

SCIENCE.—SUPPLEMENT.

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CHANGE IN THE TENETS OF POLITICAL ECONOMY WITH TIME.

"IT is incontestable," says Comte, "that continuity and fecundity are the least doubtful symptoms of all truly scientific conceptions. When each new work on political economy, in lieu of presenting itself as the spontaneous sequence and gradual development of previous works, has an essentially personal character according to its author, so as to repeatedly put in question the most fundamental notions," then we can rest assured that we are not dealing with a science properly so called.

It is not the intention of the present paper to combat this statement in its entirety; for the maturer judgment of the scientific world has convicted Comte of a gross misconception as to the nature of economics. But one charge must be met,—a point that contains the very marrow of the new movement in political economy. What Comte predicated of sociology, but denied in speaking of political economy, and what many of the older school then, as now, often disregarded, is the essential interrelation between economic theories and the changing external conditions of industrial life. The modern school, the historical and critical school, holds that the economic theories of any generation must be regarded primarily as the outgrowth of the peculiar conditions of time, place, and nationality, under which the doctrines were evolved, and that no particular set of tenets can arrogate to itself the claim of immutable truth, or the assumption of universal applicability to all countries or epochs. We do not wish to disparage the work of previous economists; but, just because of our belief in the relativity and continuity of economic doctrine, we are compelled to regard much of what was at the time comparatively correct and feasible, as to-day positively erroneous and misleading. We maintain that Comte's criticism is specious and shallow; we hold that there is a well-defined thread of continuity and gradual development in the history of economic doctrines; and we assert that each period of economic life must be treated by itself, both in regard to the truth or falsity of the doctrine itself, and in regard to the applicability of the particular theory in question. Let us, then,

first give a short sketch of the history, and then draw our conclusions.

1. The science of political economy in its present form is essentially a creation of modern thought. The conditions that have given rise to its birth are peculiarly the development of the last few centuries. Classic antiquity can indeed show us several writers on economic topics; but a complete science, as we understand it, was an impossibility, because the whole environment was of a nature to preclude speculation of this kind. The one great fact which pervaded the whole national life in Hellenic antiquity, for instance, was the institution of slavery. In Greece the home of almost every rich freeman was a great complex. He owned the land, the house, the slaves; and he produced at home, on the premises, all the necessary articles of consumption, which again, in cases where exchange was desirable, were taken to market by his own slaves, and sold as his own property. This complex of possessions was called in Greece *oikos* (originally, 'a house'), and the word 'economics' (*oikos* and *nomos*, 'rule') primarily denoted the method of managing this property, thus including domestic as well as political economy. But there was no fundamental distinction between real and personal property, between movables and immovables, between land and capital, as in modern times, because the same individual always owned both. There was no distinction between labor and capital, because labor was regarded as a part of capital, because the laborer was property, because the slave was put in the same category as land and other commodities. Land-owner, capitalist, employer of labor, who are to-day sharply distinguished in production, were thrown into one in antiquity. The slave being a part of this complex, no independent theory of wages could arise, since there were no wages; the land-owner being the capitalist, no theory of rent could arise; the capitalist being the employer of labor and the transporter of goods to market, no theory of interest and profits, no conception of wages of superintendence as a separate share in distribution, could arise. The *oikos* is therefore a fact of the most fundamental importance in Greek life, and furnishes the clew to all the theories of Aristotle and Xenophon, which, without it, are incomprehensible and seemingly illogical.

The second distinguishing mark of Greek life was the general conception of state. The present century is the age of individualism: the Hellenic epoch

was what might be called the age of collectivism. There the state reigned supreme: the individual as such was swallowed up. His time, his property, his life, belonged in the last instance to the state, which might demand it at any time. The only occupation worthy of a full citizen was that of attending to public affairs. Statecraft and politics, athletics and military exercises, engrossed the chief moments of every Grecian, and left him neither time nor inclination for the pursuit of manual labor. This conception of the state was perhaps carried to an extreme in Sparta, where, as is well known, the meals were eaten in common, the children educated together under the superintendence of the state, and the marriage relation subordinated to considerations of imagined political necessity.

