# OUTLINES

OF THE

# HISTORY OF POLITICAL ECONOMY.

## CHAPTER I.

### *INTRODUCTORY.*

In the present condition of Political Economy, the production of new dogmatic treatises on the subject does not appear to be opportune. There are many works, accessible to every one, in which, with more or less of variation in details, what is known as the "orthodox" or "classical" system is expounded. But there exists in England and other countries widespread dissatisfaction with that system, and much difference of opinion with respect both to the method and the doctrines of Economic Science. There is, in fact, good reason to believe that this department of social theory has entered on a transition stage, and is destined ere long to undergo a considerable transformation. But the new body of thought which will replace, or at least profoundly modify, the old, has not yet been fully elaborated. The attitude of mind which these circumstances seem to prescribe is that of pause and retrospection. It is thought that our position will be rendered clearer and our further progress facilitated by tracing historically, and from a general point of view, the

course of speculation regarding economic phenomena, and contemplating the successive forms of opinion concerning them in relation to the periods at which they were respectively evolved. And this is the task undertaken in the following pages.

Such a study is in harmony with the best intellectual tendencies of our age, which is, more than anything else, characterised by the universal supremacy of the historical spirit. To such a degree has this spirit permeated all our modes of thinking, that with respect to every branch of knowledge, no less than with respect to every institution and every form of human activity, we almost instinctively ask, not merely what is its existing condition, but what were its earliest discoverable germs, and what has been the course of its development? The assertion of J. B. Say[1] that the history of Political Economy is of little value, being for the most part a record of absurd and justly exploded opinions, belongs to a system of ideas already obsolete, and requires at the present time no formal refutation.[2] It deserves notice only as reminding us that we must discriminate between history and antiquarianism: what from the first had no significance it is mere pedantry to study now. We need concern ourselves only with those modes of thinking which have prevailed largely and seriously influenced practice in the past, or in which we can discover the roots of the present and the future.

When we thus place ourselves at the point of view of history, it becomes unnecessary to discuss the definition of Political Economy, or to enlarge on its method, at the outset. It will suffice to conceive it as the theory of social wealth, or to accept provisionally Say's definition, which makes it

[1] "Que pourrions-nous gagner à recueillir des opinions absurdes, des doctrines décriées et qui meritent de l'être? Il serait à la fois inutile et fastidieux." *Écon. Pol. Pratique*, IX^me^ Partie. The "cependant" which follows does not really modify this judgment.

[2] See Roscher's *Geschichte der National-ækonomik in Deutschland*, Vorrede.

the science of the production, distribution, and consumption of wealth. Any supplementary ideas which require to be taken into account will be suggested in the progress of our survey, and the determination of the proper method of economic research will be treated as one of the principal results of the historical evolution of the science.

The history of Political Economy must of course be distinguished from the economic history of mankind, or of any separate portion of our race. The study of the succession of economic facts themselves is one thing; the study of the succession of theoretic ideas concerning the facts is another. And it is with the latter alone that we are here directly concerned. But these two branches of research, though distinct, yet stand in the closest relation to each other. The rise and the form of economic doctrines have been largely conditioned by the practical situation, needs, and tendencies of the corresponding epochs. With each important social change new economic questions have presented themselves; and the theories prevailing in each period have owed much of their influence to the fact that they seemed to offer solutions of the urgent problems of the age. Again, every thinker, however in some respects he may stand above or before his contemporaries, is yet a child of his time, and cannot be isolated from the social medium in which he lives and moves. He will necessarily be affected by the circumstances which surround him, and in particular by the practical exigencies of which his fellows feel the strain. This connection of theory with practice has its advantages and its dangers. It tends to give a real and positive character to theoretic inquiry; but it may also be expected to produce exaggerations in doctrine, to lend undue prominence to particular sides of the truth, and to make transitory situations or temporary expedients be regarded as universally normal conditions.

There are other relations which we must not overlook in tracing the progress of economic opinion. The several branches of the science of society are so closely connected that the

history of no one of them can with perfect rationality be treated apart, though such a treatment is recommended—indeed necessitated—by practical utility. The movement of economic thought is constantly and powerfully affected by the prevalent mode of thinking, and even the habitual tone of sentiment, on social subjects generally. All the intellectual manifestations of a period in relation to human questions have a kindred character, and bear a certain stamp of homogeneity, which is vaguely present to our minds when we speak of the spirit of the age. Social speculation again, and economic research as one branch of it, is both through its philosophic method and through its doctrine under the influence of the sciences which in the order of development precede the social, especially of the science of organic nature.

