of Wealth*. Boston, 1866; fifth edition, Philadelphia, 1872.

A far higher standard of excellence is attained by Amasa Walker's son, General Francis Amasa Walker, President of the Massachusetts Institute of Technology in Boston, who published in 1874 a *Statistical Atlas of the United States*, and ably directed the taking and publication of census returns in 1870 and 1880. He has written many special treatises, the substance of which is contained in his invaluable *Political Economy* (New York, 1883; second edition, 1887), and was later on summarily presented in his brief text-book (1885), and again reduced within a smaller compass in his *First Lessons* (1889). His greatest special work is on wages—*The Wages Question* (1876; new edition, 1891), in which he draws a clear line between the *entrepreneur* and the capitalist, describing their respective functions, and attacking the wage-fund theory, by an argument which ingeniously contends that wages—though it is convenient and usual to disburse for them before the whole account is made out—are in reality the residual fraction of the value which is left finally attaching to the product after interest and profits have been deducted. His work on *Money* Francis Walker. Wages.

(1878; new edition, 1891) is briefly restated in his *Money, Trade, and Industry* (1879), and here he defends international bimetallism, showing little or no sympathy for mixed currency. His small book on *Land and its Rent* (Boston, 1883) is quite in harmony with generally accepted views, and gives a very felicitous refutation of Carey's points in objection, dealing similarly with what Henry George and Leroy-Beaulieu have said in the same vein. In his treatise on economics the distinction between the pure and the applied science is rigorously upheld; he founds the value of wealth—money being here included—upon demand and supply, making due allowance for the influence exercised by cost and by the final degree of utility; he maintains that the owner of a mine receives not only a land-rent, but an additional sum as compensation for the exhaustion of the soil; and finally he gives most useful considerations upon commerce, money, banks, socialism, and the condition of the working-man.

Walker's general economics.

§ (4) HENRY GEORGE

Everybody knows of Henry George, but nobody is inclined to accept another's opinion about him, so extreme and so conflicting are the judgments passed by men who are often disqualified,—by ignorance, by passion, or both,—for an impartial estimate of so ingenious a writer. He was born in 1839 at Philadelphia, worked as a type-setter at San Francisco in 1857, turned sailor, miner, journalist, and civil servant as occasion offered, and finally, having fixed his abode at New York, he has grown rich upon the proceeds of his extraordinarily successful books. His *Progress and Poverty* (San Francisco, 1879) contains a development of ideas sketched out before in his *Our Land, and Land Policy* (1871); soon he brought these ideas to bear upon Ireland, and wrote *The Irish Land Question* (1881). Very little that is new can be found in his *Social Problems*

Conflicting opinions of George.

(1884). In his *Protection and Free Trade* (1886) he makes an able plea for free trade; finally, in a recent work he has passed strictures upon the Encyclical Letter of 1891 (*Rerum novarum*).

Territorial collectivism

Henry George is one of the leading champions of territorial collectivism, which is the object of vigorous attacks both from economists and also from socialists of other schools. He allows the productivity of capital, and is particularly clear on the good to be derived by using machines in production; he defends both interest and profits, and absolutely denies the reality of a conflict between capital and labour; but he attacks the theory of Malthus and the law of decreasing returns, while he only allows Ricardo's theory of rent a very qualified validity. Walker's account of wages leads Henry George to similar results, since he invalidates it by exaggerating its effects. In maintaining all these points he by no means steers clear of self-contradiction. On one theme, however, he is equally inexhaustible and unwavering, he attacks and gives no quarter to the ownership of land, declaring that it violates the natural and inalienable right to possess the earth inherent in all men as such. The unearned increment of rent and the monopoly of landowners he holds up as responsible for industrial crises, the lowering of the rate of interest, and of wages. Here, then, we have the tap-root of pauperism. State intervention he rejects, and all schemes for giving State employment to labour, but he has a remedy of his own, and proposes to cure present evils by confiscating the unearned increment of rent, and by levying one single tax with no provision for indemnifying proprietors, although by its effect they would be only nominally in possession. Our author is confident that the adoption of this plan would so raise wages and profits as to heal all wounds now afflicting the body politic, and would provide the State with a revenue more than ample for the wants of the very few remaining poor. His evidently sincere conviction, his

The unearned increment of rent.

telling picture of the economic conditions of new countries, particularly of California, the vivacity of his style, illuminated as it often is by most felicitous imagery, are quite enough to account for the phenomenal success of *Progress and Poverty*, a book which nevertheless abounds in contradictions which take your breath away, and is crammed with errors of fact and false or inconclusive arguments that betray upon every page the utter absence of sound scientific training.

See on Henry George, the criticisms of his book by Wagner and Schmoller, and also Fawcett's critical summary, *State Socialism*, 1883. Also Samuel Smith's *The Nationalisation of the Land*, 1884. M. L. Scudder's *The Labour Value Fallacy*. Chicago, 1886. See also H. Rose, *Henry George*. London, 1884. W. H. Mallock, *Property and Progress*, 1884. W. Hanson, *Fallacies in Progress and Poverty*. New York, 1884. M. J. Pauw van Wieldrecht, *Beoordeeling van H. George, Voruitgang en Armoede*. Utrecht, 1885. D'Aulnis de Bourouill, *Het hedendagsche Socialisme*, 1886, pp. 182 ff. A. Sartorius, Freih. von Waltershausen, *Der moderne Socialismus in den Vereinigten Staaten*, Berlin, 1890, pp. 329 ff. S. Cognetti De Martiis, *Il socialismo negli Stati Uniti*, Turin, 1891, pp. 257 ff. John Rae, *Contemporary Socialism*, 1891, pp. 441 ff. A. Menger, *Das Recht an den vollen Arbeitsertrag*, Stuttgart, 1891, pp. 147 ff.

§ (5) MONOGRAPHS

Banking and money.

Among a large number of monographs on money and banks the following may be mentioned: Condy Raguet, *On Currency and Banking* (1839); J. S. Gibbons, *The Banks of New York* (1858); H. R. Linderman, *Money and Legal Tender* (1877); G. MacAdam, *An Alphabet in Finance* (1880); J. G. Knox, *United States*

Notes (1884); and the ingenious defence of "Bimetallism," written by S. Dana Horton, in his *Silver and Gold* (new edition, 1877). *The Silver Pound* (1888), and *Silver in Europe* (1890) are very interesting.

Among many protectionists should be named the following: Erastus B. Bigelow, *Tariff Question* (1862), *Tariff Policy* (second edition, 1877); G. B. Stebbin, *American Protectionist Manual* (1883). And among free-traders a few should be mentioned: W. M. Grosvenor, *Does Protection Protect?* (1876); all the numerous writings of David A. Wells, who published *Practical Economics* (1882); J. Butts, *Protection and Free Trade* (1875); and finally the history written by J. D. Goss, *History of the Tariff Administration in the United States* (1891). The tariff.

We are indebted for a practical handbook on statistics to C. F. Pidgin, *Practical Statistics* (Boston, 1888); and for a few works on the agrarian question to Cox, *Free Land and Free Trade* (1881); to Sato for his *History of the Land Question* (1886); to Allinson and to Penrose for a work on *Ground Rents in Philadelphia* (1888); to Cheyney and many others for works of various kinds too numerous to enumerate. Besides what have already been mentioned, works on finance have been written by H. White, who made valuable additions to the present writer's *Primi elementi di finanza* when it appeared in English, and published a book on *Taxation* (New York, 1888); F. K. Worthington's *Historical Sketch of the Finances of Pennsylvania* (1887); and J. Chr. Schwab, *History of the New York Property Tax* (1890), should also be mentioned. Statistics. Finance and taxes.

Of course there is no lack of works discussing the labour question. Here it is only possible to mention MacNeill's *The Labour Movement* (1887), and G. Gunton's *Principles of Social Economics inductively considered* (New York, 1891), which is an old book of his (*Wealth and Progress*) in a new shape. On child labour W. F. Willoughby and Miss Clara de Graffenried (1890) have written; on arbitration and conciliation J. D. Weeks, The labour question.

Labour Differences and their Settlement (1886); on *Co-operation:* Alb. Shaw, *Co-operation in a Western City;* E. W. Bemis, *Co-operation in New England* (1886); A. G. Warner, *Three Phases of Co-operation in the West* (1887); Ch. Bernard, *Co-operation as a Business* (1881); and finally N. P. Gilman has discussed *Profit-Sharing* (1889).

Communism and socialism.

The literature dealing with the history of communism and of socialism is also very rich. As an able criticism Th. D. Woolsey's *Communism and Socialism* can be highly recommended; on the ups and downs of communism in America there are works by Noyes (1870), Nordhoff (1876), H. A. James (1879), and many others. Information as to the condition of the working-classes is contained in H. Young's report on *Labour in Europe and America* (1876), and in the far better ones which were subsequently made from time to time by that very able man Carroll D. Wright, while he was in charge of the Central Bureau of Statistics and Labour at Washington.

§ (6) THE PRESENT STATE OF AMERICAN ECONOMICS

G. Cohn, "Die heutige nationalökonomie in England und America," in Schmoller's *Jahrbuch*, thirteenth year, vol. iii. (1889), pp. 1-36.

Economics at the universities.

American universities have multiplied, new chairs of economics have been founded, *administrative faculties* have been organised as at New York and Philadelphia, the American Economic Association (1885) has been formed, special Reviews have been brought out (1886-89), excellent monographs have been published in collected form. Controversies have been carried on through the writings of many young professors fresh from Germany and more especially from Halle, nor has there been lacking a powerful influence wielded by the more matured thought of older professors, who combine

a knowledge of all that German science has achieved with an unwillingness to follow blindly its too exclusive vagaries. Such are the leading facts which explain the strides made during the last ten years by the study of economics in America, and account for the eminence there attained by a group of able writers who have nothing to fear from a comparison with the ablest scientific lights of Europe, whether as to knowledge of principles or power of steady work.

German-American economics.

There is in what may be called here, though perhaps for the first time, the German-American school of economics, a real division into two groups, which also has never been made before. These groups are plainly distinguishable: the first group sets great store by the inductive method and historical inquiry, and treats the purely scientific aspects of our branch of knowledge as out of date, but finds room for statistics provided it be strictly kept under the lead of history. The most outspoken adherent of this plan for scientific study is Professor R. T. Ely of Johns Hopkins University, Baltimore, a man of indefatigable energy and of learning so great that it is not uniformly accurate.

Historical group.

Richard T. Ely, *French and German Socialism*, 1883. *The Past and Present of Political Economy*, 1884. *Recent American Socialism*, 1885. *The Labour Movement in America*, 1886. *Problems of To-day*, 1888. *Taxation in American States and Cities*, 1888. *An Introduction to Political Economy*, 1889. Rewritten and, under the title of *Outlines of Political Economy*, republished in 1893.

Monographs by this group.

To the same range of ideas are limited Professor Edmund J. James of the University of Pennsylvania, who has written disquisitions on gas and gas companies (1887), on railways (1887), and on the monetary question (1888); Professor J. W. Jenks of Bloomington, who has criticised Carey and written monographs, one of which is on legislation affecting roads (1888); and R.

P. Falkner, Professor of Statistics in the University of Pennsylvania, who has translated Meitzen's work on statistics. Rather more moderation is exhibited by the two economists of Columbia University in New York, Professors Seligman and Mayo Smith, the former being an expert in finance specially devoted to historical investigations, and the latter having written good papers on statistics and on economic method in general.

E. R. B. Seligman, *Continuity of Economic Thought*, 1886. *Two Chapters on the Mediæval Guilds of England*, 1887. *On the Shifting and Coincidence of Taxation.* Baltimore, 1892.

R. Mayo Smith, *Methods of Investigation in Political Economy*, 1886. *Statistics and Economics*, 1888.

Intermediate position of Carter Adams.

This part of the present theme would be incomplete without honourable mention of Professor Henry Carter Adams of the Michigan University at Ann Arbor, who has written valuable economic treatises on the *Relation of the State to Industrial Action* (1887), on *Taxation in the United States* (1884), and on *Public Debts* (1887). In Carter Adams we have, so to speak, a personification of the contact between the two groups of the German-American school. He has published something in the general vein of Held's *Grundriss*, which he calls an *Outline of Lectures upon Political Economy* (1881; second edition, 1886); but still he belongs to the more specifically historical group which has for its organ the *Political Science Quarterly*, edited in New York (1886).

Second group more for pure science.

Of far greater originality and of much more interest from the theoretical point of view is the second group, who are earnestly devoted to pure science. Of their number are Professors Patten of the University of Pennsylvania, Giddings of Bryn Mawr, Clark of Northampton, the last of whom often reaches conclusions identical with those of the Austrian school. They have made interesting contributions to the theories of capital, value, and distribution. Deserving of mention are also

Wood, who threw light upon the theory of wages, Hawley, who defended Walker's doctrines against Atkinson in his *Distribution of Products* (1885), and finally Tuttle, who wrote in 1891 on the idea of wealth.

The most original and active among the economists above mentioned is Patten. As a writer, his style is faultlessly clear; as a critic, though sometimes prejudiced, he has great insight so far as classical economists are concerned; he has rightly laid stress on the theory of consumption; but he attempts to bolster up protection with arguments which at their best are only specious. Patten's originality.

Clark does not succeed in writing very clearly; he has insisted upon the ethical aspect of certain economic questions, and has expounded capital and interest with much the same result as Giddings, who is, however, frequently the more subtle logician of the two.

Simon N. Patten, *The Premisses of Political Economy.* Philadelphia, 1885. *The Stability of Prices,* 1889. *The Consumption of Wealth,* 1889. *The Fundamental Idea of Capital,* 1889. *The Economical Premisses of Protection,* 1889. *The Theory of Dynamic Economics,* 1892.

John B. Clark, *The Philosophy of Wealth.* Boston, 1886. *Capital and its Earnings,* 1888. *Possibility of a Scientific Law of Wages* (1889), and other articles on the same subject (1890-91). Clark and Giddings, *The Modern Distributive Process.* Boston, 1888.

Franklin H. Giddings, *Sociology and Political Economy,* 1888.

Stuart Wood, *Theory of Wages,* 1888. *A Critique of Wages Theories,* 1891.

General Francis A. Walker, already mentioned with appreciation in these pages, aroused a very fruitful discussion by his works on *The Source of Business Profits* Controversy of Walker and Macvane.

(1887) and on *The Doctrine of Rent and the Residual Claimant Theory of Wages* (1891), which were answered by Macvane (1887), Clark, and Hobson (1891). These writers defended a new theory of distribution which based it upon rent, this being regarded by them as analogous to profit and interest. There is a little book called *Science: Economic Discussion* (New York, 1886), which well deserves attentive perusal. It contains several essays on the aim, function, and method of economics, and the authors are partly of the German school—Adams, Ely, James, Patten, Seligman, and Mayo Smith—and partly of the classical school—Hadley, Newcomb, and Taussig.

The classical school, Dunbar and Sumner.

Among the more conspicuous upholders of the traditions of the classical school in economics who stand by the side of Walker are Charles F. Dunbar and W. G. Sumner, at the head respectively of the Department of Economics in Harvard University and at Yale. Professor Dunbar has a profound acquaintance with the history as well as the theory of political economy, nor is he ever found wanting in detailed knowledge of the progress made in his subject abroad. His trained skill as an editor is evinced in the management of the *Quarterly Journal of Economics*, founded at Boston in 1886, which takes its place easily in the foremost rank among all Reviews now published. For that periodical he has written much, and his real mastery is shown, perhaps as well as elsewhere, in an article published in its first volume on "The Reaction in Political Economy." On questions concerning credit he is really an expert, as may best be seen in his very recent publication of *Chapters on the Theory and History of Banking* (New York, 1892). His pupils are many, but among them should be named Bourne, who is already mentioned in these pages, and more particularly J. Laurence Laughlin and Taussig. Laughlin, before his recent appointment as Head Professor of Economics at the new Chicago University, had published an introductory work on *The*

Dunbar's pupils.

