

## I. ECONOMIC HISTORY AND EMPIRICAL ECONOMIC SCIENCE

(1) Both economists and historians have drawn occasionally upon Economic History, but neither have considered it as more than subsidiary to the work in which they were specially interested, or recognised its importance adequately.

From its earliest inception Political Economy has welcomed Economic History in the capacity of a handmaid. Economics has been generally regarded as an empirical science, and economists have been ready to draw on the recorded experience of the past, though their main reliance has naturally been on contemporary evidence. As McCulloch says, "the economist will not arrive at anything like a true knowledge of the laws regulating the production, accumulation, distribution and the consumption of wealth if he do not draw his materials from a very wide surface. He should study man in every situation; he should have recourse to the history of society, arts, commerce and civilisation, to the works of legislators, philosophers and travellers, to everything in

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short that can throw light on the causes which accelerate or retard the progress of nations; he should mark the changes which have taken place in the fortunes and conditions of the human race in different regions and ages of the world; he should trace the rise, progress and decline of industry, and above all he should carefully analyse and compare the effects of different institutions and regulations and discriminate the various circumstances wherein an advancing and declining society differ from each other<sup>1</sup>.”

Adam Smith’s *Wealth of Nations* shows that his mind was saturated with history; and the eighteenth century writers on particular branches of Economics contributed substantial treatises such as Eden’s *State of the Poor*, and Anderson’s *Commerce*, which show how much they drew on the phenomena of the distant past in their efforts to understand the conditions of the present. Malthus’ *Essay on Population* contains a mass of information drawn from many places and ages, and Richard Jones, his successor at Haileybury, insisted that it was only by an inductive method that we could understand the nature of rent as actually paid<sup>2</sup>. The historical investigations of Tooke and Thorold Rogers, were specially directed to the

<sup>1</sup> McCulloch, *Principles*, p. 21.

<sup>2</sup> *An Essay on the Distribution of Wealth and on the Sources of Taxation*, 1831.

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history of prices. Fleetwood's essay<sup>1</sup> on this subject had been concerned with a modern problem and the interpretation of a statutory limitation in regard to the value of a benefice, but in the hands of later investigators the main interest seemed to lie in elucidating the conditions of bygone days, and getting clearer light on the habits and resources of men who lived in the distant past. Prof. Thorold Rogers<sup>2</sup> was specially taken up with the economic interpretation of Political History, and does not seem to have regarded the economic development of the country as itself deserving of systematic study.

Historians in the nineteenth century were, like the early economists, very ready to welcome the fresh light which might be drawn from Economic History. The stately writers, who regarded economic detail as unworthy of the dignity of History, were no longer dominant. Special chapters, which gave the essential setting of political events were commonly introduced; and popular writers were frankly jealous of the stress which had been laid on Military and Political History, and were anxious that the "real life of the people," in its economic as well as in its other aspects, should be a subject of study; but the ordinary reader finds

<sup>1</sup> *Chronicon Preciosum*, 1745.

<sup>2</sup> The importance for economic studies of the investigation of relative prices in the present and in the past is brought out by Prof. Nicholson, *Principles*, III. 65.

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more interest in the delineation of character and the explanation of policy, than in the recounting of schemes for the development of national resources.

There were also those who dwelt on the unity of History and who recognised that primitive man, in all places and times, had similar problems to face in his struggles with nature, and that there were interesting analogies in the different methods that had been adopted by different races for engaging in this struggle. Sir Henry Maine called attention to the *Village Community* as a wide-spread institution; and much interest has been found in noting how other races are passing through experiences that we have ourselves outlived. From these causes Economic History has been generally regarded as having closer affinities with History than with Economics, and it has been developed in directions which seemed to be more concerned with the pedantries of the past than with the problems of the present.

(2) This less friendly attitude has been specially adopted by those writers who regard Political Economy not as an empirical science, but as a branch of Social Philosophy<sup>1</sup>. The introduction of this habit of thought

<sup>1</sup> For a general criticism of the Social Philosophy which modern Political Economy takes for granted see J. Hutchison Stirling, *Secret of Hegel*, II. 541 f. For a brief criticism of its most recent form, see my *Christianity and Economic Science*, p. 90.

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was partly due to religious teachers; they felt that the principles according to which society was governed were the principles of Divine government. Thus President Weyland regarded science as “a systematic arrangement of the laws which God has established in so far as they have been discovered in any department of human knowledge. It is obvious on the slightest reflection that the Creator has subjected the accumulations of the blessings of this life to some determinate laws....Political Economy therefore, is a systematic arrangement of the laws by which under our present constitution the relations of man, whether individual or social, to the objects of his desire, are governed<sup>1</sup>.” A somewhat similar view was taken by Dr Chalmers, who found “a counterpoise to the laws of Nature in what may be termed the laws of Political Economy<sup>2</sup>.”

An impulse of a similar kind was given by the religion of Humanity, and the Social Philosophy of Comte. The influence of his writings may be traced in chapter after chapter of Mill's *Principles*; and though Mill continued to treat Political Economy as an empirical science<sup>3</sup>, he was conscious of the claims

<sup>1</sup> *Elements of Political Economy* (1837), p. 3.

<sup>2</sup> Chalmers, *Christian and Civic Economy of large Towns* (1821), III. 38.

<sup>3</sup> In his treatment of cottiers and metayers Mill was apparently influenced by Richard Jones, the great advocate of empirical study.