In Rome the matter was not far different. The economic conditions were for many centuries essentially the same as in Greece, and the ideas, even as advanced in the code of Justinian, bear evidence of the incomplete development of economic theory. Slavery, the low estimation of manual labor, and imperial absolutism, were the distinguishing characteristics of national life; and under such conditions a science in the modern sense was rendered impossible. The Romans, however, had their physiocratic school, during the empire, in the shape of the agrarian writers, — *scriptores de re rusticâ*, such as Varro, Columella, etc., — who attempted to stem the tide of national decay, and to recall the Romans to a sense of their former strength, by sounding the praises of agriculture, and by proving the economic as well as moral shortcomings of the system of servile labor.

2. The growth of the Christian church—the substitution of a great monotheism for the numerous polytheisms of antiquity; the change from the old cults, which were but national religions or consecrations of the national idea, to the new worship, which was international, not national, and intended to embrace all humanity—brought in its train the most cardinal changes. This is, of course, not the place to recount the changes produced in economic relations by the church teachings: it will suffice barely to mention the total alteration in the treatment of the poor, the improvement in the condition of woman, the conception of the dignity of labor hand in hand with the institution of holidays for the workmen, and the efforts for emancipation of the slaves. The patristic authors even went so far as to preach practical communism, although their object, far from being that of inciting the rabble to resistance, or of sowing the seeds of discord, was simply to recall the wealthy to a sense of their own obligations, to preach the gospel of fraternal love and

charity, to remove some of the hideous moral enormities with which the later imperial civilization was honeycombed.

But it was not until the scholastic age that any distinctive economic doctrines were formulated. The increase of industry and commerce in the eleventh and twelfth centuries, the rise of the municipalities and the growth of the town-guilds, craft as well as merchant, lent an increased impetus to the consideration of economic topics, — an impetus still further strengthened by the discovery and annotation of Aristotle's 'Politics and economics.' The subject of money, for instance, received a careful treatment, and the so-called Gresham's law was as well known to the authors of the fourteenth and fifteenth centuries as it is to-day. The two great doctrines, however, that dominated all mediæval economy, were those of usury and of reasonable price. The prohibition of interest was founded, not on Aristotle's plea that money was barren, nor even, except at the very first, on the injunction of St. Luke, *Mutuum date, nihil inde sperantes*, but on a complicated and artificial legal distinction, drawn from the Roman law. The theologians based themselves on the glossators and legists, and the wordy strife about 'fungible' and 'consumptible' things continued for several centuries, until finally settled by Salmasius, Turgot, and Bentham. But the doctrine influenced all mediæval speculation: it was applied not only to loans, but to transactions of all kinds; it was the pivot about which the theories of price, of exchange, of banking, and of trade, swung; and an acquaintance with its provisions is indispensable to a correct comprehension of mediæval economic life.

Of still greater importance, however, was the doctrine of *justum pretium* ('reasonable price') as expressed in the writings, and exemplified in actual life. The middle ages were a period of customary, not of competitive prices; and the idea of permitting agreements to be decided by the individual preferences of vender or purchaser was absolutely foreign to the jurisprudence of the times. The 'higgling of the market' was an impossibility simply because the laws of the market were not left to the free arbitrament of the contracting parties. Under the supposition that the interests of the whole community would be best subserved by avoiding the dangers of an unrestricted competition, the government interfered to ordain periodical enactments of customary or reasonable prices — reasonable, that is, for both producer and consumer. Tabulated tariffs and official regulations of all things, from beer to wages, filled the statute-books; and it would have seemed preposterous for the producer to ask as much as he

could get, or, on the contrary, to demand less than his neighbor, and thus undersell him. The great offences of mediaeval trade in England, for instance, were regrating, forestalling, and engrossing, — buying in order to sell at enhanced prices, intercepting goods on the way to market to procure them more cheaply, and keeping back wares purchased at wholesale in order to strike a more favorable bargain subsequently. But, above all, great solicitude was shown for the interests of consumers, and every precaution was observed to preclude the possibility of overreaching the public. It was deemed of paramount importance to watch over every stage of production; and the whole institution of craft-guilds was nothing but an adjunct to the municipal administration in the endeavor to attain this end. Erroneous and misguided as was some of this legislation, there is no doubt that it was the outgrowth of moral ideas, and to a certain extent justified by economic necessities. *Iustum pretium* was the manifestation of a great moral principle, and until the decay and disintegration of the guild system, through the growth of competition and the development of a distinctively capitalistic class, set in, the mediaeval doctrines and institutions were undeniably well suited to the exigencies of economic life.