Study of Political Economy (1885), an abridgment of Mill's principles (third edition, 1885), which he enriched by learned illustrations, a monograph on *The History of Bimetallism in the United States* (1886), and a good compendium on the *Elements of Political Economy* (New York, 1887), which contains interesting considerations on value. F. W. Taussig has studied coalitions, and to still more purpose has investigated tariff laws in essays which were afterwards collected under the title of *The Tariff History of the United States* (1888). He makes it tolerably evident that the conditions which justified temporary protection, or might have been supposed to justify it, have ceased to exist in America.

Sumner on the "currency principle."

Criticisms of an historical kind on the prevailing monetary and protective policy of the United States have been spoken of. Turning now in a different direction, we are confronted by Professor William Graham Sumner's sociological study entitled, *What Social Classes owe to each other* (1883), which has been translated into French, and we find also essays by him written on wages and against bimetallism,—*Collected Essays in Political and Social Science* (New York, 1885). A defender of the "currency principle," and all but opposed as he is to co-operation, Sumner calls for freedom now and freedom always, and hence nearly half of him belongs to the school of the optimists.

Optimism.

Newcomb's "Principles."

Equally eminent among the adherents of the classical school are Newcomb, Hadley, Andrews, and Macvane. Simon Newcomb, the illustrious astronomer, has also written admirably on economics, as may be seen by his articles in the *North American Review* for October 1875 on method, in the *Princeton Review* for May 1880 on the division of labour, and in the same periodical for November 1884 on the two schools of political economy. Later on he published his *Principles of Political Economy* (New York, 1886), which is remarkable for clearness and gives a very definite

analysis of the mechanism of circulation, but is rather non-committal as to the question of coinage, and decidedly impracticable in its chapters on economic art, where taxation especially is lamely discussed. Arthur T. Hadley, by way of contrast, is equally at home in theory and in practical discussions; Wagner is his master, and he has produced an epoch-marking monograph on *Railroad Transportation; its History and its Laws* (New York, 1884), *à propos* of which may also be mentioned an interesting production by Charles Francis Adams on *Railroads; their Origin and Problems* (1880). Hadley, in the work just named, as well as in later works (1886 ff.), discusses with admirable thoroughness the burning question of monopolies, upon which Clark and Giddings have also written, not to speak of Gunton, Jenks, and many others. Hadley's treatment, however, easily bears away the palm, and he need not fear comparison even with the famous dissertation by Kleinwächter, *Die Kartelle* (1883).

Hadley a pupil of Wagner.

Railroads.

E. B. Andrews was a pupil of Helferich, and is at present at the head of Brown University. His broad information and many-sided training are associated with a temperate judgment and great clearness of expression, this last being especially serviceable to him in his minor writings such as that dealing with money,—*An Honest Dollar* (1889),—and in his consideration of monopolies (1890). But all his qualities combine to make his abridged account of economics a most invaluable school-book; its text is concise and well considered, and the notes, explanatory and bibliographical, added by him are equally valuable for the teachers and the taught.

Andrews on money and monopolies.

E. B. Andrews, *Institutes of Economics.* Boston, 1889.

Another notable text-book, that of Professor Macvane of Harvard University, is written on rather different lines. Avoiding all parade of erudition, Macvane simply evolves the leading ideas of pure economics,

Macvane's conservatism.

using every-day language, and duly appealing to necessary illustrations when he proceeds to deal with certain applications of these ideas. Andrews, not less than Macvane, belongs to the classical school, but Macvane is more shy of innovation, and adheres strictly to Ricardo and Mill. He is faithful even to the theory of the cost of production, which he has defended in papers contributed to the *Quarterly Journal of Economics* (1887 ff.), wherein he specifically attacks the theory of the final degree of utility formulated by the Austrian school, and also Walker's doctrines of wages and profits.

S. M. Macvane, *The Working Principles of Political Economy.* New York, 1890.

See the *Reviews* above cited, and also the *North American Review, New Princeton Review, Yale Review, Scribner's Magazine, Popular Science Monthly, Social Economist, Journal of Political Economy* (Chicago), and particularly the *Annals of the American Academy of Political and Social Science.* Philadelphia, 1890 ff. *The Cyclopædia of Political Science, Political Economy,* etc. (Chicago, 1881-84, 3 vols.), directed by John J. Lalor, the translator of Roscher, contains good original articles by Burchard, Ford, Hadley, James, Knox, Weeks, White, and others, but it is substantially a translation of Coquelin's *Dictionnaire.*

CHAPTER XV

POLITICAL ECONOMY IN ITALY

Decline of economics in Italy.

THE undoubted superiority of the Italian economists of the eighteenth century as compared with those of the present century is a very open secret, and may be accounted for by unusual hindrances which have stood latterly in the way of our economists, who were grievously hampered all through the years of foreign preponderance and supremacy in Italy. Governments went to such extremes in their distrust that restrictions of the freedom of the printing press were multiplied, and in the case of the very few professorial chairs that were maintained, the teaching was hampered by authority at every turn; add to this the great difficulties which stood in the way of intercommunication between the various parts of Italy, as well as the still greater obstacles to free intercourse with other nations, and our plea in extenuation is complete. We have simply to thank heaven for the final and complete consummation of our national independence, which has brought with other blessings the progress in Italian economics that has taken place in the last twenty years.

Teaching hampered by Government.

L. Cossa, "Saggio di Bibliografia dei trattati e compendii di economia politica scritti da italiani," in the *Giornale degli Economisti*, September 1891 and January 1892. Bologna.

§ (1) FROM 1800 TO 1814

The French supremacy and liberalism.

Although the period of French supremacy in Italy, as elsewhere, was what may vulgarly be termed "a head wind" for *Messieurs les idéologues*, there were still left men with ideas enough to do good teaching in economics: there were Valeriani at Bologna, Cagnazzi at Naples, Balsamo at Palermo, and Scuderi at Catania; there was even courage enough left to inspire Balsamo in a defence of liberal views, and Fabbroni stood with him, as well as that industrious and erudite investigator and annotator of our old-time economists, Baron Pietro Custodi (1771-1842), whose collection is constantly referred to in these pages.

Economic questions were constantly touched upon by Racchetti of Cremona (1802), and in their works on public law by Martignoni of Como (1805), De Simoni of Trent (1807), and the Venetian Angelo Ridolfi, to still more purpose, in his *Diritto Sociale* (1808). In the meantime Luca De Samuele Cagnazzi of Altamura (1764-1852) published his *Elementi di economia politica* (1813), where he lends clearness and good arrangement, but no originality, to a statement of the arguments and conclusions of Adam Smith and Say. This publication quite threw into the shade all previous essays of the kind, which were either too short, like Tamassia's (1802), Milizia's (1803), and Serafini's (1811), or too specifically practical in their aims, like Azzariti's (1800), or else, like Predeval's (1807), they were not suited for use as textbooks.

Cagnazzi or Say and Adam Smith.

Giovanni Fabbroni belongs to this period (1752-1822), and was a strenuous defender of the reforms called Leopoldine, being most especially in favour of freedom for the corn trade, upon which he stated his views in several controversial pamphlets, as well as in the more useful form given to them in his invaluable

Leopoldo's reforms and the corn-laws.

book, *Dei provvedimenti annonarii* (second edition, 1817). Liberty, so far as the commerce in breadstuffs is concerned, was advocated in Gioja's *Sul commercio dei comestibili e il caro prezzo del vitto* (Milan, 1802), as well as by Scarpelli, Palmeri-Salazar (1813), and notably by the famous Vittorio Fossombroni.

Agriculture in Sicily.

That model patriot, the *abate* Paolo Balsamo (1764-1816), a pupil of Arthur Young, was also an expert in agriculture, and succeeded Sergio the mercantilist (1806) at Palermo, where he did much for the spread of Adam Smith's views throughout Sicily, and made a vigorous move for reforms intended to deliver agriculture from the incubus of feudalism.

Raccolta degli economisti toscani. Florence, 1847-49. 4 vols. (Fabbroni's and Gianni's works are here given.)

P. Balsamo, *Memorie economiche ed agrarie.* Palermo, 1803. *Memorie inedite di pubblica economia.* 1845. 2 vols.

See *A View of the Present State of Sicily from a late survey of the Abbate Balsamo*, by Thomas W. Vaughan. London, 1811.

Economics in Piedmont and Lombardy.

Central and Southern Italy.

Among others who were devoted to economic study may be named: Prospero Balbo and Galeani Napione, in Piedmont; in Lombardy, Giambattista Giovio of Como (*Opuscoli*, 1804), Nuytz (1802), who wrote on money, and De Carli, who proposed a bank for the silk industry and for discount (1813); in Central Italy, Count Marco Fantuzzi of Ravenna (*Memorie*, 1804), the protectionist Colizzi-Miselli (*Sulla lana greggia*, 1802), and N. M. Nicolai (*Sulla campagna e sull' annona di Roma*, 1803); in the southern provinces Targioni, a Tuscan by birth (1802), who engaged with Marulli (1804) and De Mattia (1805) in a controversy about almsgiving. There are also other names, which may be found recorded in G. Albergo's history, in connection with this controversy, and there is the Sicilian author

of those admirable papers, *Sulla moneta bassa di Sicilia* (Palermo, 1814), Antonio Della Rovere.

§ (2) FROM 1815 TO 1830

Instruction in economics was commonly entrusted to protectionist professors, as at Palermo and Catania; elsewhere, as at Pavia and Padua in 1817, it was supplanted by a course on political science and jurisprudence; at Naples it was suspended (1820-25), and it was definitely suppressed at Parma (1820), Turin (1821), and Bologna (1824). A partial revival of it was made in various Reviews—the *Biblioteca Italiana* (1816-40), the *Conciliatore* (1818 f.), the *Giornale arcadico* (1819-70), the *Antologia* (1821-32), the *Giornale di Scienze, Lettere, ed Arti* for Sicily (1823-42), and the *Annali Universali di Statistica* (1824-71), founded at Milan by Custodi, Gioja, and Romagnosi, and taken up afterwards by Sacchi. Protectionism in universities.

Various successive treatises on economics had a varying degree of success; there was Ressi's (1817-20), Agazzini's (1822 and 1827), and a rather better one by Carlo Bosellini of Modena (*Nuovo esame delle sorgenti della privata e della pubblica richezza*, 1816 f., 2 vols.), there was a scholastic compendium by Sanfilippo of Palermo (*Istituzioni*, 1824), who treads in Say's footsteps, and a similar book by Professor Scuderi of Catania, which is, however, marked by broader treatment and a more intelligent appreciation of the requirements of Sicily—*Principii di civile economia* (1827, 3 vols.). But all these works were thrown into neglect, as were their authors, by the far greater fame contemporaneously achieved by Valeriani and Gioja. General treatises.

Luigi Molinari Valeriani of Imola (1758-1828) was a philologist, a philosopher, and a jurisconsult, an energetic teacher and an erudite writer, but prolixity and obscurity were his bane. He was particularly interested by the relations of economics to law, and

Economics and law.

he studied the theories of value, price, exchange, and distributive justice with remarkable diligence.

Del prezzo, 1806. *Discorsi*, 1807. *Dei cambi*, 1823. *Operette*, 1824. *Erotemi*, 1825-28. See also A. Cavazzoni-Pederzini, *Intorno la vita, le opere e le dottrine di L. M. Valeriani.* Modena, 1859.

Gioja's dictatorship in economics.

Melchiorre Gioja of Piacenza (1767-1829) was more like a dictator than anything else, and could not abide opposition of any kind. His effective conversance with statistics is well known, and his interest in the more general aspects of our science is witnessed by his *Nuovo prospetto delle Scienze economiche* (Series i., *Teorie*, Milan, 1815 ff., vols. i.-vi.), where he undertook to summarise all that had ever been written or thought on economy, finance, or administration, and to substitute a systematic encyclopædia for Custodi's *Raccolta*, with which he was never tired of finding fault. He could work hard, and his knowledge was extensive. Analysis was his strong point, but not criticism, where he showed himself captious and unbridled. Not a few of Gioja's observations are equally subtle and original, particularly in his theory of the association of labour of various kinds; but once get him with one of his tabulated statements in hand, and he is the very genius of pedantry and *ennui*. His craze for catching Adam Smith, Say, and so many others in the act of self-contradiction is as ludicrous as his pet thesis of the priority of Italian economists. Our author never has State interference out of his mind; everything seems to require it, as may be seen in his *Discorso popolare sulle manifatture nazionali e tariffe daziarie* (1819).

Fuoco's originality.

No such reputation was enjoyed by Francesco Fuoco of Naples, who died in 1841, thirteen years after Gioja, after showing phenomenal aptitude for economic investigations. For many years he lived in exile, and was the real author of that eccentric work, *La magia del credito svelata* (Naples, 1824, 2 vols.), which gave its

countenance to the financial programme of the minister Medici, and was credited to Guiseppe De Welz of Como—Fuoco having been forced by money straits to sell the credit of its authorship. But his really meritorious work is in his *Essays on Economics*, where he discusses, with clearness of mind though not always of expression, the theories of method and of value, and pays particular attention to Ricardo's theory of rent. He was the first Italian to recognise the force of Ricardo's argument, whereas Scuderi—in the *Giornale di Scienze e Lettere di Palermo*—and an anonymous writer in the *Biblioteca Italiana*, 1824—have the doubtful honour of doing beforehand Carey's work and Bastiat's, by denying all reality to this theory. Fuoco's *Essays* were quite unknown until Scialoja praised them in 1840, and Mohl followed suit in 1844; the same neglect had also overtaken work which our author published later on.

Fuoco and Ricardo.

Scuderi and Carey.

Franc. Fuoco, *Saggi economici.* First Series. Pisa, 1825-27. 2 vols. *Introduzione allo studio dell' economia industriale.* Naples, 1829. *Le banche e l'industria*, 1834.

The further features in economic study of the period now under consideration are a few treatises on tithes and machinery (1823 f.), and Bianchini's juvenile labours on the influence of administration (1828) and on crimes that hamper industry (1830). Both of these works were warmly praised by Romagnosi, who published in 1829 his masterly essay on free competition. Still, the themes most affected at this time are either purely agricultural, or at least confine themselves to the corn trade. Gautieri investigates trees (1818), Chiarini discusses the economy of farm fixtures (1822), Dandolo (1820) and Berra (1825) investigate the causes of the depreciation of corn, while Francesco Gambini of Asti —*Delle leggi frumentarie in Italia* (1819)—defends full and complete freedom of trade in corn, a doctrine

Special treatises.

vigorously maintained also by the *Accademia dei Georgophili*, where Capponi, Ricci, Ridolfi, and others met objections raised by Paolini and a host of believers in the restriction of importations (1824). Free trade in general was defended in Sicily against Calvi (1825) and Viola (1828) by Balsamo's valiant pupil Nicolò Palmieri, in his *Saggio delle cause e delle angustie dell' economia agraria della Sicilia* (Palermo, 1826).

§ (3) FROM 1831 TO 1848

Progress of liberalism.

After Gioja's death, the Palermo Institute was founded in 1831, Sanfilippo was converted to free trade, the *Progresso* was established at Naples (1832-46), and counted among its contributors Bianchini, Blanch, Mele, De Augustinis, and Mancini. Romagnosi also reached the height of his influence, and became the moving spirit in the *Annali di Statistica*, as well as the "guide, philosopher, and friend" of such vigorous young men as Cantù, Correnti, Marzucchi, Bianchi, and Sacchi. Liberal ideas obtained an ever-increasing currency, savings banks were multiplied, charitable institutions in general, and in particular many asylums for infants, were founded. There were indeed important discussions about these last in various learned congresses (1839-47). Moreover, much useful work was done by men like Marliani, Chitti, and Arrivabene, who pursued their studies abroad (the first-named in Spain and the other three in Belgium) and secured by the use made of the enforced leisure of exile a universal sympathy and respect for the misfortunes of Italy. Arrivabene gave us Mill in 1830 and Senior in 1840—his translations being published in Switzerland, and annotated by Paoli at Milan. Thus Italy was familiarised with the doctrines of Malthus and Ricardo, which Pellegrino Rossi made definitely and widely known later on, when Antonio Scialoja pronounced upon their merits in his classical *Principii*

Arrivabene and Mill.

d' economia sociale (Naples, 1840; second edition, 1846; translated into French in 1844). Scialoja—upon being summoned to the chair of economics revived at Turin in 1846—published an elementary treatise in connection with his teaching, and this book had a wide popular appreciation, which was quite withheld from the very sound productions of Francesco Corbani, professor at Sienna from 1842 to 1849. Corbani dwells upon the importance of the religious aspect of economics recently insisted upon by Father Matteo Liberatore, in his *Principii d' economia politica* (Rome, 1889).

