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978-1-107-43313-7 - The Wisdom of the Wise: Three Lectures on Free Trade Imperialism

W. Cunningham

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THE RIGHT HON. R. B. HALDANE

AND

ECONOMIC SCIENCE.

The allegation that Tariff Reformers discard Economic Science altogether.

- I. The strength of the Classical Economists in clearness of thought.
- II. The defects of the Classical Economists in their treatment of practical problems.
- III. The possibility of progress in Political Economy as an empirical and historical science.

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THE House of Commons is an excellent institution when it attends to its own business, but it does not show to advantage when it assumes the right to give an authoritative explanation of current events. There was a curious instance at the beginning of last century, during the period when cash payments were suspended and the Bank of England was not under an obligation to meet its notes with gold. A Bullion Committee had been appointed to enquire into the state of the currency; they reported that the notes of the Bank of England were depreciated as a matter of fact, while they also pointed out the steps that were necessary for a restoration of the currency. But these proposals, which were unpalatable to the majority of the House, were defeated after a long debate. Not content with this victory, the Commons proceeded solemnly to give an authoritative—though entirely mistaken—explanation of the condition of

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the currency. Mr Canning pointed out that little weight would attach to this pronouncement¹, but the ministers were not to be gainsaid. As a writer on banking relates,—Mr Vansittart, “in the plenitude of his power and party strength and in the mere wantonness of tyranny, determined to drag the House through the lowest depths of ridicule and absurdity².” This incident does not stand quite by itself; perhaps the historian of the future may be inclined to criticise Sir Henry Campbell Bannerman’s determination to put on record the official opinion that “in the recent General Election the people of the United Kingdom have demonstrated their unqualified fidelity to the principles and practice of Free Trade.” We do not grudge the members of the Liberal party the pleasure of congratulating one another on their success; but we still remember that the total numbers polled show that a considerable percentage of the electors are dissatisfied with our present fiscal system. The Labour party, though they have no confidence in Mr Chamberlain’s proposals, occupy a somewhat detached position, for they refuse to pin their faith to the principles of Free Trade³. There were, moreover, some contests that were very significant, not only those where the judgment of bye-elections was reversed, but also

¹ This was especially true of the Third Resolution, 13 May, 1811. Hansard, xx. 95.

² McLeod, *Theory and Practice of Banking*, II. 53.

³ Mr Keir Hardie, M.P., *The Labour Party, its aims and policy* in *National Review*, Feb. 1906, p. 1006. Mr P. Snowden, M.P., in the House of Commons, *Times*, 13 March, 1906.

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those for the University seats,—Cambridge, Glasgow and Aberdeen, Edinburgh and St Andrews, and London. In all these cases, whether he was sitting member, or whether he attacked the seat, the Free Trader was defeated. Mr Strachey and Mr Murison may regret that they did not assault some other strongholds; Sir Michael Foster's eminent position in scientific circles did not save him; and Sir John Gorst, despite the support he received from the Cambridge University Free Trade Association and the strong college esprit-de-corps which rallied round him, was beaten by a handsome majority. There is some ground for saying that these elections go to show that Free Trade no longer satisfies the educated classes; they have not abandoned it, but they are not prepared to maintain it at all costs. They feel that the familiar formula is arid and uninspiring; and so, the blind confidence, with which Free Trade was accepted some few years ago, has been rudely shaken.

There is, however, one point that weighs with many men, and renders them disinclined to trouble themselves about the Fiscal Question. They suspect that, though the suggestion of Imperial Preference and Retaliation is plausible, it must somehow be unsound. They feel that it is a matter of extreme difficulty, since the argument turns on details with which they are unfamiliar and with the interpretation of statistics. Distrusting their own powers in the matter, they are inclined to attach great importance to the opinion of experts; and they know that the leading professors of Political Economy spoke strongly

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against the dangers of altering our present system in their manifesto to the *Times* in August, 1903. In spite, however, of the weight of the names attached to that memorial it can hardly be said that expert opinion, even in England, is unanimous on the subject. Among the best known economic works published during the last fifteen years have been Mr Booth's investigations into the conditions of London, Mr and Mrs Webb's *Industrial Democracy* and *History of Trades Unions*, and Mr Inglis Palgrave's *Dictionary of Political Economy*; and these authors have not endorsed this manifesto. We may note that the names of Professor Foxwell, the keenest student of the history of economic doctrine, of such statisticians as Sir Robert Giffen and Mr Schooling, of an historian like Prof. Ashley and of a sociologist like Mr Kidd are absent. My friends Professor Nicholson and Mr Bowley are distinguished by their vigour—both as writers and teachers; but with these exceptions it may be said that the economists who are best known for their literary activity as investigators have not associated themselves with the professors who are mainly occupied in expounding recognised doctrines.