It is of the highest importance to bear in mind these several relations of economic research both to external circumstance and to other spheres of contemporary thought, because by keeping them in view we shall be led to form less absolute and therefore juster estimates of the successive phases of opinion. Instead of merely praising or blaming these according to the degrees of their accordance with a predetermined standard of doctrine, we shall view them as elements in an ordered series, to be studied mainly with respect to their filiation, their opportuneness, and their influences. We shall not regard each new step in this theoretic development as implying an unconditional negation of earlier views, which often had a relative justification, resting, as they did, on a real, though narrower, basis of experience, or assuming the existence of a different social order. Nor shall we consider all the theoretic positions now occupied as definitive; for the practical system of life which they tacitly assume is itself susceptible of change, and destined, without doubt, more or less to undergo it. Within the limits of a sketch like the present these considerations cannot be fully worked out; but an effort will be made to keep them in view, and to mark the relations here indicated, wherever their influence is specially important or interesting.

The particular situation and tendencies of the several thinkers whose names are associated with economic doctrines have, of course, modified in a greater or less degree the spirit or form of those doctrines. Their relation to special predecessors, their native temperament, their early training, their religious prepossessions and political partialities, have all had their effects. To these we shall in some remarkable instances direct attention; but, in the main, they are, for our present purpose, secondary and subordinate. The *ensemble* must preponderate over the individual; and the constructors of theories must be regarded as organs of a common intellectual and social movement.

The history of economic inquiry is most naturally divided into the three great periods of (1) the ancient, (2) the mediæval, and (3) the modern worlds. In the two former, this branch of study could exist only in a rudimentary state. It is evident that for any considerable development of social theory two conditions must be fulfilled. First, the phenomena must have exhibited themselves on a sufficiently extended scale to supply adequate matter for observation, and afford a satisfactory basis for scientific generalisations; and secondly, whilst the spectacle is thus provided, the spectator must have been trained for his task, and armed with the appropriate aids and instruments of research, that is to say, there must have been such a previous cultivation of the simpler sciences as will have both furnished the necessary data of doctrine and prepared the proper methods of investigation. Sociology requires to use for its purposes theorems which belong to the domains of physics and biology, and which it must borrow from their professors; and, on the logical side, the methods which it has to employ—deductive, observational, comparative—must have been previously shaped in the cultivation of mathematics and the study of the inorganic world or of organisms less complex than the social. Hence it is plain that, though some laws or tendencies of society must have been forced on men's attention in every age by practical exigencies which could not be postponed, and

though the questions thus raised must have received some empirical solution, a really scientific sociology must be the product of a very advanced stage of intellectual development. And this is true of the economic, as of other branches of social theory. We shall therefore content ourselves with a general outline of the character of economic thought in antiquity and the Middle Ages, and of the conditions which determined that character.

## CHAPTER II.

### *ANCIENT TIMES.*

THE earliest surviving expressions of thought on economic subjects have come down to us from the Oriental theocracies. The general spirit of the corresponding type of social life consisted in taking imitation for the fundamental principle of education, and consolidating nascent civilisation by heredity of the different functions and professions, or even by a system of castes, hierarchically subordinated to each other according to the nature of their respective offices, under the common supreme direction of the sacerdotal caste. This last was charged with the traditional stock of conceptions, and their application for purposes of discipline. It sought to realise a complete regulation of human life in all its departments on the basis of this transmitted body of practical ideas. Conservation is the principal task of this social order, and its most remarkable quality is stability, which tends to degenerate into stagnation. But there can be no doubt that the useful arts were long, though slowly, progressive under this régime, from which they were inherited by the later civilisations,—the system of classes or castes maintaining the degree of division of labour which had been reached in those early periods. The leading members of the corporations which presided over the theocracies without doubt gave much earnest thought to the conduct of industry, which, unlike war, did not imperil their political pre-eminence by developing a rival class. But, conceiving life as a whole, and making its regulation their primary aim, they naturally considered most the social reactions which