See Carlo De Cesare, *La vita, i tempi e le opere di A. Scialoja.* Rome, 1879.

Romagnosi's work in general.

Gian Domenico Romagnosi (1761-1835) was a distinguished jurisconsult and statistician, and though he was always more or less occupied with economic studies, his greatest work was done during the closing and most grievous years of his life, which were devoted to papers of great merit on general questions, such as the definition, the dignity, and the arrangement of political economy, its relation to other branches of political science, and particularly to jurisprudence; and the character, advantages, and limits of economic freedom for farming, for industries, and for trade. On one point, however, he utterly failed, that is, in his ideas upon population, which were hopelessly superficial.

G. Valenti's excellent monograph, *Le idee economiche di Gian Domenico Romagnosi* (Rome, 1891), should be consulted.

Cattaneo and applied economics.

Carlo Cattaneo of Milan knew far less both of law and of economics than Romagnosi, but far outdid him in vigour of style. His work on the *Disabilities of Jews*, and his able contributions to the *Annali di statistica*, not to mention the influence of his teaching in the Polytechnic school, of which he was head

master (1839-41), were chiefly in the lines of applied economics. He defended the agricultural institutions of Lombardy, and attacked the specious sophisms of List with a spirit worthy of his master Romagnosi.

C. Cattaneo, *Scritti di economia politica*, vols. i. and ii. Genova, 1887.

Special treatises.

The embargo laid in Piedmont upon the export of raw silk had already been attacked by Gambini in 1820 and by Lencisa in 1831, and it occasioned an indignant protest in 1834 from Giacomo Giovanetti of Novara, who had already entered the lists in 1833 against taxes on corn. Michelini of Piedmont and Meguscher of Trent (1836) wrote upon trees, Gastaldi wrote on commerce and banks (1840), Eandi on savings banks (1844), Restelli investigated industrial and commercial associations (1845), and De Rocchi dealt with machinery (1846). The theme of charity was taken up by Morichini (1835), Magenta (1838), Zennari, Bernardi (1845), and Casarini (1846). But Count C. Ilarione Petitti of Roreto distanced them all (1790-1850) in his *Saggio sul buon governo della mendicità* (Turin, 1837, 2 vols.), which stands on a par with the great work of Degérando, where indeed the highest praise is lavished upon it. Petitti's further writings are on the labour of children (1841), customs unions (1844), Italian railways (1845), the reform of taxation (1850), and a posthumous work on lotteries (1853).

Finance.

Ludovico Bianchini, author of the *Principii del credito pubblico* (1827 ; second edition, 1838), in which he argues for call loans, gained far more fame by his other works, which were historical compilations, one on Neapolitan finance (1834-36), and the other on Sicilian finance (1841). The half fiscal and half economic controversies about free ports, about the *tavoliere di Puglia*, and on the conversion of the public debt, called forth controversial works from Bianchini, Ceva-Grimaldi, the Duke of Ventignano, and others, not to speak of Ferdinando

Lucchesi-Palli, and Giacomo Savarese, the author of an unfinished treatise on economics (1848).

Francesco Ferrara, a Sicilian born in 1810, was the editor of the *Giornale di Statistica* (1836-48), among whose contributors were Emerico Amari, Vito d' Ondes Reggio, Francesco Perez, and Rafaelle Busacca. The last named is still living, and wrote in 1870 a very sound book called *Studii sul corso forzoso*, as well as a number of statistical, historical, critical, and theoretical papers. He has most vigorously defended free trade in the controversy about the coasting traffic of Sicily and Naples (1837), and has also made a plea for Malthus (1841), and maintained that the ancient Greeks never had a real science of economics (1846). In all his earlier works everything that he says is instinct with a vivacity of thought and expression which comes out still more fully in these later ones.

Statistics and free trade.

Franc. Ferrara, *Memorie di Statistica.* Rome, 1890.

§ (4) FROM 1849 TO 1861

Modern political economy was brought into Italy in the first period treated of above (1800-14), was lost in the fogs of Gioja's restrictive ideas during the second period (1815-30), and was restored to liberalism in the third period (1831-48)—thanks to Romagnosi and to Pellegrino Rossi's advocacy of Malthus, Adam Smith, Ricardo, and Senior—but in the fourth of our periods (1849-61) our science returns to a sort of exclusivism. But this time it is an exclusivism of Ferrara's making. When he succeeded Scialoja at Turin (1849-58) Ferrara propagated the doctrines of Carey in brilliant lectures, that were lithographed and spread broadcast over Italy. He subsequently returned to the charge by publishing Carey's works with learned prefatory comments of his own, first as a part of his *Biblioteca dell' Economista*, and then in separate reprints. He avoids

A retrospect.

Ferrara and Bastiat.

Bastiat's equivocal use of words, but defends his theory of the cost of reproduction as the one and only basis of value, masking a weak point in the argument by the famous expedient of equivalents which Minghetti hailed with delight. Wages must increase by an inevitable process, the theory of rent is a delusion, *laissez faire* is an absolutely valid principle; such are his doctrines, and they make him a scientific optimist and a practical individualist of the extremest type. The best proof of this lies in his well-known views on property, on authors' rights, on industrial patent rights, on the distribution of wealth, and on many other subjects. Ferrara's research into the origins and progress of economic science in England and France has been indefatigable, he is a powerful though not always an impartial critic, and has bestowed great care upon the biographies of leading economists, but they have one and all been stretched upon one last, and his well-known views have led him to exalt Say, Dunoyer, and Chevalier, while he feels bound to deny Ricardo's merits and to belittle Rossi's and Mill's.

Biographies of economists.

Fr. Ferrara, *Importanza dell' economia politica.* Turin, 1849. *Biblioteca dell' Economista.* First Series (general treatises). Second Series (special treatises). Turin, 1850-70. 26 vols. *Esame storico-critico di economisti e dottrine economiche.* Turin, 1889-92. 2 vols. in 4 parts.

Among Ferrara's pupils and admirers was Torrigiani, who taught at Parma and Pisa; Todde, a professor at Modena first, and now at Cagliari; and Gian Giacomo Reymond, who perhaps was the most important among them, so judicial and well balanced were his powers. But a pitiless malady has prematurely deprived our science of the full benefit of his talents. And now comes Giacomo Boccardo, born in 1829, whose abilities and power were used most effectively to propagate the views of Bastiat in Italy. He is a professor at Genoa, and the indefatigable author of works in almost every

Reymond's early death.

branch of economics; collections, encyclopædic compilations, treatises, handbooks, essays, addresses, and articles. Among the mass of these should be singled out for mention a compendium very widely used for many years as a school text-book; his dictionary, based upon Coquelin's, but enriched, notably so in the second edition, by interesting supplementary matter; and finally the third series of the *Biblioteca dell' Economista*, which under his management suffers far less than the two preceding ones from the constant preoccupations and preconceived opinions of the editor.

G. Todde, *Note sull' economia politica.* Cagliari, 1885.
J. J. Reymond, *Études sur l'économie sociale et internationale.* Turin, 1860-61. 2 vols.
G. Boccardo, *Trattato teorico-pratico d' economia politica.* 1853; seventh edition, 1885. 3 vols. *Dizionario universale d' economia politica e commercio.* Turin, 1857. 4 vols. Second edition, in 2 vols., Milan, 1875-77. *Biblioteca dell' Economista.* Third Series. Turin, 1875-92. 15 vols.

Economics and social science.

Very little influence was exercised, in spite of the lavish praise which they received, especially from abroad, by the new departure of Bianchini and Bruno, who tried their best to classify economics as one branch among others belonging to social science; and the same holds good of the admirable compendium written by the Sicilian Placido De Luca, a professor at Naples, who never quite overcame his prejudice in favour of restriction. He can, however, be as proud as the facts allow, of having written the very first Italian handbook of scientific finance, and of having, under the guidance of a French translation, scrupulously adhered to Jakob's antiquated book on this subject. The success of these treatises was not brilliant, but others have been overtaken by a more disastrous fate. One produced at Verona by Scopoli (1858) has been simply ignored, and so has another by Grinci (1858), who arose against

Neglected treatises.

Malthus in Tuscany; others do not shine as great original works, as, for instance, the Neapolitan Trinchera's (1854), which reproduces Rossi's theory and Bianchini's history; others again have a superficially ragged and forbidding form, which does scant justice to their intrinsic quality, as, for instance, the numerous productions of that hard-working student Marescotti (1853, 1861, 1878, 1880); others again are altogether too brief, Meneghini's (1851) for instance, Rusconi's (1852), and De Cesare's (1862).

Lod. Bianchini, *Della scienza del ben vivere sociale e della ecoonmia degli Stati.* Vol. i. Naples, 1845. Vol. ii. 1855.

Giov. Bruno, *La scienza dell' ordinamento sociale.* Palermo, 1859-62. 2 vols.

P. De Luca, *Principii elementari di scienza economica.* Naples, 1852. *La scienza delle finanze,* 1858.

Economics in Piedmont.

Piedmont, as the abiding-place of many who had returned from banishment, soon became a centre of studies second neither to Milan nor to Naples, where economics had been immemorially cultivated. Piedmontese Reviews, the *Contemporanea* especially (1853-70), contained excellent contributions on economics; besides these there were such valuable papers as Count R. G. Salmour's on agricultural credit (1845), and on the administration of the States of Sardinia (1853) and Italy (1862). At Venice G. B. Zannini wrote bravely away,

Lombardy and Venice.

and came out with his *Piano di ristorazione economica delle Provincie Venete,* and there was also Valentino Pisani, who died in 1864; of his writings there is a brief account by Lampertico, and a more extended one by Bonghi. At Modena, Ludovico Bosellini and Andrea Cavazzoni-Pederzini devoted themselves to economics; at Bologna there were the jurisconsults, Borgatti and Martinelli, both interested in economic questions; and in Sicily there were Tedeschi-Amato, Biundi, Rizzari, the undaunted Salvatore Marchese, who died in 1880,

as well as Maggiore Parni, a pupil of Bruno, and Intriglia, both of them expert statisticians.

The Milanese periodicals by no means neglected economics: the *Giornale delle scienze politico legali* (1850-53) had good articles by Antonio Mora; the *Crepusculo* (1850-56) contained contributions from Correnti, De-Cristoforis, Zanardelli, Allievi, Massarani, and Emilio Broglio, who wrote those attractive *Lettere sull' imposta della rendita* (1856).

Statesmanship and economics.

Three writers who were also eminent statesmen must now engross our attention—Stephano Jacini, Antonio Scialoja, and Marco Minghetti. The first named of these, Stephano Jacini di Casalbuttano (1837-91) held aloof from pure science, but even in early youth distinguished himself by writings on agricultural economics. To these themes he returned in the maturity of his powers, and dealt with them more thoroughly when acting in the capacity of chairman with power to report from the committee of agricultural investigation (1877-85). Antonio Scialoja of Procida (1817-77), on finding himself deprived of professorial functions, wrote, while pursuing a lawyer's career, two brilliant controversial papers; later on, when he was minister, and also when he devoted himself exclusively to writing, he studied direct taxation in the *Nuova Antologia* (1867 f.), and maintained against the opposition of Minghetti, Morpurgo, and Allievi the desirability of the so-called "consolidated farm-tax." Marco Minghetti of Bologna (1818-86) combined ability as an orator with a taste for letters and art, and was well known among economists for certain occasional papers, as well as more particularly for his work on points of contact between economics on the one hand and ethics and jurisprudence on the other (see above, p. 31). Perhaps there is little originality in what he here says, but the way in which he says it is certainly inimitable.

S. Jacini, *La proprietà fondiaria e la popolazione agricola*

in Lombardia. Milan, 1854; third edition, 1857.
Frammenti dell' inchiesta agraria. Rome, 1883.
A. Scialoja, *Carestia e governo*, 1853. *Il bilancio degli Stati Sardi ed il Napolitano.* Turin, 1858.
M. Minghetti, *Opuscoli letterarii ed economici.* Florence, 1872.

§ (5) FROM 1862 TO 1871

Economics and national emancipation.

The epoch of our national emancipation was a propitious time for the spread of sound doctrines in economics, which was greatly promoted by the re-establishment of the chairs as of old at Bologna, Pisa, Parma, and Modena, and the creation of new ones at the various universities of Genoa, Cagliari, Messina, and Rome, as well as in industrial and professional institutes. This is true although the new appointments were made in a helter-skelter fashion without due deliberation as to the comparative merits of those appointed. Simultaneously there was a rapid development of commerce and manufactures; freedom of discussion and of the printing press, combined with the instant demand for a prompt solution of grave economic and financial questions, gave occasion for schemes, reports, addresses, pamphlets, and investigations, both official and parliamentary, which brought to the front men of eminent statesmanship and economic ability like Cavour, Sella, Luzzati, Lampertico, and many others, some of whom have already been named above. On the other hand, so imperious were the demands of political life upon the collective energies of all first-rate men, and such was the predominance of a school of economics which, without any particular claim to such a designation, called itself orthodox, that the fate of pure science in Italy was comparative neglect. The foundation in 1866 of the *Nuova Antologia*, though it was not at the outset

Orthodox economics and pure science.

uninfluenced by analogous influences, became in the end the means of altering this state of things, and the result is plainly visible in works published by the new school of economists.

Several unfinished treatises have been published, with a view to higher instruction, by such remarkably competent men as De Rocchi of Sienna, Salvatore Majorana-Calatabiano of Catania (1866), and D' Ippolito of Naples, and others by De Rocchi's successor, Ponsiglione, who afterwards also took Boccardo's post (1870; second edition, 1880), and by G. E. Garelli (1875; second edition, 1881). Also there have been several compendia published with a view to instruction given at technical institutions, among which may be recorded here Fornari's (1868), Rameri's (1864, 1868, and 1876), and Leo Savio's (1872), which laid the foundations for a more sound direction in Italian economics. Treatises and compendia.

Far greater praise, however, has deservedly been given to the writings of Antonio Ciccone (1808-1893), who is the Nestor among contemporary Italian economists. In 1865 he succeeded Manna at Naples, and though he followed the prevailing current, he was always holding back so as to keep himself free from extravagant views. To begin with his *Principii d' economia sociale*, the book was published in 1866 ff., and reached its third edition in 1882 f. (3 vols.); next came some valuable papers working out more completely the natural laws of economics (1883), dealing with value and with wages (1888), with pensions for old age (1882), and others of more considerable dimensions on Macleod, on charity and pauperism (1874), and his Milan prize dissertation on the social question (1884), in all of which the subtlety, learning, and industry of our author were apparent. Ciccone a Nestor among economists.

If we now turn to monographs, we find in Piedmont Alessandro Garelli writing in a most instructive and thoroughly-informed fashion on banks, crises, and wages; and there is also the jurisconsult Matteo Monographs in Piedmont, Lombardy, and Liguria.