3. The so-called mercantile system was simply the manifestation, in one particular direction, of the general mediaeval conception of national polity. The commonly accepted notions of its teachings form nothing but a distorted caricature, and it would indeed be surprising if a set of ideas upheld by the leading minds for many generations should be such a tissue of absurdities as some would have us believe. The earliest writers, such as Bodin in France (1578), and Stafford in England (1581), had their attention called to the general disarrangement of industry and prices, caused in great part by the influx of bullion from America and by the gradual development of competition, as against custom. Their ideas, as expanded in the seventeenth century by English and continental economists, were simply to foster industry, to increase population, and thus to bring about a general prosperity. The great writers of the times never entertained such an absurd idea as that wealth consisted of money; they, indeed, had a somewhat exaggerated opinion of money as an evidence of national prosperity, and some of them laid undue weight on the importance of the 'balance of trade' argument: but their ultimate aim was national aggrandizement through industrial as well as commercial supremacy. The economic policy of Colbert, of Frederick of Prussia, does not at all correspond with the accounts

usually advanced, and was in reality dictated by considerations of the highest statesmanship, and in many respects eminently well fitted to the necessities of the period. The prominent English writers of the seventeenth century, such as Child, Petty, North, Locke, etc., entertained opinions on the subject of international trade, which closely approximate to the principles laid down by Ricardo and Cairnes in this century. Their ideas on the nature of national wealth, moreover, were in the main correct; and they perceived and explained with lucidity the shortcomings of the industrial system, which was then gradually becoming unsuited to the altered conditions of the period. The English authors struggle for free trade, in the sense of freedom of exportation; the Italian Serra (1613) invokes the principle of 'liberty of contract'; the Frenchman Montchrétien (1615) does not think of subordinating agriculture and industry to commerce.

The mercantile system, even in its crudest form, showed that statesmen and authors began to form some conception of a national economy. Practical economic systems can never be entirely divorced from political considerations; and it is these political considerations alone which enable us to understand some of the fundamental mercantilistic notions, such as the desire for increased population or the 'balance of power' argument. The mercantile system formed a fitting pendant to the political attempts of the absolute monarchy, which the new political science has taught us to regard not only as a necessary, but as a most salutary, step in the advance from mediaeval feudalism to modern constitutionalism. The doctrines themselves underwent a gradual modification, and in their final form simply taught that the real advantage lay in the stimulation of production and the greater activity of industry. The mercantile system had, at the time, undeniably a certain historic justification.

4. In the eighteenth century, however, the system, with its restrictive measures and its illiberal policy of national exclusiveness, had become antiquated. Inquisitorial custom-houses and tariff wars were multiplied; industry was fairly throttled by minute regulation of details: in France alone four large quarto volumes were filled with complicated, unintelligible, and contradictory regulations of manufactures. The confusion was heightened by the excesses of the monopolistic companies and the degeneration of the craft-guilds, which now, far from being welcome auxiliaries to the municipal administration, had become oppressive, exclusive bodies, with an hereditary, caste-like organization. What wonder, then, that a sect of men should arise who

