

# Historical Schools of Economics: German and English

*Keith Tribe*

## 14.1 INTRODUCTION

Identification with “historical economics” implies a critique of prevailing orthodoxy. This reflex is as old as “modern economics”; arguments both for and against the progressive formalization of economics have gone hand in hand with either negative or positive reevaluations of the recent history of economic argument. Historical economics has developed in parallel with “abstract” economics, can be dated from the early nineteenth century, associated with the writings of Adam Müller and Friedrich List in Germany, and with William Whewell and Richard Jones in Britain. In their different ways, these and other writers argued that the work of Adam Smith, or of David Ricardo, sought a political economy founded upon economic laws that were valid for all times and all places. Political economy had become in this view “in a great measure a *deductive* science: that is, certain definitions were adopted, as of universal application to all countries upon the face of the globe and all classes of society; and from these definitions, and a few corresponding axioms, was deduced a whole system of propositions, which were regarded as of demonstrated validity” (Whewell, 1859, p. x). German historical economists took a similar position, but were more inclined to argue that classical economists assumed that their axioms represented the natural laws of economic life. To this was opposed the project of constructing an inductive, historical science, in which the diversity of economic circumstances was properly recognized. What therefore unites all those concerned with the project of a historical economics, then and now, is allegiance to an inductive, empiricist approach to

economic theory, and hostility to a deductive, axiomatic economics. "Historical economists" are not, however, all of a piece; quite apart from variations in their degree of understanding of and sympathy with modern economics, the nature of "history" and "historical method" has altered substantially in the course of two centuries. Some caution is therefore in order when addressing the nature of "schools" of historical economics.

The most well known such school flourished in nineteenth-century Germany, from the 1840s to the early 1900s, and represented a national mainstream that was skeptical of classical economics as understood in Britain and France. Strictly speaking, there were two such schools: an "Older School," conventionally associated with the writings of Wilhelm Roscher, Carl Knies, and Bruno Hildebrand; and a "Younger School," whose foremost member was Gustav Schmoller, but which embraced most academic economists of the newly united Germany after 1871. Importantly, all these economists explicitly identified themselves as members of a "historical school" – Max Weber, in his inaugural lecture as Professor of Economics and Financial Science at the University of Freiburg, referred in passing to himself as one of "the younger representatives of the German historical school" (Weber, 1989, p. 200). That this school included primarily German nationals rather than German speakers was pointed up by the notorious "debate on method" between the Viennese economist Carl Menger and Gustav Schmoller, in which the former argued that historical and theoretical economics were complements, rather than substitutes, as Schmoller had suggested. Menger's argument that economic theory was not therefore susceptible to inductive development was abusively denounced by Schmoller, although the German project of historically founded economic theory, chartered by Wilhelm Roscher in 1843, remained an unfulfilled project to the very end. Nonetheless, although this project to refound economics upon an inductive basis failed, the project itself did have important consequences, not least that its proponents taught several generations of students.

The place of economics teaching in the late-nineteenth-century German university was secured by its place in the legal curriculum; not until the 1920s was a separate, nondoctoral qualification in economics introduced. Since a qualification in law was routinely required for posts in public administration, as well as the legal system itself, this ensured that large numbers of public servants and private employees were exposed to general economic principles. Furthermore, the German university was the international model, enjoying qualitative and quantitative supremacy over universities in Britain, France, and the United States. German universities were state universities, open to all with an appropriate educational background. Students in post-bellum America seeking advanced teaching in economics naturally gravitated to Germany, since in England there was very little systematic teaching of economics, and no graduate qualification as in Germany; while the French university system was then (and still is) firmly linked to a closed educational and cultural system. Many American students returned to teach in the rapidly expanding American university system, later contributing to the development of an American institutionalist economics that drew heavily on German historicism.