Pescatore's *Logic of Taxation* (1867); in Liguria Camillo Palavicino produced many disquisitions on the economics of State finance. He died in 1882. There were also the works of Pietro Sbarbaro, as well as of Jacopo Virgilio and Paolo Boselli, both of them being commercial and maritime experts. Lombardy yields the productions of Allocchio on freedom of exchange, loans upon land, and savings banks, and Fano's on preventive charity (1868), as well as Enrico Cernuschi's brilliant though rather paradoxical accounts of the processes of exchange and of bimetallism. In the "Veneto" Alberto Errera was tireless in the unceasing publication of numberless compilations; Benvenuti wrote on banks and finance, while Cappellari della Colomba's lucubrations took a far more practical turn, being devoted to the levying of local *octroi* duties (1867); but the best contributions of all were on economic statistics and finance by Emilio Morpurgo, who died in 1885, and the uncommonly able studies on land loans (1868) and Venetian banks (1869), by which Emilio Lattes first showed his quality. But after all, he achieved far greater fame in Etruscan epigraphy. To complete our survey we must turn southward to the province of Emilia, where Leone Carpi made the most wide-minded investigations into colonies and emigration (1874); then Tuscany contributed papers on various themes, including the economics of farming by Ridolfi, Corsi, Rubieri, Cini, Andreucci, Franchetti, Sidney, Giorgio Sonnino, and others; the Neapolitan provinces, after receiving due credit for Racioppi, Nicolò Miraglia, Tortora, Faraglia, and the rest, should be noted for Giovanni Manna's valuable administrative treatises, for Agostino Magliani (1825-91) and Constantino Baer, who showed great competence on questions of money and fiscal points. Sicily comes last with Professor Bruno, the editor of the *Giornale della Statistica* (from 1848 on), and the author of admirable studies on savings banks (1852), on free banking and on landmarks (1865).

The Veneto.

The Emilia.

Tuscany.

Naples.

Sicily.

§ (6) THE PRESENT CONDITION OF ITALIAN ECONOMICS

Ang. Bertolini, *Saggio di bibliografia economica italiana* (1870-90). Rome, 1892.

H. von Schullern-Schrattenhofen, *Die theoretische Nationalökonomie Italiens in neuester Zeit.* Leipzig, 1891. (Learned and accurate.)

A. Loria, "Economics in Italy," *Annals of the American Academy*, vol. ii. No. 2. Philadelphia, 1891.

U. Rabbeno, "The Present Condition of Political Economy in Italy," *Political Science Quarterly*, vol. vi. No. 3. New York, 1891.

Economics at Padua and Pavia.

New professorships at Padua and Pavia (1858) gave new instruction, which had the impersonal stamp of genuine science, and was untrammelled by the fear or favour of any existing school or established practice. United with a quicker perception of all that was in progress abroad, and being kept especially in touch with England and Germany, this instruction was just what the able and industrious pupils who enjoyed it were prepared for, and the result opened for them the best posts in various leading Italian universities. Indeed this teaching was the determining cause of the better turn now taken in Italy by the study of economics, and resulted in various publications which enjoy a high and unchallenged European reputation. Some account of all this is now necessary, and in attempting so delicate a task an even balance must be observed and adjusted with such nicety as to combine with untrammelled and unbiassed judgment, such appreciations as are meet and due alike to masters, to fellow-workers, and to opponents, taking their place in a faithful picture of labours, wherein for full half the Psalmist's term of human life the present writer has worked with such strength as in him lies.

A revival at Pavia.

Three men—Messedaglia, Nazzani, and Lampertico

—share with their distinguished junior, Vito Cusumano, the chief merit of this latter-day revival of scientific activity.

Messedaglia's career.

Angelo Messedaglia, born at Villafranca near Verona in 1820, became a professor at Padua first (1858-66) and then at Rome. The breadth of his scientific and literary attainments was not qualified by superficiality in any line of work, his mastery even of analytic methods was complete, and the impartiality of his judicial mind has earned for him, and not without justice, the title of a second Aristotle, *maestro di color che sanno*. He has repeatedly written on method in economics and statistics, on money, population, direct taxation, and the public credit. Of his shortcomings the only thing to be said is that they are the defects of his merits. The synthesis of phenomena he postpones till he has analysed their various aspects, and he is a master in analysis; thus he hardly escapes repetitions so numerous as seriously to throw out of gear the systematic order of his presentation. He is fond of lingering over subtle cavils about formulæ, and in these is now and again inexact, just as the "progressions" of Malthus are inexact. It is indeed important to note Messedaglia's inexactitude, since the avowed aim of his scrupulous discussions of formulæ is to restate them so as to summarise principles upon which depends the whole fabric of theory and practice in economics. The drawback just alluded to has affected some of his pupils and has encouraged a fixed and erroneous conviction to the effect that the master's uniformly acute observations have demolished fundamental doctrines. Further than this, Messedaglia's most proper antipathy against sweeping conclusions maintained in some quarters as absolute, has bred in him something akin to a sceptical frame of mind, and he may fairly be taxed with wavering. He certainly shirks crucial points in his account of the distribution of wealth. The same horror of everything that is doctrinaire has made him so unspar-

He has not revolutionised economics.

ing in self-criticism that he has never left off rewriting and re-establishing on a broader basis the earlier parts of his theory, and has still to work out to the end an account of economics, the first sketch of which has been greeted with unfeigned admiration by students who are not all of them incompetent judges. Passing by in silence, that the limits of this book may not be overstepped, those of our author's works which the present writer most admires—his epoch-making statistical monographs—this account must close with a list of his contributions to economics, one of which, that on taxation, is a masterpiece. Messedaglia on taxation.

A. Messedaglia, *Dei prestiti pubblici e del miglior sistema di consolidazione.* Milan, 1850. *Della teoria della popolazione principalmente sotto l' aspetto del metodo,* vol. i. Verona, 1858. "La moneta e il sistema monetario." "La storia e la statistica dei metalli preziosi," in the *Archivio di Statistica.* Sixth and Seventh Year. Rome, 1881-83. *Relazione sul Titolo "I" del Progetto di legge sull' imposta fondiaria.* Rome, 1884. *L' economia politica in relazione alla sociologia e quale scienza a sè.* Rome, 1891.

Emilio Nazzani was born at Pavia in 1832, and became a professor at Forlì, where he taught for twenty-five years in the Technical Institute. Of well-balanced and robust mind, his training was liberal and wide, and his earliest work showed erudition as well as an appreciation of the momentary centre of public interest. This instinctive knowledge of the public mind led him to deal with applied economics defending freedom of combination, and discussing the right organisation in co-operative societies. (See the *Industriale Romagnolo* for 1868 f.) He addressed himself vigorously, though modesty prompted him to mask as far as possible the extent of his learning, to the most difficult problems of pure economics, and wrote on rent (1872), profits (1878), demand for labour (1880), and value Nazzani and applied economics.

(1883). Then, in the best compendious work that Italy has produced, he presented a lucid abridgment of the doctrines of the classical school, and made in another work (1879) a memorable answer to the cavils of opponents.

E. Nazzani, *Sunto di economia politica.* Forlì, 1873; fourth edition, Milan, 1886. *Saggi di economia politica.* Milan, 1881. "Sulle prime cinque sezioni del capitolo 'on value' di Ricardo," in the *Proceedings of the R. Istituto Lombardo di Scienze.* 1883.

Lampertico's comprehensive views.

Fedele Lampertico was born at Vicenza in 1833, and at first occupied himself with *belles-lettres*, history, law, and statistics. In his numerous works, as well as in accurate Parliamentary reports, he studied the most miscellaneous topics, such as the Suez Canal, mines, ice-houses, trees, tithes, banks, free trade, and paper-currency; thus he was gradually qualified for writing his *magnum opus*, which was to include the whole area of economic, financial, and administrative theory. It was perhaps inevitable that he should have failed to execute so vast an undertaking, and it may be allowed that the plan was too extensive, and that he mapped it out irregularly and without much sense of right proportion; but to console us for this failure, we have a remarkably important collection of monographs, where he has been guided by a high ideal, and has discussed the most perplexed points of our science, with occasional digressions that are replete with interesting and often quite new matter.

Monographs.

F. Lampertico, *Economia dei popoli e degli Stati*, vols. i.-v. Milan, 1874-84.

Cusumano introduced German economics.

The youngest of the four heroes of this nineteenth century Italian Renaissance of economics, Cusumano, was born in 1843 at Partanna. When his studies at Pavia were ended he went to Berlin, and there he became a warm adherent of German views, and introduced

them to Italians in his learned work quoted on p. 401. These early utterances of Cusumano's had a breezy and aggressive quality about them, quite appropriate to the writer's youth, and quite intolerable to an "old stager" like Ferrara. Accordingly the bold youth heard from Ferrara with a vengeance in the August Number of the *Nuova Antologia*, 1874. Words by no means failed the outraged professor. Cusumano was guilty of the crime of "Germanism," and for this must be branded as a "liberticide." Four years later Ferrara changed the venue of his imputation, but not the vigour of his denunciation, and duly convicted the young man of "economic Americanism." Messedaglia's ablest pupil, Luzzati, promptly put in against this heavy charge a remarkably moderate plea in rejoinder. Luzzati was born at Venice in 1841, and became a most brilliant writer, especially famous for his successful efforts in favour of establishing "people's banks" and other co-operative institutions. Further claims to the gratitude both of his country and of our science must be made for him on the strength of his numerous contributions to periodicals and newspapers, as well as for his useful public career. Both as a deputy and as a member of government he did yeoman's service at monetary conferences and industrial fairs, in the negotiation of commercial treaties, and last but not least in the re-organisation of national credit and finance.

Controversy with Ferrara.

But to return to the preliminary skirmish above mentioned, there was a Congress at Milan about a year afterwards, in 1875; short-lived societies were organised, pamphlets on both sides were the order of the day, and there was much talk of the new school which was really no school at all, but only a coalition of jarring sects who united in a combined assault upon the optimists and the out and out free-traders. E. Morpurgo, L. Miraglia, P. del Giudice, and others attacked, while Marescotti, Bruno, Torregiani, Scarabelli, and the like defended. The smoke of battle has now rolled away, the miscon-

Congress at Milan.

The new school and the old.

ceptions born in the fray have vanished, and it has become an easy task for any man of good faith to disentangle the leading ideas which governed various groups among these warring Italian economists.

The most subtle-minded among the individualists,—who were neither numerous nor vigorous,—is Domenico Berardi, who compounded out of Ferrara and Herbert Spencer a deadly decoction of *laisser faire* which made him flinch at no possible consequence of the doctrine; see his *Le funzioni del governo nell' economia sociale* (Florence, 1887). Tullio Martello's style is uncommonly good; as a controversialist he is uncommonly telling; but still the book on money (1872), where he sides with Berardi, is not nearly equal for the point at issue to an unsigned contribution in the *Giornale degli Economisti* (1891), in which irony lends its aid to sound and broadly-conceived general views. Indeed the monstrous notions of the economico-zoological school are shown up there better than elsewhere in their real colours, albeit with occasional personalities which are so many breaches of good or even tolerable taste. A more mild individualist can be found, however, in Angelo Bertolini, a young man of energy and promise; Ponsiglioni and Todde also belong here.

Martello on the economico-zoological school.

Professorial socialism comes to us from Germany, but has its devotees even among native Italians. Forti, who edited the opening series of the *Giornale degli Economisti* (1875-78), is one; Ducati is another; and so is Cusumano, "clothed now and in his right mind," and Mortara, who asks for drastic State interference with land tenure (1888), as well as Camillo Supino, the author of erudite papers on value (1888, 1889), on capital (1886, 1891), on discount (1892), and of still another and most remarkable one on navigation (1890).

Professorial socialism.

Professors Toniolo of Pisa and Ferraris of Padua are not nearly so one-sided in their views. Giuseppe Toniolo was born in 1845, and was associated, both as a pupil and for a short time as an assistant of Messedaglia,

with Augusto Montanari, known as the writer of a good compendium. Toniolo published various papers of commendable accuracy, some of which are on the ethical aspects of economics, and on the right method of observation, on small industries, rent, wages, profit-sharing, as well as a noteworthy monograph on distribution. He has combined his master's theoretical exactitude with sound researches historical and philosophical, and has carried on a conscientious course of instruction which never loses sight of high ethical ideals. Carlo Francesco Ferraris, born in 1850, became a favourite pupil of Wagner, and has distinguished himself in the study of administrative science, going out of his way to defend special chairs for statistics (1891), and throwing all his zeal into a discussion of the monetary question and the legal tender of paper currency (1879). He is a champion of the army tax and of enforced life insurance for workingmen; and in his last book, where his method is more perfect than in any preceding work of his, our author deals with the *Principles of Scientific Banking* (1892), so that the late lamented Pietro Rota's meritorious but now antiquated work is superseded. Toniolo and Ferraris.

Giuseppe Ricca-Salerno, another pupil of Wagner, was born at Sanfratello in 1849, and held a professorship first at Pavia and then successively at Modena and Palermo. He marks a transitional stage, holding a middle position between the historical and the classical schools. First came from him two learned papers which may be taxed with a certain want of lucidity, one on capital (1877), and one on loans (1879); afterwards came his best work, the history of *Financial Theories in Italy* (1881), and this was followed by contributions of considerable merit on economics and finance, which he made to several Italian and foreign periodicals, thus acquiring gradually a reputation for expert teaching and sound critical acumen. A much-appreciated article in the *Giornale degli Economisti* (1887) by our author, and his *Handbook of Scientific Finance* (Florence, 1888), took The historical and classical schools.

the lead in Italy towards a recognition of the famous theory of Sax, which, however, Ricca-Salerno has been careful to qualify in certain directions. His able pupils at Modena, Augusto Graziani and Carlo Angelo Conigliani, have followed his lead in this respect. The former is professor at Sienna, and has written acceptably about profits (1887), about public expenditure (1887), about the management of speculations on 'Change (1880), and about machines. Conigliani, on the other hand, has written a most ingenious paper upon the economic effect of taxation (1890), which is to be followed up as soon as his leisure allows by a critical history of the economic theory of money in Italy, based upon the investigations which necessarily preceded the papers just enumerated.

Statistics and taxation.

Maffeo Pantaleoni, who is at the head of the Bari School of Commerce, and is the author of highly appreciated treatises on economic statistics, was born at Frascati in 1857. Conspicuous among his writings is a paper on the "prospective probability of an increase in the private fortunes of Italy" (1884). His maiden effort was bold, but it was also successful, for he began by grappling in a most ingenious monograph with nothing less than a refashioned scheme of taxation (1882), and proceeded in 1889 to give signs of his ripened aptitude for exact research in a book entitled *Principii di economia pura.* This book has enjoyed the uncommon recognition of translation into English, and contains a presentation of the theory of value in conformity with the teachings of such men as Gossen, Jevons, and Wieser; his often quite baseless and captious points against the Austrian school have, however, exposed him to some rather damaging rejoinders. Among others who have discussed value are Piperno, who in 1880 published a very pointed argument upon the nature of discount; Wallemburg, a vigorous and effective defender and promoter of rural savings banks of the Raiffeisen type (1882); Valenti, who put himself on record as a meritorious agricultural economist in 1890;

The Austrian school attacked.

and Alessio, who deserves further recognition because he has written to the point about Italian taxation (1883). Much the same is true of many others, such as Zorli (1887) and Bianchi (1891),—the latter having an additional claim to recognition for his acceptable researches into land tenure (1890). Other adherents of the Austrian school, who make rather more important reservations with a certain unanimity, are Ugo Mazzola, who published a learned account of the German plan for working-men's life insurance, and who defends the theory of immaterial production and attacks with remarkably subtle logic some of Sax's views as applied to finance (1890), and Emilio Cossa. Cossa has shown a sober judgment and a power of lucid expression in discussing industrial enterprises (1888), and in dealing with the natural succession of phases in social economics (1890) and in finance (1892), has disentangled from the science of agriculture as such on the one hand, and from general economics on the other, the leading principles of agricultural economics (1890), and has succeeded in making a dispassionate inquiry into the burning question of a diminution in the hours of work (1892).

Adherents of the Austrian school.