sought refuge from this intolerable pandemonium of perpetual interference in the soothing doctrine of absolute liberty? The times were ripe for a reaction,—a reaction in every sphere of life, political, religious, economic. In politics this was ushered in by Rousseau, in philosophy by Voltaire and the encyclopedists, in economics by the advent of the physiocrats. The great significance of the physiocrats, as their name denotes, is the belief in the natural order of liberty; their tenets of *produit net* and *impôt unique* being subordinate doctrines, which grew out of their endeavor to rehabilitate agriculture, and bring the dissolute classes back to a sense of primitive simplicity. Just as the mercantilists had laid stress on the national element, applying the principles of domestic economy to political life, so, on the other hand, the physiocrats represented the universal, the cosmopolitan, the international view. In that confused progeny of stoic philosophy and Roman law as nurtured by the continental jurists and philosophers, and known as the law of nature, Rousseau found the life-blood of his *contrat social*, the support of his revolutionary theories. And the same misconception led Quesnay and Gournay to formulate the laws of industrial society as eternal and immutable truths, which it was the function of man to expound, but which it would be utterly impossible—or, if possible, utterly ruinous—to change or tamper with. *Laissez-faire, laissez passer*, is the key which unlocks all economic puzzles. The ‘be quiet’ system, as Bentham calls it, is the sole panacea for human ills, the only hope of social regeneration. Give free play to the natural laws of liberty and equality, and prosperity will soon shine in all its resplendence on the expanse of national life.

The great statesman and economist, Turgot, undoubtedly made a move in the right direction in the celebrated six edicts of 1776, which abolished the guilds and the *corvées*, and reformed the corn-laws. The *economistes*, indeed, were indefatigable in their opposition to the abuses of the powerful to the privileges of the few. In the place of restriction they demanded freedom, in the place of nationalism they demanded cosmopolitanism, in the place of paternal government they demanded individualism. In every respect the sheer opposites of their predecessors, the physiocrats, beyond all cavil, sounded the just note of discontent with prevailing theories and institutions, which had become utterly unsuitable and anomalous; but their enthusiasm for reaction made them overshoot the mark, and go to the other extreme. An excellent work was done in clearing up the old errors as to the function of government, but it is almost too much to expect

from the physiocrats the consciousness that they also were going too far. They could not be expected to foresee that the absolute reign of the ‘let alone’ system would produce, as it has done, evils almost as great as those against which they battled. Physiocracy was a timely and necessary movement. The ardor of its advocates in the search for economic laws enabled them to throw great light on the subjects of the division of labor, capital, wages, interest, and profits; and the only fault that can be found with them is, that, in unduly exaggerating the possibility of individual self-interest as an emanation of natural law, they laid the germs of a doctrine which was in future decades to prove an obstacle to a well-rounded social reform.

5. It is well known that Adam Smith, the greatest of all economists, owed much to the physiocrats, and that he was for some time a disciple of Quesnay. Many portions of the ‘Wealth of nations,’ in fact, are translations of and excerpts from the French writers; although Smith, of course, opposed their minor doctrines of the sole productivity of agriculture, and of the single tax on land,—a project which had already been formulated in the preceding century by John Locke. But Smith was far more than a slavish follower of the physiocrats. He took, indeed, many thoughts which he found in other authors, English as well as French; but he individualized their passing remarks, he placed them in such a connection that they became invested with a new significance, he clothed them in such a garb that they must henceforth be regarded as his own progeny. And this, after all, was a work of genius, for it is given to no man to be entirely original: every one is the product of the times, of the *zeitgeist*, and the ideas of the period are unconsciously reflected in the individual. So with the idea of liberty in Smith: he too was feeling the indefinable influence of the new current of thought, already partly expressed in Hume and Cantillon. Had he never seen the physiocrats, his ideas on liberty would have been the same, for both were an unconscious emanation of the spirit of the age.

Smith’s thoughts were formed on the very threshold of the industrial revolution. In 1758 James Brindley built the first canal between Liverpool and Manchester, in 1769 the barber Arkwright re-discovered Wyatt’s method of roller-spinning, in 1770 Hargreaves perfected the spinning-jenny, in 1776 Crompton patented his mule founded on the water-frame, in 1765 Watt discovered the use of steam as a motor power, and in 1785 Cartwright invented the power-loom. The house system of industry, which had supplanted

the hand system at the beginning of the eighteenth century, was now itself supplanted by the factory system. The conditions of English life were fast outgrowing the swaddling-clothes of official omniscience and governmental sciolism. In the town where Smith labored there were numerous protests, by individuals and by societies, against the antiquated policy of the government. It is not surprising, then, that, after a careful *résumé* of the shortcomings of the mercantilists' commercial policy and of the physiocrats' agricultural policy, Smith should have concluded with the celebrated passage, "All systems, either of preference or restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and his capital into competition with those of any other man or order of men."