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of the new philosophy to constant consideration, and entitled his book *Principles of Political Economy with some of their Applications to Social Philosophy*. Economists appeared to popular apprehension<sup>1</sup> to lay undue stress on external conditions, and they certainly gave great prominence to the generalisations of empirical science. It was indeed recognised that the laws of distribution were really dependent on the changing conditions of society, but the principles of production appeared to have all the cogency of laws of the physical order. Economic laws came to be spoken of as formulating what is generally true in society, and as stating what becomes increasingly true as civilisation advances. As this habit of mind obtained a firmer and firmer hold, historical enquiries seemed to be of less importance: if Social Philosophy laid down laws which were universally true, the investigation of phenomena that could not readily be reduced to the realm of law was superfluous, and History was only worth referring to for the sake of illustrations of the principles which Social Philosophy had established<sup>2</sup>.

<sup>1</sup> See p. 113 below.

<sup>2</sup> The students of Economic History in the eighties were not content with the limited rôle which was thus assigned them. It is seldom worth while to go back on forgotten controversies, but the articles on "A Plea for Pure Theory" in the *Economic Review* (1892), and on the "Perversion of

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(3) This new departure in treating Political Economy as a branch of Social Philosophy was not merely antagonistic to the empirical study of the phenomena of the past, but has resulted in the entire re-casting of Political Economy as it had been hitherto understood. The subject matter of the science or art had been habitually confined to external phenomena that could be observed, and by reference to which our generalisations could be tested. Economics, as now re-cast, took internal conditions of motive and satisfaction as its subject matter; and the leading conceptions of the old economic writers were also modified. Economics could no longer be charged with ignoring human nature altogether, though there was no sufficient recognition of the varieties and the changes in human nature. Instead of regarding the conditions of Exchange as the main consideration, the new economists devoted themselves to an analysis of Utility; and while they gained some advantage in this new mode of statement and in the simplification of certain problems, they shifted the basis on which

Economic History," *Economic Journal* (1892), and *Academy* (Oct. 1, 1892), had an effect in securing freedom for economic research in connection with the Historical School at Cambridge. Since that date there has been no attempt to insist that the teaching of Economic History shall be governed by the desire to illustrate economic laws.

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the truth of economic principles had hitherto rested. Such an attempted revolution was not allowed to pass unquestioned; it had been already admitted<sup>1</sup> that economic doctrines, as stated by Ricardo, disregarded ordinary phraseology and had little to do with ordinary life, and social philosophers failed to recognise that this was a defect. The protest in favour of empirical study was waived aside by those who were treating Political Economy as a branch of Social Philosophy, as a mere whim of men like Schmoller and an advanced German School, which were "arrogant and exclusive in their pretensions<sup>2</sup>." But it might have been expected that English economists should at least take account of the criticisms which had been pronounced by anticipation, by one of the pioneers in

<sup>1</sup> McCulloch was probably the author of the critique on Jones's *Distribution of Wealth*, in which his objections to Ricardo are dismissed on the following grounds. "It will be sufficient to observe here that Mr Ricardo's book is one of principle only, and that it is not to be judged of by a merely practical standard....He was as well aware as Mr Jones or any one else that the rent, the origin and progress of which he had undertaken to investigate, was not what is commonly called rent." *Edinburgh Review*, LIV. 85.

<sup>2</sup> Keynes, *Scope and Method*, p. 26. This appreciation of Schmoller personally does not appear to be either well-informed or judicial. In any case a criticism is not necessarily to be ignored because of the eccentricities or unimportance of the persons by whom the criticism has been urged. Dr Marshall, *Economic Journal* (II. 508), 1892, and Prof. Pigou, *Morning Post*, 1 and 3 May, 1916, seem to have fallen into this mistake.

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presenting in a mathematical form the doctrines which had been generally accepted as part of the science of Political Economy. Whewell's first endeavours in this direction date as far back as 1829; he said, "I am aware that many may at first regard this endeavour as necessarily barren of any practical and rational results. And this opinion would be undoubtedly true if it were intended to make mathematical calculations supply the place of moral reasoning; or if it were maintained that we could by the use of algebraical symbols obtain any results of a nature different to those which we can obtain otherwise. It is not, however, with any such views that I now enter upon the subject. But I hope in the course of the following pages to make it appear that some parts of this science of Political Economy may be presented in a more systematic and connected form and, I would add, more simply and clearly by the use of mathematical language than without such help." "For my own part, I do not conceive that we are at all justified in asserting the principles which form the basis of Mr Ricardo's system, either to be steady and universal in their operation, or to be of such paramount and predominant influence, that that and other principles, which control and oppose them, may be neglected in comparison. Some of them appear to be absolutely false in general, and others to be inapplicable in

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almost all particular cases<sup>1</sup>.” Twenty years later he wrote, “It would, however, be to take a very erroneous view of the consequences of this application of mathematics to Political Economy, to suppose that it can add anything to the certainty of the fundamental principles. There is perhaps in some persons a propensity to believe that any subject, when clothed in a mathematical shape, acquires something of mathematical demonstrative character; and that by applying mathematics to assumed principles of knowledge, we in some measure create a science. I must beg leave very distinctly to repudiate all pretensions of this kind. By stating distinctly our fundamental principles, which such an undertaking as the present requires us to do, we may bring them more clearly under notice and examination than would otherwise be done; but we add nothing whatever to the evidence of the principles...<sup>2</sup>.”

“Mathematics,” he insists, “is the logic of quantity, and will necessarily, sooner or later, become the instrument of all sciences where quantity is the subject treated and deductive reasoning the process employed. I am, however, well aware, that the pretensions of Political Economy to such a

<sup>1</sup> Papers before the *Cambridge Philosophical Society*, March 2, 1829, p. 2, and April 18, 1831, p. 2.

<sup>2</sup> *Ibid.* April 15, 1850.