Praise should certainly and unstintingly be given to the grasp of doctrine and the command of right method shown in what professors Antonio De Viti De Marco and Ulisse Gobbi have written. Like Gobbi, De Viti was born in 1858, and he is associated with Pantaleoni, Mazzola, and Zorli in the remarkably successful management of the new Series of the *Giornale degli Economisti*, an organ of the policy of free trade, which is there vigorously defended against theoretical criticisms, such as Benini's (1883), and practical assaults, such as Ellena's, Salandra's, and those of Alessandro and Egisto Rossi. De Viti's fame rests, however, mainly upon his book on money and prices (1885), where with all due qualifications he sets forth and comments upon the so-called quantitative theory; furthermore, his account of the theoretical character of financial economics (1888) is justly held in high esteem.

The Giornale degli Economisti.

Gobbi writes more simply but also more carelessly than De Viti; his themes are co-operative societies, and working-men's accident insurance companies. He shows equally good qualifications in discussing such other themes as the influence of profit-sharing on the energy of working-men in their respective employments (1881), as well as in his *Compendio di economia* (1887), the extreme brevity of which is no measure of its utility, for he there combines the leading views of the classical school with the fruitful results which minute investigations such as those of Schönberg's *Manual* have gathered together and sifted.

Gobbi on working-men.

And now it is time at last to fix our attention on Achille Loria, a man whose mind puts him on a par with any one hitherto named, and whose original genius places him above all the rest. He was born at Mantua in 1857, and held a professorship first at Sienna and then at Padua, where he now takes a leading position in the pursuit of economic science. One fault may, however, be justly laid at his door: he has never either practised or preached that needful impartiality and freedom from bias which could guide him aright in the apt selection of instances establishing views of his own, and give real authority to criticisms passed upon the views of others. It is by no means easy to state in brief the system of a writer who, under a superficial appearance of self-contradiction, does really effect the combination of tendencies usually regarded as reciprocally incompatible. Ricardo's theories of value and rent he defends against the Austrian school with a fervour which borders upon querulousness. He is by no means free from equivocations in argument (*Nuova Antologia*, 1890), but he goes against Ricardo on the question of money, and his adherence to the historical school prompts him to maintain the essential variability of economic phenomena, and results in his asserting that the theorems of the English school have no universal validity, but apply only to an economic fabric built up on capital. He admires Marx, and has

Loria's great originality.

written about him as only a master could, and yet he demolishes that writer's sophistical theory of value, while adhering to the cardinal doctrine that profits belong to a transitional stage and will some day disappear. In criticising the established order of things economic he goes with the socialists, lavishing upon them expressions of attachment with a profusion which is quite out of place, and yet he will none of their schemes and remedies, and abides steadfastly in the expectation that the course of nature will heal social wounds by a simple process which is already at work and consists in the "diffusion" of property and the "elision" of rent. Finally, though he is more than polite to the evolutionists, he spares them no strictures which they deserve. In undertaking to fathom Loria's ideas,—and they may be found summarily stated in his very last publication,—it should always be borne in mind that he regards the solution of the economic problem as the "psychological moment" in modern social and political development, and attaches a similar importance to the solution of the land question in economics.

Attack upon Marx.

A. Loria, *La rendita fondiaria e la sua elisione naturale.* Milan, 1880. *La legge di popolazione ed il sistema sociale.* Sienna, 1882. *Carlo Darwin e l' economia politica.* Milan, 1884. *Analisi della proprietà capitalista.* Turin, 1889, 2 vols. See also Graziani's criticisms in the *Giornale degli Economisti*, 1890; *Studii sul valore della moneta*, 1891; *La terra ed il sistema sociale*, Padua, 1892.

There is a school which Italians call the sociological school, to which Schiatarella, Puviani, Zorli, Lo Savio, Jacopo Luzzato, and in a certain sense De Johannis, belong. Boccardo has his place here, since in several of his prefaces for the *Biblioteca dell' Economista* he has vigorously declared for their doctrines. Cognetti also counts as one of them, since he is engrossed in studying the economic functions of animal life and of savage tribes,

The sociological school.

and is busied in searching for the origins of socialism in antiquity, more especially in ancient China and Greece. He finds his authorities outside of economic literature, in works chiefly known to philologists, and therefore throws most interesting side-lights upon our study. Ugo Rabbeno, with exemplary modesty, combines his belief in the same views with a respectful appreciation of his adversaries and of their points against it. To him we owe original and conscientious investigations into co-operation. Icilio Vanni excels the rest of this school in the breadth of his training and the moderation of his views, and is by no means unaware of the difficulties and dangers of so novel a treatment of economics.

G. Boccardo, *La Sociologia.* Turin, 1880. *L' animale e l'uomo,* 1881.

S. Cognetti De Martiis, *Le forme primitive dell' evoluzione economica.* Turin, 1881. *Socialismo antico,* 1889.

U. Rabbeno, *L' evoluzione del lavoro.* Turin, 1883. *La cooperazione in Inghilterra* (Milan, 1885), *La cooperazione in Italia* (1886). *Le società co-operative di produzione,* 1889. *Il protezionismo americano* (1892).

Icilio Vanni, *Studii sulla teoria sociologica della popolazione.* Città di Castello, 1886. *Prime linee d'un programma critico di sociologia.* Perugia, 1888.

Italian monographs.

Lack of space excludes a host of monographs well worth mentioning here. Giovanni Rossi, Antonelli, and Del Pareto, for instance, on the mathematical theory of wealth; Maggiorino Ferraris, Artom, Amar, and Bertini have all done credit in this way to Piedmont; while Lombardy is similarly honoured by Buzzetti, Piola, Nicolini, Manfredi, Romanelli, Masé-Dari, Pizzamiglio, Sartori, and Montemartini; Giacomo Luzzati, Salvioni, Della Bona, Bertagnolli, Stivanello, D'Apel, Minelli, Kiriaki, Zanon, and Ellero have done honour to Venice; Manara, Melgarini Rava, and Mamiani have done likewise in the Emilia; Cambray-Digny and Fontanelli in

Tuscany; Villari, Zammarano, Martuscelli, Fortunato, Codacci-Pisanelli, Tammeo, Tangorra, and Fiorese in the Neapolitan provinces; Vandalà-Papale, Santangelo Spoto, Gemmellaro-Russo, Arcoleo, and Merenda in Sicily; Soro-Delitala, Longiave-Berni, and Pinna-Ferrà in Sardinia.

Statisticians and historians.

The leading Italian statisticians have already been named on pp. 26 f. above. A few additional names should be mentioned here, such as Raseri, Stringher, Rameri, Sbroiavacca, and Giuseppe Majorana. On pp. 139 ff. will be found mention of a few works on the history of economics in Italy, and for a full account of this branch the writer must needs refer to another book of his own.

L. Cossa, "Saggio di bibliographia delle opere sulla Storia delle teorie economiche in Italia," in the *Giornale degli Economisti*, 1892.

CHAPTER XVI

CONTEMPORARY THEORIES OF SOCIALISM

Ambiguities.

SOCIALISM has an ambiguity about it even as a word only, for it began by diverging from the meaning sanctioned by its etymology, and nowadays means something quite different from the sense which Owen and Lebout (not to mention Reybaud), who first brought it into currency, attached to it. Socialism has, in fact, come to mean in ordinary use any and every system of political economy involving a reconstitution of the basis upon which commonwealths are now organised.

Theory and practice.

There are two sides to socialism, one theoretical, the other practical. The former embraces a mass of doctrines, the latter is manifested in the general drift of various definite party programmes. The party of socialism so called includes a rather heterogeneous number of groups which are named according to the aims they have in view, the means they propose to use, and the manner in which they hold together. According to their aims, they are national or cosmopolitan socialists; according to their means, they are anarchists or authoritarians, unitarians or federalists; according to the manner of their organisation for work, they are revolutionaries or opportunists.

Theoretical socialism.

Taking first the theoretical side of socialism, plainly, if all its schools are considered at once, it is a body of doctrines which combines practical economic views with the most diverse and reciprocally incompatible

theories in philosophy, religion, and politics. Some of these combinations strike for the disestablishment of the State, of religion, and of the family, while others seek either to maintain all three intact or else to introduce only specific modifications of them. Hence, when philosophy is the cardinal point of view, the distinction between materialistic and spiritualistic socialists is in order. When, however, the distinction turns upon religion, the contrast is between atheistic socialists and those who cling to the faith. It is, however, a sheer abuse not only of terms, but of facts, which has produced the notion of Christian socialists. The inventors of this phrase forget that no Christian, be he Protestant [1] or be he Catholic, can possibly be a socialist, because the very conception of charity, as a Christian virtue absolutely enjoined by the Church, involves that there should be some merit in exercising it, and consequently implies the existence of a possibility of failure in this respect—the very thing which socialism undertakes to make impossible. Socialism sets up what is one man's duty into a right which his neighbour may lawfully enforce upon him by coercion, thus drying up the very springs of virtue in the benefactor and of gratitude in the beneficiary. If we now turn away from philosophy and religion, we shall find no less manifest contradictions involved in socialistic theories viewed solely from a political point of view. Some have used and still use socialism as a mere stalking-horse to assist them in working upon the masses in favour of revolutionary changes in the forms of government, but others look upon constitutional changes, more especially upon universal suffrage, as no more than a means for attaining their end, which is social reform; and there is a third group which believes that no particular form of government as such either helps or hinders the changes which are on the socialistic programme. Hence we hear, and

Socialism and charity.

[1] It is open to question whether all Protestants would admit this contention of the writer.

there is no little resulting confusion of mind, of conservative socialists, of social democrats, of State socialists and Street socialists.

The few brief hints for which there is room in these pages must be strictly limited to the economic aspects of theoretical socialism, and therefore nothing will be here added to the brief account already given of certain systems which may legitimately be called ancient. They are commonly called utopian, as shaping themselves for the most part in romantic accounts of fictitious states. These romances, written as they are either in the lines of literary art as such, or else at the bidding of an ethical condemnation of idleness and riches, and of indignation stirred by economic inequalities, may be found in the works of More, Doni, and Campanella; and there are others like Plato's which grew up on the basis of political considerations. Harrington's romance of a model state is perhaps even a better case in point. For these there is no room in the present chapter, and furthermore all the systems elaborated during the last half of the eighteenth century by Rousseau, Mably, Morelli, Brissot de Warville, and so many others, must also be passed over in silence as rather juridical than economic, since they appeal almost exclusively to what is termed the inherent right of every man to the gratuitous usufruct of nature's wealth.

Ancient communism.

Do not blench or cast down your eyes when modern socialism heaves in sight with the banner of science unfurled and arrayed in the garments of economics, but look long and steadily, and you will soon perceive that the garments do not fit, and the banners are borrowed. Theoretic socialism depends upon misinterpretations of certain leading doctrines in modern political economy which are so clumsily made that they can fit nothing under the sun, and simply involve the denial of our whole science. Grant to the socialists their delusive dream, wipe out of existence wealth as a social system, humour them and allow that injustice is inherent in the exercise

Misconceptions in socialism.

of liberty, which brings inevitable pauperism and constantly-recurring crises wherever it goes, what will socialism thus humoured to the full of its bent then do for you? It will create a system of economic policy tending wholly to eliminate or at least partially to paralyse private property and competition. What experience have we of any system of economic order which does not hinge upon these two cardinal institutions in the established order of to-day?

Difficulties in defining socialism.

Classification has a hard road to travel when it enters the tangle of jarring socialistic sects which agree to disagree with what is known and established. Choose your author, and his published utterances put each other out of joint; everywhere you find vague terms flung broadcast; communism, socialism, collectivism, and anarchism are now used as convertible terms, and again and again either contrasted or inconsistently subordinated each to the other and the other to each. Into the midst of this babel of conflicting error your quietists and your out-and-out individualists finally drop from the clouds, to make confusion worse confounded by loftily applying to any conceivable reform involving State interference, no matter how just or how opportune it may be, their one favourite term of abuse—socialistic.

Indefensible definition.

It must be confessed that precision is not the most obvious merit in the definition sometimes seriously offered to the effect that socialism is the economic philosophy of the submerged tenth or of the suffering classes, nor is there any great flood of light to be won by conceiving of socialism as the economics of the workingman to be opposed as such to that of the middleman or the *bourgeoisie*. Equally unscientific are the changes rung upon a supposed opposition between labour and capital in certain definitions. An injustice is done in the other direction when it is maintained that not some only but all systems of socialism amount to the alternative of anarchy or despotism. Three other definitions err to the same extent either positively or negatively by

Socialism and distribution; wages and income.

commission or by omission. According to these, socialism is said to consist: (1) in an artificial distribution of wealth,—the framers of this formula have forgotten all sorts of socialistic utterances about production, circulation, and distribution; (2) in the abolition of wages,—surely this is compatible with free competition; or (3) in the suppression of income so far as that is not derived from labour, *i.e.* rents, interest, and profit. These definitions, like the preceding ones, will none of them hold water, because not one covers all the aims of socialism, and the particular aims covered in each case play very different parts in different schemes of socialism, which has many forms and many masters.

General accounts.

Now it remains to record here a few general works which may, if each be read and compared with others, furnish sufficient data upon which to base an understanding and frame an appreciation of the leading theories of the socialists.

L. Reybaud, *Études sur les réformateurs ou socialistes modernes.* Paris, 1840-43, 2 vols.; seventh edition, 1864.

L. Stein, *Der Sozialismus und Communismus des heutigen Frankreichs.* Leipzig, 1847; second edition, 1848. *Geschichte der sozialen Bewegung in Frankreich.* Leipzig, 1850-51. 3 vols. Reprinted in 1855.

J. J. Thonissen, *Le socialisme depuis l'antiquité.* Louvain, 1852. 2 vols.

B. Hildebrand, *Die Nationalökonomie der Gegenwart und Zukunft*, vol. i. Frankfurt am Main, 1848.

E. De Laveleye, *Le socialisme contemporain.* Paris, 1883, second edition. Sixth edition, 1891.

R. T. Ely, *French and German Socialism.* New York, 1883.

John Rae, *Contemporary Socialism.* London, 1884; second edition (much enlarged), 1891.

Th. Kirkup, *An Inquiry into Socialism.* London, 1887.

O. Warschauer, "Geschichtlich-kritischer Ueberblick

über die Systeme des Kommunismus," in the *Zeitschrift für die gesammte Staatswissenschaft.* Tübingen, 1890.

H. von Scheel, "Socialismus und Kommunismus" (third edition, greatly improved), in vol. i. of the *Handbuch* of Schönberg. Tübingen, 1890.

Eug. d'Eichthal, *Socialisme communisme et collectivisme.* Paris, 1892.

V. Cathrein, *Der Socialismus.* Fifth edition. Freiburg im Br., 1892.

Th. Kirkup, *A History of Socialism.* 1892.

§ (1) COMMUNISM

Public and private ownership.

Communism as scientifically defined seeks to supplant the private ownership of wealth in general,—whether it be in instruments for production or in things to be consumed,—by some form of public ownership, that of humanity at large, that of the State, that of the county, or else that of specific individuals confederated together and forming a group. Collective production and consumption are necessary conditions for communism so defined, which, however, does not as such require with some communists the abolition either of the marriage-tie or of the family,—indeed there are communists who uphold both of these institutions. But a communism built up solely upon collective production and consumption could not be distinguished from certain forms of socialism—Fourier's, for instance—and would be in danger of approval from some who, being neither socialists nor communists, yet favour this form of production and of consumption on grounds of expediency pure and simple.

Communism not purely negative.

Communism is something more than a purely negative community in use, such as is exemplified in family life and has been defined in Rousseau's celebrated phrase that the earth belongs to nobody and its fruits to everybody. Rousseau said this and it is remembered, while all that he wrote in contradiction of it is at least

temporarily forgotten. On the other hand, nothing could run more completely counter to communism than to propose a redistribution of available wealth whether equal or unequal, definitive or periodic. Apart from the absurdity of such a revolutionary proposal, there is that about it which strikes at the very roots of communism by recognising the one thing which communism aims at destroying,—private property. We are not of course now discussing what the measure of recognition thus given would amount to,—the recognition is there.