industry is fitted to exercise. The moral side of economics is the one they habitually contemplate, or (what is not the same) the economic side of morals. They abound in those warnings against greed and the haste to be rich which religion and philosophy have in all ages seen to be necessary. They insist on honesty in mutual dealings, on just weights and measures, on the faithful observance of contracts. They admonish against the pride and arrogance apt to be generated by riches, against undue prodigality and self-indulgence, and enforce the duties of justice and beneficence towards servants and inferiors. Whilst, in accordance with the theological spirit, the personal acquisition of wealth is in general thesis represented as determined by divine wills, its dependence on individual diligence and thrift is emphatically taught. There is indeed in the fully developed theocratic systems a tendency to carry precept, which there differs little from command, to an excessive degree of minuteness,—to prescribe in detail the time, the mode, and the accompaniments of almost every act of every member of the community. This system of exaggerated surveillance is connected with the union, or rather confusion, of the spiritual and temporal powers, whence it results that many parts of the government of society are conducted by direct injunction or restraint, which at a later stage are intrusted to general intellectual and moral influences.

The practical economic enterprises of Greek and Roman antiquity could not, even independently of any special adverse influences, have competed in magnitude of scale or variety of resource with those of modern times. The unadvanced condition of physical science prevented a large application of the less obvious natural powers to production, or the extensive use of machinery, which has acquired such an immense development as a factor in modern industry. The imperfection of geographical knowledge and of the means of communication and transport were impediments to the growth of foreign commerce. These obstacles arose necessarily out of the mere immaturity of the industrial life of the periods in

question. But more deeply rooted impediments to a vigorous and expansive economic practical system existed in the characteristic principles of the civilisation of antiquity. Some writers have attempted to set aside the distinction between the ancient and modern worlds as imaginary or unimportant, and, whilst admitting the broad separation between ourselves and the theocratic peoples of the East, to represent the Greeks and Romans as standing on a substantially similar ground of thought, feeling, and action with the Western populations of our own time. But this is a serious error, arising from the same too exclusive pre-occupation with the cultivated classes and with the mere speculative intellect which has often led to an undue disparagement of the Middle Ages. There is this essential difference between the spirit and life of ancient and of modern communities, that the former were organised for war, the latter during their whole history have increasingly tended to be organised for industry, as their practical end and aim. The profound influence of these differing conditions on every form of human activity must never be overlooked or forgotten. With the military constitution of ancient societies the institution of slavery was essentially connected. Far from being an excrescence on the contemporary system of life, as it was in the modern West Indies or the United States of America, it was so entirely in harmony with that life that the most eminent thinkers regarded it as no less indispensable than inevitable. It does, indeed, seem to have been a temporary necessity, and on the whole, regard being had to what might have taken its place, a relative good. But it was attended with manifold evils. It led to the prevalence amongst the citizen class of a contempt for industrial occupations; every form of production, with a partial exception in favour of agriculture, was branded as unworthy of a free man, —the only noble forms of activity being those directly connected with public life, whether military or administrative. Labour was degraded by the relegation of most departments of it to the servile class, above whom the free artisans were

but little elevated in general esteem. The producers being thus for the most part destitute of intellectual cultivation and excluded from any share in civic ideas, interests, or efforts, were unfitted in character as well as by position for the habits of skilful combination and vigorous initiation which the progress of industry demands. To this must be added that the comparative insecurity of life and property arising out of military habits, and the consequent risks which attended accumulation, were grave obstructions to the formation of large capitals, and to the establishment of an effective system of credit. These causes conspired with the undeveloped state of knowledge and of social relations in giving to the economic life of the ancients the limitation and monotony which contrast so strongly with the inexhaustible resource, the ceaseless expansion, and the thousandfold variety of the same activities in the modern world. It is, of course, absurd to expect incompatible qualities in any social system; each system must be estimated according to the work it has to do. Now the historical vocation of the ancient civilisation was to be accomplished, not through industry, but through war, which was in the end to create a condition of things admitting of its own elimination and of the foundation of a régime based on pacific activity.

### The Greeks.

This office was, however, reserved for Rome, as the final result of her system of conquest; the military activity of Greece, though continuous, was incoherent and sterile, except in the defence against Persia, and did not issue in the accomplishment of any such social mission. It was, doubtless, the inadequacy of the warrior life, under these conditions, to absorb the faculties of the race, that threw the energies of its most eminent members into the channel of intellectual activity, and produced a singularly rapid evolution of the æsthetic, philosophic, and scientific germs transmitted by the theocratic societies.