And yet Smith was too broad-minded to hold this doctrine without any qualifications, for he possessed a far truer historical spirit than many of his successors. He upholds the navigation law of Cromwell as a measure of the wisest statesmanship; he defends the necessity of export duties in certain cases; he confesses that the interests of individuals "in any particular branch of trade or manufacture are always in some respects different from, and even opposite to, the interest of the public." It cannot be denied that Adam Smith's philosophy was to a great extent correct: his doctrines most clearly showed the impolicy of the combination laws, of the acts of settlement, of the statutes which fixed the rates of prices and wages. Smith's whole work consisted in pulling down the rotten fences which obstructed the path of the artisan, the farmer, and the merchant, and we of to-day cannot be too grateful for the salutary impulse he thus gave to all economics. But what was then good, is not necessarily good to-day. We must not make Smith responsible for the faults of his disciples. The 'Wealth of nations' was written at a time when there was need of such a reaction as it undertook to initiate. Before building the new, it is imperative to tear down the old, and Smith certainly succeeded beyond his anticipations in demolishing the old principles. But since his time new conditions have arisen. The factory system, then in its infancy, has revolutionized industrial life, and has brought in its train problems which scarcely existed in 1776. The machinery of commerce and transportation is vastly more complex, and cannot be regulated by any such simple methods of *laissez-faire* as were possible when Smith wrote.

It is, of course, not fair to take him to task for failure to perceive the consequences of his doctrines when applied under different conditions; but it is legitimate to protest against the acceptance, at the present time, of his views, in so far as they are one-sided and inadequate. Smith's work is by far the most important ever written in the science; but we must not, on that account, bow down blindly before its author, and meekly accept all his conclusions. Had we lived in 1776, we would certainly have been followers of Smith: did Smith live in 1886, he would no less surely have been in the vanguard of the new school.

6. On the lines thus marked out by the great Scotchman, Malthus and Ricardo continued the work. The one clarified all ideas on the subject of population, and threw light on some doctrines left obscure by Smith: the other sought to elucidate the complex problem of values, applying his peculiar theories to the law of rent,—of which he was the formulator, not the originator,—and being moderately successful in his treatment of currency problems. The outcries of late raised against the personal character of these two eminent economists are utterly groundless. Mackintosh expressly tells us, "I have known Adam Smith slightly, Ricardo well, Malthus intimately. Is it not something to say for a science, that its three great masters were about the three best men I ever knew?" And yet the exclusive predominance of abstract methods brought the two great followers of Smith to many faulty conclusions. In the case of Malthus, we have, as a result of his justifiable indignation against the poor-laws and the fantastic dreams of a Godwin, this curious spectacle. A benevolent clergyman, full of compassion and sympathy for the poor, feels himself impelled to declare that no possible efforts of government, no possible social movements or spontaneous plans to better their condition, can be of any avail. To the state he says, 'Hands off; ' to the philanthropists, economists, and statesmen he cries, 'All you can do is ineffectual; ' to the workmen themselves he declares, "Refrain from combination, the sole method of bettering your condition is to practise self-restraint." And in this remedy he himself puts little faith. The main causes of the distress he declares to be "to a great extent, and for a certain time, irremediable." And all this because of his firm belief in the natural laws, the immutable principles of an abstract political economy. Truly a sad spectacle, which would be absurd if it were not so sorrowful! It might be termed a philosophy of despair, a sad starting-point for nineteenth century economics. Fortunately modern investigation and recent events have proved the ground-

lessness of such a system of negation; they have shown that social reform is possible, and that rational improvement need not be checked by the bugbear of the wages-fund which Malthus and his followers set up as an absolute fact; they have demonstrated that other classes besides the workmen have duties to perform, and that the solution cannot be reached by declaring the laborers themselves the sole cause of all their own unhappiness and dissatisfaction.