Communism and equality of aptitudes.

Communism is a system of government in matters of economics where the notion of equality before the law —fundamental in every modern state—is placed on a par with an erroneous belief in the native equality of human faculties as such. This last equality can only have been disturbed, it is argued, by unequal education. Grant that these two cardinal beliefs are equally true, and then communism will require every man to work according to his powers, and will insure in return to each a quotum of the common store of production which shall be equal, that is to say duly proportioned to his legitimate needs, recognised as such by the authority of society. Systems of society thus understood aim at equality, and are the absolute and complete contradiction of all socialistic systems which, as such, aim at such a redistribution of goods as shall be proportionate to services performed. This is inequality with a vengeance, and can never jump with communism and equality.

Confusions between communism and socialism.

From the absurdity of intermediary systems, half communistic and half socialistic, it by no means follows that writers have not been found so incoherent in their mental processes, or so bent on compromise in their practical schemes, as to frame such intermediary projects. We have people who maintain the communistic theory that every man has a natural right to live, that is, to have assured him enough to keep body and soul together, and simultaneously uphold the socialistic scheme of distributing the surplus—remaining after everybody

has escaped starvation—according to individual services performed.

In fact, some would have it that the right to live, the right to work, the right to receive help, and the right to the whole earnings of labour, constitute a fundamental Bill of working-men's rights which should straightway be passed by every legislature in the civilised world. The matter is not, however, so simple as they deem it, for, as Menger has clearly shown, no one of these rights so called is compatible with any of the other three. Working-men's rights.

A. Menger, *Das Recht auf den vollen Arbeitsertrag.* Stuttgart, 1886; second edition, 1891.

It is in fact evident that the right to live is based partly upon the idea of fraternity, and partly upon that of solidarity, and thus leads inevitably to an equal sharing of goods as its logical conclusion; the right of the labourer to the full earnings of his labour unquestionably requires the abolition both of private ownership in land and also of capital, but by its appeals to the principle of the higgling of the market it leaves a certain scope for freedom, and does certainly study equity by providing for the due recognition of individual merit, and by thus recognising the fact of inequality. The right to live.

The right to work must be carefully distinguished on the one hand from the right to seek employment freely and without hindrance from limiting rules and regulations of any kind, and on the other hand from the right to receive help, though, like this last, it is relative and conditional, only coming in as an additional and complementary safeguard. In fact, the right to work and the right to receive help fall together under a category which stands in complete contrast to the right to live and the right to the full earnings of labour, which are absolute and not relative. The right to work is necessarily restricted by its own terms to those who are capable of doing work, and takes concrete shape as The right to work.

French national workshops.

a right to receive wages from the State, which must establish workshops for giving employment to all for whom there is no opening available in enterprises managed privately. Fourier and Considérant maintained this right as an equivalent indemnifying those concerned for the loss of the primitive rights of hunting, fishing, harvesting, and grazing (*chasse, pêche, cueillette, pâture*), and this right to work was sanctioned in the famous French proclamation of February 25th, 1848. The practical result of its application in the National Workshops was anything but favourable to socialism, and soon after the days of June that followed it was transformed into a simple recognition of the right to receive help.

The right to receive aid.

The right to receive help, as recognised in countries where so-called legalised charity is put into practice, takes the shape of poor laws which concern only paupers, and have a taint of humiliation for all beneficiaries, even when the aid given comes in the form of wages for actual work or in that of outdoor relief.

V. Considérant, *Théorie du droit de propriété et du droit au travail.* 1839; third edition, 1848.
Proudhon, *Le droit au travail et le droit de propriété.* 1848.
Fr. Stöpel, *Das Recht auf Arbeit.* 1884.
F. J. Haun, *Das Recht auf Arbeit.* 1889.
B. Prochovnik, *Das angebliche Recht auf Arbeit.* 1891.
See E. Thomas, *Histoire des ateliers nationaux.* Paris, 1848.
Louis Blanc, *1848: Historical Revelations.* 1858.

Communism and corporate property.

Communism in its most absolute and uncompromising form aspires to bring about a complete equality of work performed and of enjoyments earned, by means of the immediate expropriation of corporate property, and a gradual confiscation of all other forms of ownership, which are to lapse upon the decease of the owners. This done, there is to be an equal distribution of all

earnings, securing the same amount for every individual member of the community. Communism in this rough and extreme shape is represented by François Babœuf (1764-97), who saw fit to change his Christian name to Gracchus, and wrote the first socialistic newspaper, entitled *Le tribun du peuple* (1794 ff.). Upon his death, brought about by a conspiracy against the *Directoire*, he left a sincere and able exponent of his ideas in Buonarotti, who worked further upon the same lines.

Ph. Buonarotti, *Histoire de la conjuration pour l'égalité.* Bruxelles, 1828. 2 vols. Reprinted at Paris in 1869.
P. Janet, *Les Origines du socialisme contemporain.* Paris, 1883.
V. Advielle, *Histoire de G. Babœuf et du babouvisme.* Paris, 1884. 2 vols.

Godwin and Malthus.

The famous writer, William Godwin (1756-1836), was less coherent perhaps, but far more moderate, than either Babœuf or Buonarotti, and, *inter alia*, declared war upon Malthus. He depicts three mutually incompatible bases of ownership, or, as he calls them, degrees of property. First there is the principle of private property, second there is the principle of compensation for services rendered, third there is the principle of distribution according to needs. He pronounces in favour of the third, but fails when he tries to provide for carrying out such a distribution, since he rejects the co-operation of the State, declaring himself anarchical, and finally, in his last work contenting himself with a simple affirmation of the right to receive assistance.

W. Godwin, *An Inquiry concerning Political Justice.* London, 1793. 2 vols. Reprinted several times. *The Inquirer*, 1797 (re-issued in 1821). *An Inquiry on Population*, 1798 (re-issued in 1820).

Practical experiments.

There were, however, far more clearly-defined types of communism which, after having been plainly set forth in theory, were followed up by attempts at partial realisation. Especially remarkable were the experiments of this kind made in the United States. Such were the systems of Owen, Cabet, and Weitling.

Robert Owen (1771-1858) was a rich manufacturer much preoccupied by the promotion of philanthropic schemes on behalf of his operatives. He was the moving spirit in co-operative societies of consumption and production, and finally became a psychological communist. He was an atheist and a fatalist, quite convinced of human irresponsibility, and therefore equally uncompromising in the rejection of penalties and rewards of merit and recompenses of any and every kind. He declared war upon production on a large scale as well as on all forms of competition, demanding that labour be assigned with reference to the various ages of labourers, who were to toil in small confederated societies under the guidance of elective magistrates. Their number in any given society was not to be less than 500 or more than 2000; all were to have the same education, and marriage among them was to be a dissoluble tie; commerce and money were to be unknown in these societies, and their members were never to see the inside of a law-court or of a workshop, but were to enjoy in the way of nature whatever they required to meet their needs.

Owen against competition.

Rob. Owen, *New Views of Society*, 1812. *Book of the new moral World*, 1820. *Revolution in the Mind*, 1850.

See W. L. Sargant, *Rob. Owen and his Social Philosophy*. London, 1886. A. J. Booth, *Rob. Owen, the Founder of Socialism in England*, 1869. Lloyd Jones, *The Life, Times, and Labours of R. Owen*, 1890.

One of Owen's most remarkable adherents was an

Irishman named William Thompson, who, before he died in 1833, had succeeded, as Menger points out, in formulating the theory of surplus value, which is ordinarily supposed to have been due to Rodbertus and Marx. Analogous ideas may be found in the works of John Gray (1821), Edmonds (1828), J. F. Bray (1839), and Charles Bray (1841). Thompson's theory of surplus value.

W. Thompson, *An Inquiry into the Principles of the Distribution of Wealth.* London, 1824. Reprinted in 1869.

Etienne Cabet, a lawyer of democratic leanings, read while exiled in England Thomas More's *Utopia*, and was inspired by it to promulgate a communistic romance entitled *Voyage in Icaria* (1840). Property he eschewed but maintained the family; and really his work possesses little to recommend it beyond its style, since it has no originality whatever. However, after a time a few groups of French emigrants carried it with them to Texas and Illinois, where they established communistic societies in accordance with it, and were taught by unrefreshing experience the futility of attempting to follow the theories of a master whose private life never inspired enthusiasm in any quarter. Cabet's scheme.

Practically identical were the notions of Wilhelm Weitling (1808-74), a tailor who was sincerely and eloquently active on behalf of revolutionary ideas, and who read his communism into the New Testament. He would have had as a substitute for the existing order in matters economic an association of families co-extensive with the human race; these were to be governed by elective heads named by acclamation, whose functions should consist in bringing to pass an equal distribution of things useful and necessary, the sum of which was to be previously divided into equal parts. Only those who contributed more than the usual and average hours of labour were to have, over and above these shares of things necessary, an addi- Weitling's evangelical communism.

tional share of things delightful and of the nature of luxuries. The bestowal of these last, however, was to be strictly limited by a proviso requiring their consumption within a definite time. This proviso also made the time allowed for such consumption a short one, and thus aimed at defeating all possible accumulation and transmission by legacy, in order that economic inequalities might not be brought back again.

W. Weitling, *Die Welt wie sie ist und sein sollte*, 1838. *Garantien der Harmonie und Freiheit*, 1842.

See G. Adler, *Geschichte der ersten sozialpolitischen Arbeiterbewegung in Deutschland.* Breslau, 1885.

§ (2) SOCIALISM PROPERLY SO CALLED

Socialism attacks competition.

Socialism in the most restricted sense denotes those systems which aim at hemming in private property and competition by essential and restrictive modifications, but which at the same time are opposed to a common ownership and to any division of wealth, either *per capita* or based on needs, to which it opposes earnings or contributions as the sole justification of ownership as such.

Jarring schemes.

Still, there are noteworthy discrepancies between various socialistic schemes for redistributing wealth. Some contemplate the admission of proprietors and capitalists as coming in for their due share, but by far the greater number absolutely refuse to take account of any titles to income of any kind that are not based upon labour performed.

Authoritarian, liberal, and anarchical socialism.

Moreover, a further distinction must be drawn within socialism properly so called which results in three main categories. These are (1) authoritarian socialists, who would lodge in a supreme authority the regulation alike of the production and distribution of wealth; (2) liberal socialists, who would recognise single independent groups of workmen; and (3) anarchical socialists, who have

no use either for political societies in general or for the State in particular. Space is here lacking for an adequate examination of particular schools of socialism one after the other, and therefore it will be best to examine the economic bearings of socialism as they are, so to speak, personified in three men whose influence was most remarkable, and rested in each case upon the threefold basis of a powerful mind working in the play of an almost inexhaustible faculty of constructive imagination, the whole being welded into unity by an absolute singleness and sincerity of purpose and conviction. Even of the economic ideas of these three men—Saint-Simon, Fourier, and Proudhon—only the most rudimentary outline can here be given.

Saint-Simon and authoritarian socialism.

Count Henri Rouvray de Saint-Simon (1760-1825) proclaimed himself the founder of a new Christianity, and sketched out furthermore an economic system of so-called industrialism which did not in his version of it assume any practical shape. But he was the head of a school which claimed as its own the youthful enthusiasms of the historian Augustin Thierry, the economist Michel Chevalier, the positivist philosopher Auguste Comte, and the writer Buchez, who founded the earliest co-operative societies in France. Saint-Simon marked disastrous results springing from the unequal, and to his mind arbitrary, distribution of wealth resulting from the established law of inheritance, and with an enthusiasm undamped by the vicissitudes of a stormy and stressful life, he sketched with broad and bold strokes the outlines of a new industrial monarchy. This is described in numerous short works produced by him.

Power for the working classes.

Power, actually lodged in the hands of the leisured classes which had beaten down feudalism and aristocracy, was in this new state to pass into the hands of the working classes, this term being taken in a wide sense so as to include not only workmen but *entrepreneurs* and capitalists. This was, according to Saint-Simon, the logical outcome, in matters of social concern, of the

dictum of certain economists who first identified wealth and value, and then proceeded to proclaim work done as the one and only cause of value.

H. R. de Saint-Simon, "Parabole politique," in the periodical *L'Organisateur*, 1819. *Catéchisme des industriels*, 1823-24. *Nouveau Christianisme*, 1825. *Œuvres de Saint-Simon et d'Enfantin.* Paris, 1865-78. 40 vols. *Œuvres choisies.* Bruxelles, 1859. 3 vols.

See H. Fournel, *Bibliographie Saint-Simonienne.* Paris, 1833. G. Hubbard, *Saint-Simon, sa vie et ses travaux*, 1857. P. Janet, *Saint-Simon et le Saint-Simonisme*, 1878.

Saint-Simon's successors.

Upon the death of Saint-Simon his ideas continued to receive a rather lame presentation in a newspaper called *Le Producteur*, directed by Olinde Rodrigues, and a more satisfactory one in the *Globe* (1831 f.). Nor were enthusiastic disciples lacking, such as Bazard and Barthołomé Prosper Enfantin (1789-1864). The latter, acting as the "supreme father" of the new religion, jeopardised the whole future of the small Saint-Simonian societies, so that they ended in the broad farce and the trial that have given an unsavoury notoriety to Ménilmontant.

Enfantin's emancipation of women.

Enfantin's eccentric views about the emancipation of women and on divorce invited the disasters not to be averted by Bazard, who spoke very plainly against Enfantin on the question of divorce. To Saint-Amand Bazard (1791-1832) undoubtedly attaches the credit of having argued out Saint-Simonianism on the side of economics, and indeed in this respect he is its founder. To cope with what he calls the *exploitation de l'homme par l'homme*,—which once meant a master's using up of his slave, and now means the using up of workingmen by owners of the tools and appurtenances of work,

Bazard's primitive Christianity.

—Bazard demanded a reform in economics which should be the outcome of a previously-achieved reversion to primitive Christianity. This reversion was to be helped

on by gratuitous, universal, and compulsory education, and brought to pass by a distribution of work according to capacity, and of products according to services performed, the whole process being summarised in the familiar *de chacun selon sa capacité, à chacun selon ses œuvres.* All that he thought necessary for this consummation was the substitution of life-ownership for hereditary ownership, the State being charged with the function of bestowing capital and land gratuitously in every case where the death of their temporary holders left property vacant; and this distribution was to be among those whose preceding record of work showed them to be most meritorious. Such an operation managed by public banks, under the government of an industrial hierarchy, was to correct the injustice of the present distribution, which was the result of the mere accident of birth. Saint-Simon took the industrial classes as a unit, and opposed them to the leisured classes, lawyers, civilians, military men, and so on. Bazard was the first French socialist to bring out into explicit statements the smothered conflict, existing chiefly in the minds of working-men, between the *entrepreneur* and his operatives, who are unprovided with tools for their work. Life-ownership.

Bazard, *Exposition de la doctrine de Saint-Simon.* Paris, 1830-31.

See an anonymous collection of articles by various hands extracted from *Le Globe*, and published in 1831 under the title *Économie politique et Politique.*

Fr. W. Carové, *Der Saint-Simonismus.* Leipzig, 1831.