English historical economics was by contrast marginal to a mainstream represented by the work of John Stuart Mill, William Stanley Jevons, and Alfred Marshall. For the most part its roots lay in the work of Henry Maine and John Stubbs, and there was little direct connection with German historicism. Two leading proponents, William Cunningham and William Ashley, authored the first textbooks of economic history in the later nineteenth century, and the latter played an important role in the formation of the Economic History Society in 1926. The resulting institutional separation of economists and economic historians is thought to have facilitated in turn the accelerated development between the wars of an academic economics purged of historical content (Koot, 1987). The story is, however, more complex than that. William Ashley never did assign great importance to economic analysis, even when designing a business curriculum: at the Faculty of Commerce in Birmingham, which he founded in 1902, formal tuition in economic principles was confined to the first year (Ashley, 1902). William Cunningham repeatedly denounced the influence of Alfred Marshall's new economics, arguing that the new style of economic reasoning had prevented economists from "... attempting to imitate the careful observation of facts both in the past and the present, and limited generalisation from them, which has brought about progress in other sciences, and which has been the accepted method of study by the realistic or historical school of German economists for a generation or more" (Cunningham, 1894, p. 326). That Marshall was an inveterate collector of "facts" was ignored by Cunningham, as were the early chapters of Marshall's *Principles*, devoted as they were to a historical account of economic development. Above all, English economists whose work shared historicist features did not consider themselves to be members of any particular school, as did their German contemporaries. The "historicist critique" went through its most vociferous phase in Britain during the 1870s and 1880s, a time when there was little systematic teaching of economics in English universities and colleges, and hence little consequence in arguing one way or the other as far as employment and teaching went. During the 1890s regular teaching became more common, but the impulse to shape the new curricula in historicist terms was lacking. English historical economics, in short, failed to make the transition from a literature of controversy to one of pedagogy, a transition effected by "mainstream economics" at the turn of the century. As a tendency, English "historical economists" became quite marginal to the increasingly academic teaching of economics, which is not something one could say of their German counterparts; and, apart from the lack of academic posts in Britain, English historicists also lacked the organizational coherence that German economists gained with the foundation of the *Verein für Socialpolitik*. Strictly speaking, there never was an "English historical school of economics," but simply a series of authors with criticisms of the economics of their time and with a historical cast of mind.

This absence of an English "school" had therefore institutional as much as intellectual foundations. In Germany those who might be considered "economists" would by the later nineteenth century have been principally defined by their employment as a teacher of economics in one of the several state universities. Chairs of economics had existed in Germany since the eighteenth century, and

although the teaching delivered from these posts was transformed over time along with the subject, the posts themselves were a constant feature of the university landscape. This teaching was for the benefit of students of law, attendance at a course of lectures in economics being a compulsory part of legal education. Those who studied economics for its own sake were by definition doctoral students, there being no other qualification; this was a formal requirement for university teaching, and it was also important for entry into some parts of state administration. When linked to the system of formal and informal contacts through which students entered employment, this added to the power and influence of professors such as Schmoller, who were able to assign doctoral topics to a growing band of students and draw upon public funds for the prosecution of research.

Nothing like this existed in Britain until later in the twentieth century. In the mid-1890s there were only two full-time Professors of Political Economy – Marshall in Cambridge and Gonner in Liverpool – although some teachers, such as Flux in Manchester, were fully occupied with a wide range of teaching (Tribe, 1993, pp. 200–2). When the British Economic Association was formed in 1890, its chief purpose was to secure the new *Economic Journal* from domination by any one particular tendency or group, not to promote public discussion of economics. Public discussion did take place at the annual meetings of the British Association for the Advancement of Science, but the *ad hoc* manner in which contributions were made and the diffuse background of the audience imposed inevitable limitations. Academic economists in Britain did not have their own organization until the formation of the Association of University Teachers of Economics in the 1920s; while the Political Economy Club had always been a private dining club dominated by nonacademic economists (Tribe, 2001, pp. 32–4). The major protagonists of historical economics in Britain – Ingram, Cliffe Leslie, Ashley, and Cunningham – made their presence felt through their writing, and the occasional speech. They had no national or institutional platform onto which they could draw younger adherents; nor, in truth, did the new academic economics until Alfred Marshall set about laying some foundations. The principal reason for the demise of English historical economics as a viable intellectual program in the early twentieth century was that the new economics succeeded in establishing itself academically, and historical economics did not. Instead, the heirs of Thorold Rogers and Cunningham went on to found the Economic History Society in 1926, a movement whose principal dynamic came from historians, rather than from disgruntled economists.