Ricardo, again, with all his keen and penetrating analysis, based his apotheosis of free competition on insufficient foundations. The half-century that had elapsed since Adam Smith began his work, had converted the slow industrial change into a revolution. In the domain of international trade, indeed, the conditions had become peculiarly favorable for an application of Smith's doctrine, and Ricardo did an admirable work in paving the way for the anti-corn-law league of the forties. But the semi-metaphysical, the *a priori* element in the 'Principles of political economy and taxation,' produced a set of unreal and inapplicable conclusions. The theory of economic progress which formed the result of his labors is as unsubstantiated as it is pessimistic. Profits must fall, rent must rise, and wages must remain about stationary, not keeping pace, on the whole, with the advance of wealth and prosperity. In this there are some grievous misconceptions, not the least being the assumption of 'natural wages' and 'natural profits' varying in an inverse order to each other. But here, again, Ricardo is the child of the particular epoch in which he lived. His assertion that profits rise as wages fall, and *vice versa*, has lent the socialists of to-day the great argument of the necessary antagonism of capital and labor. Ricardo, curiously enough, passed over this, and drew the conclusion that the interests of laborer and capitalist are identical as against their common enemy, the land-owner. Wages and profits go hand in hand, opposed to the 'landed interest.' Who does not see that the peculiar conditions of England at this time were responsible for a theory which has lately been reformulated and exaggerated by George? Ricardo, indeed, was no enemy of the working-classes: his opponents, who term him 'a heartless worshipper of mammon,' 'the founder of the Hebrew-Caledonian school, thinking of nothing but the interests of money,' are, of course, guilty of an absurd exaggeration. Just because he wished for the welfare of the toiling masses, did he attempt to remove the obstacles in their path. He was an able advocate of the repeal of the combination laws in 1824. But his efforts were limited to removing the legislative obstacles:

he did not yet perceive the necessity of removing the obstacles that were growing out of the system of free competition itself. During the years in which he matured his conclusions, the evils of the factory system had not yet become thoroughly developed or widely known. Ricardo's ideas were not yet entirely unsuited to the period, even though we of to-day must confess that his desire for abstract generalizations, founded on insufficient postulates, initiated a method of reasoning in economics, which led to many fruitless discussions and hair-splitting distinctions. We will not go so far as Jevons, in saying that "that able but wrong-headed man, David Ricardo, shunted the car of economic science on to a wrong line;" but we do maintain that his exclusive use of hypothetical methods—i.e., a system based on the hypotheses of natural law, coupled with a belief in the infallibility of self-interest—produced serious exaggerations and results, not in accord with the actual facts. Ricardo's theories are like rough diamonds, incrusting in dirt and sand; it is the duty of the economists of this generation to pare down and polish the edges, ridding them of their excrescences, disclosing in some instances the flaw in the jewel within, which renders it worthless, but showing in other cases that the core at least is sound, and capable of reflecting the light thrown on it by the lamps of recent experience.

The so-called orthodox school of England—McCulloch, Senior, James Mill, etc.—pursued an opposite course. Instead of clearing up, they increased the confusion; in lieu of modifying Ricardo's conclusions, they attempted to embed them more firmly in the unsubstantial foundations. One proposes to make of the science a mere 'catallactics;' another wishes to call it 'chrematistics,' a mere science of exchanges. All agree in venerating the absolutely immutable natural laws, which it is sacrilege to tamper with. The factory laws they deride; the trades unions they howl down; the growing abuses of the factories and the great corporations they have no eye for. "Labor is a commodity," they say: "if men will marry, and bring up children to an overstocked and expiring trade, it is for them to take the consequences. If we stand between the error and its consequences, we stand between the evil and its cure; if we intercept the penalty, we perpetuate the sin." They quote with approval Dignan's phrase, "To augment the annual production, to carry it as far as it can go, and at the same time to free it from all restraints,—that is the great object of government." No thought of any higher aims, of a more equitable distribution—simply the greatest possible increase of material commodities. And even the noble Cobden was

permeated with the narrow political philosophy of the time. But the labor question proved the rock on which the old school split. They lost supporter after supporter who saw the hollowness of the arguments, the inadequacy of the results. The professors and journals, in their very exaggeration of such opinions, began to be discredited. The science itself was fast losing its hold on thinking men, who were not satisfied with mere abstractions and what seemed to them practical obstructions to progress. The laborers looked upon economics as a science necessarily hostile to themselves; and this, too, notwithstanding the eloquent pleas of Bastiat, who attempted to prove that all interests are harmonious by natural law, and that it would be the height of folly to interfere with this beneficent progress. The economists were optimistic: the laymen grew pessimistic.