K. G. Bretschneider, *Der Saint-Simonismus.* 1832.

A. J. Booth, *Saint-Simon and Saint-Simonism.* London, 1871.

O. Warschauer, *Saint-Simon und der Saint-Simonismus.* Leipzig, 1892.

Charles Fourier (1772-1837) held quite as completely aloof from anything of the nature of a revolu-

Fourier's prolix obscurity.

tionary movement as Saint-Simon did. His ideas were original, but he expressed them in a very prolix style, and was anything but accurate. His powerful mind and uncontrollable imagination worked upon psychological premisses precisely the same as those of Robert Owen, whose proclivities in favour of collective production and consumption he also shared. Still, he is not consistent on this point, in so far as he rejects a distribution based upon needs for anything and everything that goes beyond the barest necessities for subsistence. This is an instance of his moderation shown also in his departure from the uncompromising demands regarding inheritance made by the Saint-Simonian school. Furthermore, he divides the sum total of earnings or production into twelve parts, five of which, and no more, he assigns to manual labour, four of the remaining seven being allotted to capital and three to intellectual labour. Attraction, he argues, rules the spiritual just as it does the physical world, therefore the harmonious satisfaction of the passions of man constitutes at once the will of God and the happiness of his creatures. In classifying the passions of man's spirit, however, Fourier omits any mention of laziness. Work, after being made attractive by a scheme which is to provide for a division of labour, and also for a constant change of employment, is to be carried on in common. His meaning here is that associations numbering 1800 souls, and including proprietors, capitalists, and workingmen, are to be formed under the name of *phalanxes*. Each phalanx falls into series ultimately constituted by groups, each of which is to live in a "*phalanstery*," *i.e.* a workshop under the direction of a head called a *unarch*. These are all to be federated, and finally to embrace the whole world under a supreme magistrate or *omniarch*, residing in Constantinople. Fourier's system prefers agriculture to other branches of work, and particularly affects arboriculture and horticulture. It also favours agriculture on a large scale, and provides

Fourier's comparative moderation.

Neglect of laziness.

Phalansteries.

for a comparative falling off in manufactures through the abatement of luxury. It is also characterised by hostility to trade and a vigorous declaration in favour of abolishing middlemen. This would be accomplished as a matter of course by collective consumption, which is preferable to family consumption, because of the economy which it makes possible. It must be admitted that Fourier goes far deeper than other socialists, and is much freer from prejudices, as appears from his accounting for the existing social disorders, not so much by the unequal distribution of wealth as by the insufficient sum of existing wealth. Hence his proposals of reform include production, and are by no means confined to distribution.

Ch. Fourier, *Théorie des quatre mouvements.* Leipzig (Lyons), 1808; second edition, 1841. *Traité de l'association domestique et agricole.* 1822, 2 vols.; second edition, 1838. *Le nouveau monde industriel et sociétaire.* 1829; third edition, 1848. *La fausse industrie.* 1835-36. 2 vols. *Œuvres choisies* (with an excellent introduction by Ch. Gide). Paris, 1890.

Fourier's disciples.

In Fourier's school, which preached its doctrines through various organs, such as the *Phalange*, the *Revue du mouvement social*, the *Rénovation*, the most conspicuous members were Considérant, mentioned above, Madame Gatti de Gamond, Muiron, Transon, Hippolyte Renaud, Lechevalier,—known through his voluminous publications,—and the American Brisbane, as well as that philanthropic business-man, Godin-Lemaire, who was, however, only half Fourierist, and founded the *Familistère de Guise* according to notions of his own.

V. Considérant, *Destinée sociale.* Paris, 1836-38, 2 vols; second edition, 1847-49.

The eminent socialist thinker Pierre Joseph Proudhon was born at Besançon in 1809, and died at Passy

in 1865, and in one of his earliest works, *Qu'est-ce que la propriété?* (1840), he took for his text Brissot de Warville's celebrated saying, *la propriété c'est le vol*, which dates back to 1780. His taste for paradoxes is sufficiently manifest in the choice of this text, his mind was subtle, and his training having been acquired by his own unsystematised efforts was haphazard, and tainted with incurable and inevitable superficiality. He is for ever following up the scent of one contradiction or another in the nexus of economic phenomena, and is as much pleased to find one that is apparent only as to disentangle a real one. Once give him his contradiction and he allows no quarter to the various leaders of economic thought, be they even socialists. His ferocity is indeed particularly apparent in the pursuit of communists, whom he bludgeons with the club of Hegelian dialectics, having been led by the advice of the socialist Karl Grün—who afterwards became his translator—to dabble somewhat ineffectually in Hegel's philosophy.

Proudhon's paradoxes.

Attacks on communists.

P. J. Proudhon, *Système des contradictions économiques, ou philosophie de la misère.* Paris, 1846. 2 vols.

Proudhon can scarcely be said to have acted up to the ambitious motto of his choice, *destruam et ædificabo.* His criticism destroys communism, the fantastic socialism of Saint-Simon and Fourier, and the mystical socialism of Leroux, as well as Blanc's authoritarian socialism, but when he turns to the presentation of his own constructive scheme, all his victims are avenged. His discount bank, *banque d'escomte,* called later on *banque du peuple,* is a very different scheme from Owen's *Labour Exchange Bank* (1832 ff.), and from the other plan adopted between 1830 and 1845 by Marsiglia dal Mazel. It was intended not only to facilitate exchanges in kind, but also to issue *bons de circulation* which all associates in the banking venture, and all supporters of the scheme, were bound to receive as current coin. Upon producing these bonds the bearers were entitled to use

Proudhon's constructive scheme.

products and services measured by their face value which was expressed in hours of labour. This was the device on which Proudhon depended for bringing about what he styled gratuitous credit, an invention ventilated in his famous controversy with Bastiat (*Intérêt et principal*, 1850). He never had the wit to perceive that these bonds of his could not make any headway towards gratuitous credit if they were issued by discounting the assets of persons who were solvent, while, if their emission had no guarantees and was carried out on any considerable scale, they became simply a paper currency of the worst imaginable description. In Proudhon's *Contradictions*, as well as in the writings of Saint-Simon's school and in those of certain Englishmen above mentioned, may be found the theory of surplus value lent by the workman's hand and absorbed by the greed of the *entrepreneur*. This has recently been put forth as the principle underlying what is sometimes called scientific socialism, and is attributed by Wagner, Rodolf Meyer, Adler, and others to Rodbertus, whom they regard as the founder of this science. Others—Engels, for instance—claim the same honour for Marx, and argue accordingly that he and not Rodbertus invented a theory which was plainly originated by neither.

Theory of the surplus value.

Proudhon must be credited with a far more successful exercise of ingenuity in his attempt, abortive though it was, to reconcile the "antinomy" of liberty and equality by recourse to anarchy. This remarkable principle he distinguishes from disorder, and makes it out to be real equality, that is, an equalisation of conditions which must necessarily be frustrated by any given form of government. A government as such wantonly interferes, he argues, with this equality of conditions because justice is quite as able to dispense with the sanction of force as any other form of scientific truth. Private ownership he defines as the *exploitation du faible par le fort*, and therefore would summarily supersede it by

Liberty, equality, and anarchy.

something very different from common ownership, which is the *exploitation du fort par le faible.* His substitute is the ownership,—whose and what sort of ownership he nowhere plainly says,—of all instruments used in labour, coupled with a guarantee that the workman shall enjoy the full earnings of his toil; but otherwise he leaves individual economy, competition, and even inheritance, to survive as they can after the above changes. The ablest criticism of Proudhon's utopian schemes may be found in the wildly individualistic interpretations of anarchy given by the Russian Nihilists Bakunin and Kropotkin, and by such revolutionary socialists as Reclus, Most, and the rest of them. Proudhon himself abandoned anarchy later on, and substituted federalism.

Anarchists refute Proudhon.

P. J. Proudhon, *Oeuvres complètes.* Paris, 1873-86. 37 vols. *Correspondance* (1832-65). Paris, 1874-75. 14 vols.

See Fr. Hack, "P. J. Proudhon," in the *Zeitschr. für die ges. Staatswiss.*, 27r Jahrg., 1871, pp. 363-386. A. Saint-Beuve, *P. J. Proudhon, sa vie et sa correspondance,* 1875. St. Ganz zu Putlitz, *P. J. Proudhon.* Berlin, 1881.

Also G. Adler's article "Anarchismus," in Conrad and Lexis' *Handwörterbuch der Staatswissenschaften,* vol. i., Jena, 1889, pp. 252-270. K. Diehl, *P. J. Proudhon, Seine Lehre und sein Leben.* Jena, 1888-90. A. Mülberger, *Studien über Proudhon,* 1891.

Blanc a historian,

Louis Blanc (1813-82) was a radical writer for the press and a disciple of Buonarotti the communist. He excelled as a historian and failed as an economist, as may be seen by reading a first sketch given in the *Revue du progrès* (1839) of his famous *Organisation du travail* (1841), to which he added four new chapters in the ninth edition (1850). Blanc was a socialist of the authoritarian school, though by recognising the *droit de*

vivre he managed to adopt some communistic views which he combined with a firm adherence to a scheme of socialism in groups. As president of the Luxembourg Commission he favoured the right to work, which he defended against attacks from Thiers in 1848.

attacks competition.

Convinced as he was that competition breeds monopoly and results in pauperism, he made appeal to State interference in order that labour might be organised upon the basis of fraternity and solidarity. He asked that the State, without prejudice to private property, should bring its great powers to bear on the creation of *ateliers sociaux*, which should finally supersede workshops managed by private enterprise. His plan contemplated the management of these workshops at the outset by State functionaries, who were gradually to pass them over into the hands of associated working-men; various local associations thus formed and employed were to be federated together under a central authority. The State was to advance as much capital as these societies required for their plant under conditions securing its repayment in instalments, and with the reservation of a certain control over the investment of profits. These combinations were to have added to their other functions those of mutual benefit and insurance societies. Capitalists were to be admitted to workshops thus established, and were to receive a fixed rate of interest on their investment, besides a payment for labours performed in common, this last being in proportion to needs but strictly limited by an equitable regard for the resources at hand, any disregard for which would be a breach of equity. Blanc conceived that the needs thus provided for would amount to much the same thing as the allotment of things useful in proportion to the amount earned by each individual workman's labour. He only took for granted that the most vigorous and efficient workmen would have the greatest needs and the most refined tastes. Simply that, and nothing more!

Scheme of workshops.

L. Blanc, *Questions d'aujourd'hui et de demain*, vols. iv. and v. Paris, 1873-84.

See also Ch. Robin, *L. Blanc, sa vie et ses oeuvres*, 1851. Hipp. Castille, *L. Blanc*, 1858.

Lassalle and militant socialism.

Ferdinand Lassalle (1825-64) had a vigorous mind, and was not indifferently trained in philosophy, law, and economics, but he does not hold anything like the commanding position among theoretical socialists which was undoubtedly his in the annals of militant socialism. He was by natural inclination an aristocrat, ambition turned him into a demagogue, and shrewdness revealed to him the springs of popular passions. Thus we find him reserving all his moderation and good sense for moments when a practical emergency required definite proposals to be granted or refused, but when his theme is the ultimate aims of his party, then he rides a very high horse indeed. He was a taking writer and a winning speaker, uniting in his very sympathetic personality everything which goes to make success in beginning and carrying on a formidable and revolutionary agitation.

His lack of originality.

As for his theories, they are not really his, but are either taken from Rodbertus and Marx, who chiefly supply him with premisses, or from Blanc, whose proposals he practically adopts as his own,—barring a few details which he puts in out of his own head. He rails against the iron law of wages,—which he is good enough to attribute to Ricardo,—and wishes to emancipate German workmen from this, and to secure for them the full earnings of their toil, which according to his view are swallowed up by the *entrepreneur* and the capitalist. Lassalle's remedy for this state of things was the organisation of working-men into a solid party whose programme demanded universal suffrage to start with; upon the strength of this they were to work out for themselves a strong political preponderance, and by that means to secure from Government a decree granting the gratuitous loan to co-operative working-men's societies,

The working-men's party.

of one hundred million thalers made to these societies as one organisation bound together by a federal tie. This federation, having thus secured possession of the instruments of production, would, he anticipated, gradually supersede all private enterprises. One characteristic note runs through all Lassalle's utterances: he declared war to the knife against Schulze-Delitzsch, a member of the *Landtag* belonging to the party of progress who had laboured most faithfully to create, and most wisely to organise, numerous provident and co-operative institutes founded on the principle of independence and mutual benefit. As a pamphleteer Lassalle showed himself not only small-minded but outrageously personal, and ready to use his learning and dialectic power most unscrupulously. These were considerable, although his proud claim that they contained the sum and substance of nineteenth-century wisdom may be safely disallowed. Still, they were certainly more than enough to disconcert his adversary, whose intellectual resources were far inferior to Lassalle's own.

Lassalle as a pamphleteer.

Ferd. Lassalle, *System der erworbenen Rechte.* 1861; second edition, 1880. *Offenes Antwortschreiben,* 1863. *Die indirecte Steuer und die Lage der arbeitenden Classen,* 1863. *Herr Bastiat-Schulze von Delitzsch, der ökonomische Julian, oder Kapital und Arbeit,* 1864.

See also E. von Plener, *Ferdinand Lassalle.* Leipzig, 1884. W. H. Dawson, *German Socialism and Ferd. Lassalle.* London, 1888; second edition, 1891.

§ (3) COLLECTIVISM

Collectivism is a favourite word, especially affected by those theoretical French socialists who, while demanding a public ownership of the instruments of production and a collective organisation of labour, are still content

Toleration of private property.

to leave private property intact so far as objects of consumption are concerned, and even take the extreme view which allows of their transmission from father to son and in general by testamentary disposition. Now there are two forms of collectivism, the one being integral or industrial, the other being only partial, that is territorial.

E. Jäger, *Der moderne Sozialismus.* Berlin, 1873.
A. E. Fr. Schäffle. *Die Quintessenz des Socialismus.* 1875 (translated into English, French, and Italian); thirteenth edition, 1891.
P. Leroy-Beaulieu, *Le collectivisme, examen critique du nouveau socialisme,* 1884. Second edition, 1885. Third edition, 1893.
M. Block, *Le socialisme moderne.* 1891.
J. Bourdeau, *Le socialisme allemand et le nihilisme russe.* 1892.

Early territorial collectivism.

Paine is a good and Ogilvie is even a better representative of territorial collectivism at its earliest and rudimentary stage, which belongs to the eighteenth century. John Stuart Mill and Henry George have already been spoken of as supporters of a more full-fledged theory regarding the tenure of land, and indeed the adherents of such views were not few even among professed economists, and included men like James Mill, who were of the strictest sect of the classical school, as well as very pronounced opponents of every other form of socialism like Walras. The leading view of all these authors is a more or less emphatic statement

Private ownership of land.

that private ownership in land as such cannot be defended by all the economico-juridical arguments that tell in favour of private ownership of movable capital or personal property. And here various lines are taken: Samter urges that arable land only be held in common; others wish common ownership to include all manner of buildings; others combine the requirement of common ownership with a stipulation that there should be a

scheme of common cultivation undertaken by the State, and over against them stands a group,—who are a small minority,—requiring, as A. R. Wallace does, a blending of common ownership with individual exercise of proprietary rights under leases, by which lands are to be parcelled out in small and large divisions, and rented to the highest bidder. More important divergences are those arising from conflicting ideas of how existing rights of ownership are to be wiped out in order to make way for possession in common. Confiscation pure and simple is George's plan, expropriation with compensation is another advocated by Flürsheim. But there are differences here, some wishing to expropriate the whole title to the land, others only the unearned increment (*rendita futura*). Conflicting views.

An Essay on the Right of Property in Land. 1782. Published anonymously, but written by W. Ogilvie. Reprinted under the title of *Birthright in Land*, by C. MacDonald. London, 1891.

Herbert Spencer, *Social Statics.* 1850.

Fr. Schäffele, *Inkorporation des Hypothekencredits.* Tübingen, 1883.

Ad. Samter, *Das Eigenthum in seiner socialen Bedeutung.* 1878.

A. Russell Wallace, *Land Nationalisation, its Necessity and its Aims*, 1882. New edition, 1892.

S. W. Thackeray, *The Land and the Community.* 1889.

M. Flürscheim, *Der einzige Rettungsweg.* 1891.

Hertzka, *Die Gesetze der socialen Entwicklung.* 1886.

