

CHAPTER 4 — DEVELOPMENT  
OF THE SCHOLASTIC POLITICAL ECONOMY

When the first few copies of my *Progress and Poverty* were printed in an author's edition in San Francisco, a large landowner (the late Gen. Beale, proprietor of the Tejon Ranch, and afterwards the United States Minister to Austria), sought me to express the pleasure with which he had read it as an intellectual performance. This, he said, he had felt at liberty to enjoy, for to speak with the freedom of philosophic frankness, he was certain my work would never be heard of by those whom I wished it to affect.

In the same way, but to much greater degree, the small class whom alone the *Wealth of Nations* could first reach were able to enjoy its greatness as an intellectual performance that widened the circle of thought. Few of them were disturbed by any fear of its ultimate effect on special interests. At that time a popular press was not yet in existence, and books of this kind were addressed only to the "superior orders." The House of Commons, the nominal representative of the unprivileged in Great Britain, was filled by the appointees of the great landowners; and the oligarchy that ruled in the British Islands was really stronger than the similar class under the absolute monarchy of France.

Adam Smith had avoided arousing antagonism from the land interests. And in turning the aggressive side of the new science against the protective system, he found favor with, rather than excited prejudice among, the cultured class — the only class to which such a book as his could at that time be addressed. Such a class, under the conditions then existing in Great Britain, is apt to feel a contempt tinged with anger for traders beginning to aspire towards sharing the power and place of "Born masters of the soil."

The larger fact is that Adam Smith, opening the study of political

economy at a lower level than the Physiocrats, found less resistance, and his book began to secure so permanent a recognition for the new science that its continuance to our time is properly traced to him as its founder rather than to them.

In 1798, eight years after the author of the *Wealth of Nations*, lamenting with his last breath that he had done so little, was laid to rest in the Edinburgh Cannongate, the English clergyman Malthus brought forward his famous theory of population. This at once, like "a long-felt want," took its place in the crystallizing system of political economy which Smith had brought into shape, and which, if it was lacking in a clear and consistent definition of wealth, was not on that account objectionable to the spirit of the learned institutions. A few years after Malthus came Ricardo, to correct mistakes into which Smith had fallen as to the nature and cause of rent, and to formulate the true law of rent; but to do this by laying stress on the fact that rent would increase as the necessities of increasing population forced cultivation to less and less productive land, or to lessen less productive points on the same land.

When Adam Smith, as though fearful of the radical conclusions to which it must lead, abandoned his true perception that "the produce of labor constitutes the natural recompense or wages of labor," he fell into a theory of wages which considered the master as providing from his capital the wages of his workman. This, together with the theory of the tendency of population to increase faster than subsistence, and the apprehension of the theory of rent as resulting from the forcing of exertion to less and less productive land, became cardinal doctrine. These, linking with and buttressing each other, in what soon became the accepted system of political economy as developed from the *Wealth of Nations*, did away effectually with any fear that the study of natural laws of the production and distribution of wealth might be dangerous to the great House of Have.

In textbooks and teachings from which Adam Smith's recurring perceptions of the natural equality of men were eliminated, it became indeed "the dismal science." It was held by its admirers that it needed only to be sufficiently taught them to convince even the "lower orders," that things as they are are things as they ought to be, except perhaps that "the monopolizing spirit of merchants and manufacturers," and "the sneaking arts of underling tradesmen" should no longer be permitted to be erected into maxims for governmental interferences with trade.

Thus as the system of political economy presented by Adam Smith began to attract the attention of the thoughtful and cultured, it did not meet the resistance it would have encountered had the special interests which it threatened really been those of the growing class of merchants and manufacturers. On the other hand, the apparent turning of its aggressive side against merchants and manufacturers prevented the powerful landed interest from perceiving fully its relation to their own monopoly until it had gained the weight of recognized philosophic authority.

The repeal of the English corn-laws passed in Great Britain for a victory of free trade as far as it was practicable to carry free trade. And in scholastic circles in that country and in the United States, and throughout the civilized world that took its intellectual impulse from England, it greatly increased the hopefulness of the professed economists.

Thus strengthened by this powerful impulse, there continued to grow up under the sanction and development of a series of able and authoritatively placed men, whose efforts were devoted to smoothing away difficulties and covering up incongruities, an accredited system of political economy which found its most widely accepted expounder in John Stuart Mill, and reached perhaps its highest point of authority in scholastic circles about or shortly after the

centennial of the publication of the *Wealth of Nations*. Yet it was as wanting in coherence as the image that Nebuchadnezzar saw in his dream. It contained much real truth well worked out. But this was conjoined with fallacies which could not stand examination. The attempt to define its object-noun, wealth, and the sub-term of wealth, capital, made them much more indefinite and confused than they had been left by Adam Smith. And it was never attempted to bring together what were given as the laws of the distribution of wealth — as that would have shown at a glance their want of relation. This political economy had no real hold on common thought, and was regarded even by ordinarily intelligent men as a scholastic or esoteric science. But it was spoken of by its professors with the utmost confidence as an assured science, and their belief in its success was greatly increased.

From the beginning until well past the middle of the nineteenth century the temper of the recognized expounders of the political economy which took shape from Adam Smith's foundation was hopeful and confident. They believed they had hold of a true science, which needed only development to be universally recognized. Thus Colonel Torrens, in the introduction to his *Essay on the Production of Wealth*, says in 1821:

*In the progress of the human mind, a period of controversy among the cultivators of any branch of science must necessarily precede the period of unanimity. With respect to political economy, the period of controversy is passing away, and that of unanimity rapidly approaching. Twenty years hence there will scarcely exist a doubt respecting any of its fundamental principles.*

With the great defeat of protection in 1846, the confidence of political economists became even greater than before. But the

predictions that the example of Great Britain in abolishing protective duties would be quickly followed throughout the civilized world were not realized; and fostered by such tremendous political events as the great fight between the American States and the Franco-German war, the wave of reaction in favor of protection seemed to sweep over pretty nearly all the civilized world.

And while in the scholastic world, of the English-speaking countries at least, the triumph of Adam Smith's opposition to the principles of the mercantile system seemed to have established firmly an accepted science of political economy, and chairs for its teaching formed an indispensable adjunct of every institution of education, the real incoherencies which had been slurred over began more and more to show themselves.

The reason for the constantly increasing confusion of the scholastic political economy has lain in the failure of the so-called science to define its subject-matter or object-noun. Statistics cannot aid us in the search for things until we know what it is we want to find. It is the Tower of Babel over again. Men who attempt to develop a science of the production and distribution of wealth without first deciding what they mean by wealth cannot understand each other or even understand themselves.