7. The first isolated mutterings of discontent came from France. Simonde de Sismondi already, in 1819, accused the orthodox school of "forgetting the men for the things; of sacrificing the end to the means;" of producing a beautiful logic, but a total forgetfulness of man and human nature. The positive side of Sismondi's arguments was, however, far less strong than the critical portion; and his protests, hence, fell on careless ears, although he led a small band of enthusiastic followers. Friedrich List, again, with his theory of nationality and of productive forces, did a good work in calling attention to the historic, relative element in all economic progress, but vitiated the effect of his 'national system' by turning it into an exaggerated plea for protection. The socialists, such as Weitling, Marlo, and Proudhon, uttered energetic and effective protests against the prevailing systems; and even in England able men like Thompson and Jones wrote large works to countervail the exaggerations of the orthodox school. But the new ideas first obtained a truly scientific basis about thirty-five years ago, when three young German economists — Roscher, Knies, and Hildebrand — proclaimed the necessity of treating economics from the historical stand-point. They initiated the new movement whose leading principles may be thus formulated: 1. It discards the exclusive use of the deductive method, and intonates the necessity of historical and statistical treatment. 2. It denies the existence of immutable natural laws in economics, calling attention to the interdependence of theories and institutions, and showing that different epochs or countries require different systems. 3. It disclaims belief in the beneficence of the absolute *laissez-faire* system; it maintains the close interrelation of law, ethics, and economics; and it refuses to acknowledge the adequacy of a scientific explana-

tion, based on the assumption of self-interest as the sole regulator of economic action.

An entirely new impulse was thus given to scientific research. Freed from the yoke of a method which had now become sterile, the new school, devoid of all prepossessions, devoted itself to the task of grappling with the problems which the age had brought with it. The amount of actual knowledge, historical and theoretical, imparted by Schmoller, Held, Brentano, Wagner, and the host of younger economists, cannot be underestimated or neglected by any student. In Italy the entirely new spirit infused into economics is attested by a number of able writers; and even England has not lagged behind in the work. With Fawcett and Bagehot the last important representatives of the old school practically disappeared; Mill himself had gone through an evolution, and was sincere enough to express his disbelief in the old economy, and to a certain extent in his own book; while Leslie, Toynbee, and our contemporaries, Marshall, Ingram, and Cunningham, are thoroughly imbued with the new ideas.

What, then, has this historical *résumé* established? It has proved, in the first place, the relativity of economic doctrines. To maintain that all previous generations and countries have erred, and that we alone possess the truth, is an egotistic assumption, based, moreover, on the untenable hypothesis of the identity of human nature and the similarity of outward conditions. Our economic system is not necessarily the only true one: there will be and have been as many systems as correspond with the current conceptions and institutions. Many of our economic ideas are based on the postulate of absolute right of property, or on the supposition of the necessary division of producers into employers and employees. And yet we know to-day that private property is not an absolute natural right, but that it is, on the contrary, a comparatively recent conception, an institution justifiable only on the grounds of expediency, and whose extent may be limited again by these same considerations of expediency; it is a question, not of right, but of arrangements which will inure to the greatest possible social prosperity. Again: the distinction between employer and employee is not a necessary one, inherent in the nature of things: the very basis of the mediæval guild system, in so far as it had a distinctive characteristic, was the identity of employer and employee, the amalgamation of capitalist and laborer in the same individual. How, then, can we speak of the unchangeable laws, good for all times and all climes? In antiquity we have seen an economic system based on the complex household and the undoubted omnipotence of