## 14.2 THE GERMAN HISTORICAL SCHOOL

By the 1830s, the economics taught and published in Germany was pragmatically eclectic, drawing widely on contemporary English and French political economy, but simply integrating this work with existing German work on the subject. As elsewhere in continental Europe, the writings of Jean-Baptiste Say had a greater substantive impact than that of the English writers, and Say's manner of combining

the concept of value with utility and need, rather than labor, meant that patterns of consumption played a more prominent part in the development of continental political economy than was the case in Britain, where the emphasis was more on production and distribution, linking value to labor. In this light, Marx's political economy is a distant echo of earlier, English, preoccupations, detached from contemporary continental literature. This characteristic focus upon utility and need was to influence decisively the formation of a new subjective economics in the later nineteenth century, but in the early part of the century the controversy that had characterized English debates was absent. The leading German textbook was Rau's *Lehrbuch der politischen Oekonomie*, the first volume being published in 1826, reaching its ninth edition in 1876. Rau's text was "modern," and distinct from an eighteenth-century cameralistic tradition where the discussion of economic activity was linked to the work of economic administration; but although Rau incorporated elements of Smithian political economy, his book enumerates economic objects rather than presenting instruments of economic analysis (Tribe, 1988, ch. 9). More contentious in tone was Friedrich List's critique of Smithian "cosmopolitan political economy" presented in *Das nationale System der politischen Oekonomie* (1841), where he argued that the universal economic laws expounded in the *Wealth of Nations* failed properly to take account of national and historical differences. However, List was not strictly an exponent of a historical, let alone an inductive, approach to economics systems, and in any case the main lines of his critique of Adam Smith were borrowed from American, not German, writers.

It is generally agreed that the programmatic foundation of German historical economics can be found in a lecture outline published by Wilhelm Roscher in 1843. His prime objective in these lectures, he argued, was not a better understanding of national wealth and its increase, but instead

... a representation of the economic aspect of what peoples have thought, wanted and felt, what they have striven for and attained, why they have striven for it and why they have attained it. (Roscher, 1843, p. IV)

This involved more than mere chrematistics; it was a political science that would necessarily involve consideration of earlier cultural stages, for "a people is not simply the mass of individuals presently living." He also called for a comparative study of all peoples so that their "important, law-like features" might be discerned. These lectures were presented "according to historical method," and Roscher invoked the work of the Historical School of Law associated with Savigny and Eichhorn in his support. This method would illuminate

... the political impulses of men, impulses that can only be investigated on the basis of a comparison of all known peoples. The common features in the varied development of peoples summarised as a developmental law. (Roscher, 1843, p. 2)

State economy, argued Roscher, was concerned with "the developmental laws of the economy," while politics was the study of the developmental laws of the

state, such that “state economy” was an especially important part of politics (Roscher, 1843, p. 2).

Even while arguing for a comparative, inductive approach to the “laws of development,” Roscher recommended the writings of Smith, Say, and Ricardo; and in adopting this new position he avoided the blanket criticism of political economy typical of List. The program of comparative study that he sketched remained largely unfulfilled; instead, between 1854 and 1874 he devoted himself chiefly to study of the history of economic thought. During the same period he also wrote a textbook whose strictly historical foundation is the history of thought, not of peoples (Roscher, 1854). Later volumes were devoted to agriculture and to commerce, presented as a description of economic systems, not as a historicist foundation for the revision of all hitherto existing economic theory. This was also true of Bruno Hildebrand, whose name is usually linked with that of Roscher as a member of the “Older” historical school. His *Nationalökonomie der Gegenwart und Zukunft*, a projected reformulation of economics on historical lines as a “doctrine regarding the economic laws of developments of peoples,” got no further than a first volume which presented a critical assessment of economic theories from Adam Smith to the present day (Hildebrand, 1848, p. V). His criticism of Smith was closely aligned with that of Roscher:

The Smithian system represented itself as a general theory of human economy, but was only an expression of a money economy just become pre-eminent. . . . Economics was treated by the entire Smithian school as a natural science of commerce, in which the individual was assumed to be a purely selfish force, active like any natural force in a constant direction and which, given similar conditions, will produce the same results. For this reason its laws and regularities were called both in Germany and in England natural economic laws, and attributed eternal duration to them, like other natural laws. (Hildebrand, 1848, pp. 29, 33–4)

While this might recall List’s own critique of Smith, Hildebrand devoted a critical chapter to List, noting that List’s stages of economic development were simply borrowed from British history and lacked general validity, for “every people experiences a unique course of economic development” (p. 76). As elsewhere, therefore, we encounter a critique of prevailing classical orthodoxy, without any clear alternative being offered. Hildebrand did sketch later an evolutionary model of economic forms, but these – natural economy, money economy, and credit economy – were ultimately similar in kind and level of generality to the stages of economic development outlined by Adam Smith in book III of the *Wealth of Nations*. Nowhere did Hildebrand engage in the kind of detailed historical studies that were later typical of Schmoller and his students.