The fact remains, however, that in the United Kingdom the most eminent professors and instructors are opposed to fiscal change. But after all, this is not conclusive; it frequently happens, in literary and artistic circles, that the members of some little coterie succeed in establishing themselves for a time as the arbiters of taste. They review one another's books,

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and appreciate one another's work, and create one another's reputations, till the public come to take them seriously. Intellectual sympathy in scientific pursuits is not so likely to lead to the formation of such coteries; but a group of this kind attained great importance in Paris, at a time when Adam Smith was living in that city. The Physiocrats, or Economists as they called themselves, had a good deal of influence on the fiscal policy of the day, but their reputation has not been very lasting. Adam Smith was rather contemptuous of a doctrine which existed "only in the speculations of a few men of great learning and ingenuity in France"; he did not think it worth while to expose the errors of this system at length. "As men are fond of paradoxes, and of appearing to understand what passes the comprehension of ordinary people, the paradox which it maintains concerning the unproductive nature of manufacturing labour has not perhaps contributed a little to increase the number of its admirers." "This sect," as he adds, "in their works, which are very numerous...all follow implicitly and without any sensible variation the doctrine of M. Quesnay...The admiration of the whole sect for their master, who was himself a man of the greatest modesty and simplicity, is not inferior to that of any of the ancient philosophers for the founders of their respective systems¹." M. Say condemns them more vigorously. "By their sectarian spirit, by the dogmatic and abstract language of most of their writings, by their tone of inspiration, they

¹ *Wealth of Nations*, iv. ix. p. 282.

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make it appear that all those who have investigated economic questions were impracticable dreamers¹." With this instance before us, we may be doubtful whether any group, however eminent, of teachers in England have really a right to speak for Economic Science as a whole, or whether they may not be merely a coterie like that of the French economists. When I had the opportunity of spending a little time in America, I found I had got beyond the sphere where the influence of this English school dominates; and the opinion of French and German experts should not be left out of account, if an attempt is made to express the judgment of Modern Economic Science on the points at issue. I do not pretend to say what the opinion of the whole scientific world may be; I think it quite likely that many foreign professors, unlike the English coterie, feel unable to pronounce on the subject off-hand, and prefer to study it first and write afterwards. But some of them have examined the question with care, and we know the results they have reached. There are two professors at Berlin, who belong to somewhat different schools of thought; but they have come to very similar conclusions on this matter. "If Mr Chamberlain attains his object," says Professor Schmoller, "especially in drawing Canada and Australia into closer relations with the mother country, he will have laid the foundations of English power anew²." Professor

¹ J. B. Say, *Discours Préliminaire to Traité d'économie politique*, I. p. lii.

² *Grundriss der Volkswirtschaftslehre*, II. 641.

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Wagner takes a similar view, though, unlike his colleague, he does not regard the prospect with complete equanimity, so far as German interests are concerned. He holds that "the carrying out of Mr Chamberlain's scheme would be exceedingly favourable for England¹." The approval which was given in anticipation by Dr Fuchs, who made a special study of the whole subject some years ago, is even more remarkable². On the other hand, M. Blondel, while he recognises how rapidly England is losing her industrial supremacy³, is doubtful as to the benefit of a change which he regards as imminent⁴.

Enough has been said to show that Economic Science, as cultivated throughout the world, is at all events divided on the subject. The plain man is hardly justified in accepting the opinion of the English academic coterie as final; he is called upon to try and consider, so far as he can, what their opinion on this question of practical politics is worth.

Free Traders have not only been inclined to shelter themselves behind this academic authority, but they have also attempted to raise a prejudice against those of us who are unconvinced by the Fourteen Professors, as if Tariff Reformers rejected scientific methods altogether. In the address on

¹ Preface to M. Schwab, *Chamberlain's Handels politic*, p. viii.

² *Trade Policy of Great Britain*, p. 388.

³ M. V. Bérard, another of Mr Chamberlain's critics, does not conceal his satisfaction over England's relative decline, *L'Angleterre et l'Impérialisme*, p. 380.

⁴ *La politique protectionniste en Angleterre un nouveau danger pour France*, pp. 63, 106.

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Modern Logicians and Economic Methods, which Mr Haldane delivered to the Scottish Society of Economists, he complains that "during the two years which have just gone past, a good many people have written, and still more have spoken" as if they imagined that "the characteristic categories of the old economists belong properly to the lumber room¹." Though he exempts me from this accusation, he still seems to think that the language which I used about the Classical Economists, in my address as President of the Economic Section of the British Association at Capetown², was unduly disparaging³. But the suggestion that we discard scientific treatment is a charge which we repudiate altogether; the matter is far too difficult to be dealt with properly by crude common sense, or in a dilettante fashion. We fully realise the importance not only of clear thinking, but of hard study as well. It is worth while to spend a little time in considering the lines on which such thorough investigation must proceed; and to try to see how far we should be content to follow the great writers of the past, and in what ways modern science may claim to have advanced beyond their standpoint.

I. In the paper from which I have already quoted, Mr Haldane has given us an admirable statement as to the great excellence of the Classical Economists.

¹ *Economic Journal*, xv. 502.

² *Journal of the Royal Statistical Society*, Jan. 1906.

³ "With deference to Dr Cunningham," he writes, "it is probable that the Classical Economists knew pretty well what they were about." *Loc. cit.* 501.