the state; in the middle ages we have found a civilization founded on the all-engrossing conception of *justum pretium*; at the beginning of the nineteenth century we notice a *régime* of pure individualism, of unalloyed free competition. Must we not confess the relative justifiability of the early municipal regulations of trade and industry, or the bullionist idea of hoards of precious metals, in a time when warfare was perpetual and bills of exchange unknown? The truly historical mind will acknowledge, with Adam Smith, the immense benefits of Cromwell's navigation act, but will rejoice, with Cobden, at the repeal of the corn-laws; he will praise, with Gournay, the attempts to unshackle industry, but will deplore Ricardo's opposition to the factory acts; he will applaud Bentham's demolition of the usury laws, but will realize the legitimacy of recent endeavors to avoid the unquestioned evil of absolute liberty in loans. He will, in one word, maintain the relativity of theory; he will divest the so-called absolute laws of much of their sanctity, and thus henceforth render impossible the baseless superstition that all problems can be solved by appeal to the fiat of bygone economists.

But, second, we must repudiate the assertion that the new movement is a German movement. The discontent with the continued application of antiquated doctrines made itself felt in the valley of the Po, in the heart of New England, and on the banks of the Thames. It is true that Germans happened to formulate the discontent more systematically at first; but the present movement would ultimately have attained the same proportions had Roscher and Knies never lived, just as Adam Smith would have expressed his ideas had the physiocrats never existed. The new school is the product of the age, of the *zeitgeist*, not of any particular country; for the underlying evolutionary thoughts of a generation sweep resistlessly throughout all countries whose social conditions are ripe for a change. The more extreme of the Germans, moreover, have themselves overshot the mark, have unduly undervalued the work of the English school, and have in their zeal too dogmatically denied the possibility of formulating any general laws.

Finally, we have established the continuity of political economy. The history of economics demonstrates how certain doctrines arose, developed in succeeding generations, and were ultimately overthrown, or, on the contrary, shown to be fundamental truths; how the teachings of successive schools or of individual writers developed the germ of scientific explanation, expanded the law and gradually stripped it of its inaccuracies and redundancies, until many of the complicated

phenomena were shown to be manifestations of distinct and well-settled principles. The doctrine of international exchanges underwent a progressive modification, from Hume, Smith, Say, Ricardo, Mill, to Cairnes and Roscher. The theory of the wages-fund, on the other hand, as formulated by Turgot, Malthus, Senior, and McCulloch, was discredited by Herrmann and Sismondi, until finally overthrown by Longe, Brentano, and Walker; and in like manner with every other principle. The new movement in political economy simply intonates this progressive continuity. It maintains that the explanations of phenomena are inextricably interwoven with the institutions of the period, and that the practical conclusions must not be disassociated from the shifting necessities of the age. We accept with gratitude the results of former economists, as containing much of what was true at the time; but we protest against the acceptance of all their principles as practical guides for the present generation. We use the preliminary results of former decades as forming approximately secure bases; but we desire to erect a structure more suitable to the exigencies of the present. The paramount question of political economy to-day is the question of distribution, and in it the social problem (the question of labor, of the laborer), — how, consistently with a healthy development on the lines of moderate progress, social reform may be accomplished; how and in what degree the chasm between the 'haves' and the 'have-nots' may be bridged over; how and in what degree private initiative and governmental action may strive, separately or conjointly, to lessen the tension of industrial existence, to render the life of the largest social class indeed worth living. This and the other complex problems of the present day cannot be solved by a simple adherence to the principles of a bygone generation. The tenets of a bald individualism have been placed in the scales of experience, and have been found wanting. The continuity of political economy inculcates the lesson, no less profound than salutary, that there still remains something to be learned, and much to be done, before its teachings can be accepted as the loadstars of the present generation, — a lesson whose recognition will preserve us from two violent extremes: that of falling into a state of quiescent conservatism, which regards all that is as good; or that of adopting the vagaries of the radicals, who look upon all that is as bad, and who consider the foundations of the science itself as unsatisfactory as the positive institutions. The continuity of political economy teaches, in other words, the golden mean.

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