W. H. Dawson, *The Unearned Increment.* 1890.

Integral socialism is the prevailing form of socialism to be met with now, and its especial representatives are Winkelblech and Rodbertus, although they neither of them took any part in party movements towards overt agitation, and Marx, of whom the same cannot be said. Karl Georg Winkelblech (1810-65) was a technologist and a professor of chemistry, and under the Integral socialism.

pseudonym of Marlo he began a learned work of historical criticism dealing with economic institutions and ideas, which, if only he had lived to complete it, was to have ended with an elaborated scheme for the reform of the present social system. This existing system he not only convicted before the bar of the law as involving a constant violation of its own leading principles, but also branded on behalf of the producing classes as traversing their interests when those interests were restated and put in their true light. Rau and Roscher both cite from Winkelblech's book, but nevertheless it had no appreciable influence upon contemporary thought until Schäffle promulgated in 1870 his extravagant praise of it. This caused it to be reprinted, and attracted attention from a number of specialists. Up to the time of the French Revolution our author argues that force or "monopolism" ruled absolute; then it was supplanted by the liberalism which rules to-day, and is now threatened by communism. Now, liberalism and communism are two extreme doctrines which Winkelblech wishes to bring on to a middle ground of harmony and moderation. Liberalism knows nothing but the negative idea of unlimited competition, and is, in fact, an atomistic phase in economics, which out of the ruins of aristocracy has constructed plutocracy—a monopoly exercised by large capitalists to the destruction alike of small *entrepreneurs* and of the wage-earners. Turning to communism, our author accuses it of falling down before a graven image, which is nothing more than a blundering combination of the facts that constitute real equality. Communism, accordingly, is more or less like a machine, and would lead, with its cut-and-dried notion of a distribution according to needs, to the worst of all monopolies, that of laziness. There is, he argues, one and one only rational combination of true liberty with true equality, and this is in what he calls the federal system, with the proviso that all the political associations of this phrase be removed. This

Winkelblech on monopolism, liberalism, and communism.

Liberty and equality.

federal scheme is a collectivist organisation of the most uncompromising kind, to be set to work by societies of working-men, which must be organised by the State. The first necessary provision in their organisation is the setting aside of a certain fund to provide the minimum necessary for supporting life in all members; but, that once provided for, the sum of the common earnings should be subdivided on the basis of the contribution actually made in each individual case, and apportioned accordingly. One thing calls for commendation in Winkelblech's scheme: he never blinks the great difficulties staring in the face of every proposer of socialism, no matter what shape he may give to it, and those difficulties are the insufficiency of production for the purposes contemplated, the dangers of an excess of consumption, and of the indefinite increase of population. But although our author has a well-founded appreciation of all these difficulties, he is equally remarkable for his ill-founded faith in the remedies proposed by himself, which are an universal obligation to work, together with laws restricting marriage and sumptuary rules to keep down luxury.

Scheme of federal socialism.

K. Marlo, *Untersuchungen über die Organisation der Arbeit oder System der Weltökonomie.* Kassel, 1850-59; second edition, Tübingen, 1884-85. 4 vols.

Karl Rodbertus (1805-75), surnamed Jagetzow, from a farm which he owned, was misunderstood by Dühring and Eisenhart, attacked by Held, belittled by Roscher, praised by Rodolf Meyer and the social conservatives, and still more by Wagner and the State socialists. Rodbertus was in parliamentary life for a couple of years, and for a very few days he was in the government. In politics he was a Conservative, though a socialist in economics, but a socialist not to be lured into the paths of social democracy even by such ardour and enthusiasm as Lassalle's. His researches were conscientious as well as learned and competent,

Rodbertus a socialist conservative.

and on them were based a series of monographs dealing more particularly with the economic institutions of Rome; they had one serious defect, however, due to his extraordinarily inefficient mode of expression. Over and above these writings, Rodbertus made several attempts to sketch out a philosophy of the history of economics, upon which he attempted to base in his *Die Forderungen der arbeitenden Klasse* a plan for present reform whose main features can be read between the lines of his special treatises. This last-named work came out in 1837, and has been most diligently analysed by Dietzel, but it will always remain a trying and tortuous task to find the right bearings in any attempt to follow Rodbertus through the labyrinthine mazes of his plan. He is unfortunately always doing two things, and it is impossible to be sure in any given case which he is at; whether, that is to say, a given proposal is to be fitted in with his scheme for immediate or for ultimate reform. There is in his mind an ideal of absolute collectivism which can only be realised five or six centuries hence. But, if you read between the lines, —for the distinction is nowhere laid down in the work,— this ideal seems to be sharply distinguished from a certain modicum of alteration, for carrying out which measures should instantly be taken. Among the reforms dreamt of by Rodbertus there were partial ones affecting land tenure and land rents, involving the supersession of existing returns upon capital invested in land by a perpetual obligation to pay a fixed rent. There were also more sweeping and general reforms which he proposed, and in which he embodied the reorganisation of production required by the conditions in which working-men lived. Rodbertus was possessed by the notion of an organism for the model State, having imbibed it from Hegel and Schelling, who thus confirmed him in antagonism to individualism. He was for entrusting public authority with the execution of economic reforms, inasmuch as no individual could be more than an organ or a member of

Immediate and ultimate reforms.

the body politic. Only by State action could there be a legal transition to some reordered condition of things where free competition should be so checked and balanced as no longer to cut down from day to day the workman's allotted share in the earnings of his toil. He demanded that the reward of labour should not be lessened as various improvements made it more and more efficacious, and the State was therefore to establish a regular proportion taken out of the sum total of industrial earnings, which was to be assigned to the working-men; the State was also to fix the normal number of hours for work in various branches of industry, and the normal product to be required for a day's work. On such a basis as this a constantly shifting tariff of prices for merchandise and for productive services was to be drawn up, and little by little metallic money was to be superseded by assignats bearing as their face value so and so many days' labour. These were to be issued by way of loan to the *entrepreneurs*, who were to pay their workmen with them. The workmen could then take this currency to established State storehouses, and thence draw a quantity of articles which they needed, the quantity being determined by the useful labour which they had performed.

State action.

Shifting tariff of wages and prices.

Thus it appears that Rodbertus had his labour for his pains when he built up his elaborate philosophic and erudite scaffolding. He took for granted a progressive decrease in the proportion of wages to earnings, an assumption quite as gratuitously erroneous as Carey's and Bastiat's opposite one that this proportion was necessarily an increasing one. Indeed, after all has been said that philosophy can invent or learning can discover, Rodbertus ends with propositions differing from those of Owen and Proudhon only by being more complicated. The sum and substance of the whole scheme is a tyrannical and ineffectual tariff framed by Government authority and attached to all merchantable goods and all labour performed. This tariff could have

Rodbertus' gratuitous assumptions.

no effect at all different from the *assignats* and the "maximum" of the French Revolution. This being quite the whole of the results attained, the enthusiasm of Wagner is strange when he proclaims Rodbertus to be the Ricardo of socialism.

Rodbertus, *Zur Erkenntniss unserer staatswirthschaftlichen Zustände*, 1ste Heft. Neubrandenburg, 1844. *Sociale Briefe an v. Kirchmann*, i.-iii. Berlin, 1850-51. The second and third letters were reprinted under the title *Zur Beleuchtung der socialen Frage*, 1875. *Zur Erklärung and Abhülfe der heutigen Kreditnoth des Grundbesitzes.* Jena, 1868-69; second edition, 1876. "Der normale Arbeitstag," extracted from the *Berliner Revue.* Berlin, 1871. Reprinted in the *Zeitschrift für die ges. Staatswiss.*, 34 Jahrg., 1878, pp. 322-367. *Briefe und socialpolitische Aufsätze.* Berlin, 1882. *Das Kapital. Vierter sociale Brief an v. Kirchmann.* 1884.

See also Ad. Wagner, "Einiges von und über Rodbertus," in the *Zeitschr. f. die ges. Staatswiss.*, 1878, pp. 119-236. Th. Kozak, *Rodbertus Jagetzow's socialpolitische Ansichten.* Jena, 1882. G. Adler, *Rodbertus der Begründer des wissenschaftlichen Sozialismus.* Leipzig, 1884. A. Menger, *Das Recht auf den vollen Arbeitsertrag*, edition of 1886, pp. 79-96. H. Dietzel, *Karl Rodbertus*, parts i. and ii. Jena, 1886-88; W. H. Dawson, *German Socialism*, London, 1891, pp. 61-90.

Karl Marx was born at Trèves in 1818, and was exiled first to Paris, then to Brussels, and finally for many years to London, where he died in 1883. He united in his person the most conspicuous gifts of the man of science and of the sectary.

Marx had a powerful mind, and he also had a profound acquaintance with the economic literature of preceding times, most especially with English writers. He was equipped with a power of argumentation

always subtle and too often sophistical. In his uniformly obscure and sometimes unintelligible style, he has recorded certain aspects of the abstrusest problems of pure science with constant references to original texts. These last are so skilfully managed that, for blind followers, they amount to irrefutable documentary evidence in favour of his arbitrary interpretations of history and of his dogmatic affirmations touching pure economics. Barring every religious preconception, and all legal objections, Marx undertakes to demonstrate that economic evolution inevitably takes the path which leads towards collectivism. But for all that there was no call for the revolutionary methods of which Marx, as a popular agitator, was so energetic an advocate. Leaving out of consideration certain minor productions of his, where he shows now and again the influence of the English socialists above mentioned, as well as of Proudhon, there may be found in an acrimonious war of words which he waged against this very Proudhon in 1847 our author's whole notion of economics, which was more broadly and fully developed in his most important work. The first chapters of this he published as early as 1859, though in a form rather different from its final one, and with the accompaniment of very full bibliographical annotations.

Obscurity of Marx.

Collectivism and evolution.

Marx and Proudhon.

K. Marx, *Misère de la philosophie, Réponse à la Philosophie de la misère de M. Proudhon.* Bruxelles, 1847. (Translated into German by Bernstein and Kautsky. 1885.) *Zur Kritik der Politischen Oekonomie,* Erstes Heft. Berlin, 1859. *Das Kapital,* 1r Band. *Productionsprocess des Kapitals.* Hamburg, 1867; fourth edition, by F. Engels, 1890. 2r Band. *Circulationsprocess des Kapitals.* 1885.

See also G. Gross, *Karl Marx.* Leipzig, 1885. G. Adler, *Die Grundlagen der Karl Marx'schen Kritik der bestehenden Volkswirthschaft.* Tübingen, 1887. C. A.

Verrijn-Stuart, *Ricardo en Marx*, 1890. (A good summary of the views of Marx may be found in Cathrein's *Der Socialismus*, fifth edition, 1892, pp. 12-29.)

Marx a materialist; his philosophy of history.

A materialistic philosophy of history based exclusively upon economic principles is the foundation of Marx's system, and with this philosophy he explains any and every turn in politics by referring to the ceaseless mutations in the processes of production and circulation. Upon these mutations in turn depend corresponding transformations of the established distribution of wealth. In order to grasp the law governing the evolution of production and of markets it is necessary to go back to the theory of surplus value (*Mehrwerth*), which alone accounts for the aggregation and increase of capital.

Marx criticised.

There have been not a few attacks made upon Marx's theory of value from various points of vantage occupied by Strassburger, Knies, Böhm-Bawerk, and others, and the gulf between it and Ricardo's views on the same subject has been revealed by Verrijn-Stuart. The starting-point with Marx is Adam Smith's proposition that the only cause and the only measure of value for any and every form of production, must always be the quantity of labour involved in the process of producing it. Hence Marx lays down that labour is the substance, as it were, which takes shape as value in various productions. Now the *entrepreneur* buys from the workmen, whose position deprives them of all ownership in the means used for production, not the thing produced, but only the energy of their working-power—their *Arbeitskraft*—and so, because of the superiority of his position, gets from their working power far more than the strength needed to produce the means for their bare subsistence. This leaves a margin of profit far larger than that obtainable in ordinary bargaining, where there is identity of value in the merchandise of various kinds which are ex-

changed. The surplus value thus pocketed by the *entrepreneur* constitutes capital, by furnishing him with means for new accumulations, and these, under the influence of competition among the *entrepreneurs*, lead to a gradual and rapid concentration of all production in a more and more restricted number of large workshops where, advantage being taken of the division of labour and of machines, the formation of a proletariat is promoted. Pauperism is thus rendered inevitable by the creation of a reserve force of unemployed workmen, who stand ready always to bring down the wages of the employed and to precipitate periodic crises in industry which become more and more inevitable. Fortunately, however, the progress of capital contains the germs of its own destruction. The hour is sure to strike when the mass of working-men whose liberty is as yet only a matter of form, and who are really overwhelmed by misery, will burst the chains that bind them down, and will expropriate their expropriators. From that hour production will only be possible by co-operation among workmen, and this will amount to an organised state of democracy for production which will be converted partly into capital, and will partly be distributed among the working-men as their own freehold property. During the period coming directly after the emancipation of labour from the tyranny of capital by revolutionary methods, the distribution of earnings will be in proportion to each individual's contribution of labour, and the measure of value used will be a produce-unit measured by the length of the work bestowed upon its production. And thus we have in this transitional stage, where class differences of all kinds have been suppressed, an unequal distribution of goods. But the final stage will come which is to be definitive, and then all distinctions between mental and muscular work will fall away; labour will be regarded as a necessity and not as a grievous burden, and the full equality of every man to his neighbour will be

Surplus value and capital.

The emancipation of labour.

recognised. Then, and then only, can absolute justice be done; then, and only then, can all work be assigned according to the worker's capacity, while all remuneration is allotted according to his needs.

Marx and practical politics.

Marx was not a revolutionist in the same sense that Lassalle was, for he was cold, cynical, and not to be moved by patriotism. He was capable of feeling scorn for those who shared his own uncompromising views, and even for his fellow-workers. His maiden effort was the "Communistic Manifesto," which he prepared in conjunction with Friedrich Engels. In 1864 he founded the International Working-Men's Association, and was for a long time its moving spirit. Indeed this organisation survived, though under another name, the schism brought about in 1872 by the Nihilistic anarchist Bakunin. It was, in fact, this powerful association, under its new name of social democracy, which embraced the more moderate programme of the supporters of Lassalle, and proclaimed first in the Congress assembled at Gotha in 1875, and then more plainly still in the recent one at Erfurth (1891), its adhesion to the theories of uncompromising collectivism. These theories are much in vogue throughout Germany at the present moment, where Engels, Liebknecht, and Bebel speak for them. Similar ideas are advocated by Paepe in Belgium, by Nieuwenhuis in Holland, by Guesde Lafargue, and, though not on the same lines at all, also by Malon in France, and by Hyndman and Gronlund in England and America respectively.

The Gotha Congress.

Fr. Engels, *Die Entwickelung des Sozialismus von der Utopie zur Wissenschaft.* 1883. Third edition.

Liebknecht, *Was die Sozialdemokraten sind und sein wollen.* 1891.

A. Bebel, *Unsere Ziele.* 1875. Fifth edition. *Die Frau,* etc. 1892. Fourteenth edition.

H. M. Hyndman, *The Historical Basis of Socialism in England.* 1883.

L. T. Hobhouse, *The Labour Movement.* London, 1893.
L. Gronlund, *The Co-operative Commonwealth.* Fourth edition, 1892.
B. Malon, *Le Socialisme Intégral.* Second edition, 1892.
Précis historique, critique et pratique du socialisme. 1892.

Italy, though it has an active socialistic agitation carried on even in its periodical literature, cannot boast of any really competent champions of socialistic theory. Those who would pass themselves off as such are mere literary men and journalists, and all they accomplish consists in holding conferences, translating socialistic pamphlets from the French, or articles written by German socialists. They busy themselves impartially in dealing death-blows to the representatives of constituted authority, and in devising a very outspoken exchange among themselves of certificates of celebrity, with which it is their simple-hearted custom to provide their personal friends, who wage meanwhile the wars of political radicalism.

Incompetence of Italian socialists.

But this chapter must not close without giving a full measure of praise to Nitti, who has begun in a learned and fascinating book the labour of minutely criticising all the various forms of socialism.

Nitti on socialism.

Franc. S. Nitti, *Il socialismo cattolico.* Second edition. Turin, 1891.
See also A. Bertolini, *Cenno sul socialismo contemporaneo in Italia.* Florence, 1889.

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