The third member of the “Older School” was Carl Knies, who likewise proposed that the task of political economy was not only to account for the historical development of economic theory, but also the economic conditions and development of different nations and periods (Knies, 1853, pp. 3–4). Whereas Roscher’s influence was exercised largely through his writing, and Hildebrand’s by founding the journal *Jahrbücher für Nationalökonomie und Statistik* in 1862, it was perhaps

through his teaching in Heidelberg for over 30 years that Knies exercised his greatest influence – John Bates Clark, Eugen von Böhm-Bawerk, Friedrich Wieser, and Max Weber were among his students. Fortunately, student lecture notes from his course of 1886 have survived, and demonstrate that in his teaching Knies followed a predictable path, beginning with definitions of “wants” and “goods,” just like any other German teacher of economics. Exposition of the leading concepts – of production, distribution, value, and price – are geared primarily to a critique of socialist theory, especially the doctrines of Marx, associated by Knies with the English classical economists. Rejecting the idea that price is determined by cost of production, Knies argues that if this were true, then prices would not fluctuate in the manner that they do while costs of production remain stable. Instead, he identifies the interaction of supply and demand as the dominant factor:

The significance of production costs in price formation is determined by the extension or contraction of supply. . . . Where production cannot be expanded or reduced prices will rise with higher demand, or fall with less demand. If production can be varied, then prices do not vary so greatly, despite altered demand. (Knies, 2000, p. 48)

Knies’ version of the relation of price to demand and supply is broadly continuous with those of other, pre-marginalist writers, and it might be noted that his discussion of these basic concepts remains unencumbered by assertions that such principles should be founded inductively. As with Roscher and Hildebrand, the principal historical component of his lecture course involves constant reference to the classics of economics such as the physiocrats, Adam Smith, and David Ricardo, and he generally eschews lengthy comparative analysis of, for example, patterns of trading, or property forms.

It can be argued that what divided the Older and the Younger Schools was precisely this: that the Older School was programmatic but failed to realize its vision; while the Younger School executed the program but lost the vision. The chief criticism made of the Older School was that they did not produce the systematic comparative histories of economic systems for which they called; while the chief criticism of the Younger School was to be that, while they certainly generated large quantities of economic–historical studies, it was never clear how these related to the historicist program as originally proclaimed by Roscher in 1843. When Carl Menger pointed this out (and offered a solution), he provoked what became known as the *Methodenstreit*, a dispute over the susceptibility of economic science to inductive development.

To understand the character of the Younger School one has to begin with Gustav Schmoller, founder of the Younger School by virtue of the role that he played in the formation of the *Verein für Socialpolitik* in 1872–3, and who subsequently became an academic impresario mediating between academic and official institutions, acquiring great influence over appointments and promotions in Prussian universities (Peukert, 2001). Schmoller studied history and state sciences in Tübingen, after which he entered the state administration of Württemberg,

occupied chiefly with commercial statistics, moving in 1864 to a chair at Halle. In 1872 he made a politically significant move to the University of Straßburg, a cultural outpost in the newly occupied territories of Alsace-Lorraine; Schmoller identified himself in this way not only with a reunited Germany, but with Prussian domination, and ten years later, in 1882, he moved to a chair in the Prussian and German capital, Berlin, which he retained until his retirement in 1913. One year before the move to Berlin, he assumed the editorship of *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, renamed in 1913 *Schmollers Jahrbuch*, in the later nineteenth century the leading German journal for politics and economics.

The inaugural meeting of the *Verein für Socialpolitik* was held in Eisenach during October 1872; three years previously the German Social Democratic Party had been founded in the same town, dedicated to much the same purpose as the *Verein*, but differing in ideology, membership, and strategy. The *Verein* addressed itself to the “social question” – the social problems of industrialization and urbanization. In his opening speech, Schmoller identified the chief objective: to find a common basis among academics for the reform of social relations, a position from which one might then in turn influence public opinion (Schmoller, 2000, p. 595). He warned of the threat from social revolution engendered by the division between employer and worker, propertied and propertyless classes, and suggested that popular economic beliefs concerning commercial freedom and economic individualism could well create even greater disorder, rather than the rosy future they imagined. Germany unity had been realized the previous year; but social divisions already posed a threat to the young nation, and only the German state was in a position to reduce social tension and foster national unity, for it stood above selfish class interests, “legislating, guiding administration with a just hand, protecting the weak, raising the lower classes,” the culmination of two centuries of Prussian endeavor (Schmoller, 2000, pp. 599–600). Economic doctrines hostile to state intervention might well have had their place when Germany was a nation of many small states; but with the new identity of nation and state “the conciliation of people and government, parliament and state power shed new light even on economic questions” (p. 596). Many in the *Kongreß der deutschen Volkswirte*, a relatively broadly based organization promoting free trade, understood the implications of these changes; but its leadership had become even more vociferous in defense of the dogma of economic individualism:

There was no such thing as a labour problem – so they said – to talk in these terms was merely confused thinking or demagogic agitation, the working class now had all that they needed; those who did not get on in life only had themselves to blame; some suggested that workers’ co-operatives were an affront to entrepreneurial profits because workers shared in the return, workers’ unions were attacked because they were thought to revive guild organisation, any and every corporative body was reviled; likewise with factory legislation, it was denied that the factory inspectorate had any relevance to German conditions. The Berlin Economic Society denounced conciliation and arbitration tribunals as heresy. It almost seemed as if the party which had in the name of human rights once fostered the salvation of underprivileged classes were now only interested in the one-sided class standpoint of the



entrepreneur, as if economic freedom now meant only the freedom of big business, of large employers and owners of capital, to exploit the public. (Schmoller, 2000, p. 597)

Sharing socialist criticisms of the “Manchester school,” but seeking the initiative for social reform from a strong state, the *Verein* was positioned from the beginning between liberals on the one side and socialists on the other (Hagemann, 2001). As noted above, as far as the Older School was concerned, these two polar extremes – economic liberals and Marxist socialists – in fact had a common source for their economic ideas: the classical economics of early-nineteenth-century Britain. German historical economics was therefore a path between these two extremes; and the economics of the *Verein*, characterized by the rejection both of *laissez-faire* liberalism and Marxist socialism, became by default one version or another of a German historicist tradition. That the *Verein* met annually during the summer vacation in the major cities of Germany to debate specific topics of social reform is indicative of the predominance of its academic members, lending economists an important forum both to discuss their common interests and hence establish a degree of identity. Although there was some initial success in exerting a direct influence upon legislation, from the early 1880s the *Verein* developed its work by commissioning studies of social problems that would form a basis for discussion at future meetings, in many cases receiving financial support from government departments for the collection of data. The empirical study of economic relationships and phenomena associated with the “social question” which the *Verein* fostered was well suited to the general understanding of economic development associated with German historicism.

Quite apart from the prominence that his role in the *Verein* gave him, Schmoller’s own extensive writings were distinguished from those of his predecessors by their focus on the social and economic forces underlying the development of the German state, rather than on contemporary economic discussion of trade or wages. His early study of small enterprise (Schmoller, 1870) examined the pressures on small and craft businesses in increasingly international markets, arguing for a measure of protective legislation that would enable such enterprises to adapt to new conditions. Historical and comparative investigation of financial, agrarian, or industrial conditions was linked in this manner to the forces of industrialization and the role of the state in moderating the negative effects of economic progress. This approach was shared with others, such as Lujo Brentano, whose early studies of British trades unions prompted a comparative analysis of labor organization, establishing that British wages were higher and working hours shorter than those in Germany. His conclusion from this research, that economic progress would only result from a reduction of working hours in Germany, exemplifies the manner in which the comparative study originally envisaged by Roscher could be linked to social reform (Brentano, 1877). Academic economists of Schmoller’s generation concerned themselves chiefly with empirical studies of this kind, and paid scant attention to the finer points of economic theory.

In time, a division emerged within the *Verein* between founding members who had experienced unification and who shared Schmoller’s ethical evaluation of the

state – Adolf Wagner, Wilhelm Lexis, and Johannes Conrad – and a younger generation, primarily of economists, more concerned with the social and political disintegration of the 1880s and 1890s – Eugen von Bortkiewicz, Carl Grünberg, Max Sering, Ferdinand Tönnies, and of course Max and Alfred Weber. Although these academics did conduct detailed empirical investigation, they were also more open to theoretical argument. Carl Menger's methodological critique of German historicism consequently prompted a violent response from Gustav Schmoller that was not echoed by the younger generation of economists.

The “dispute over method” is a landmark in the development of the social sciences, but when examined in detail it shrinks in significance. Menger made a methodological point that is today quite uncontroversial, making a clear distinction between the historical and statistical study of economic forms, theoretical economics, and practical fields such as economic policy and finance. Historical study of economic structures had its place, but was complementary to, not a substitute for, the development of theoretical principles (Menger, 1883, pp. 12–13). The prime task of economic analysis was therefore the elaboration of theory and policy, not the simple accumulation of economic facts. Empirical knowledge could not be acquired through reflection, and theoretical knowledge did not result from empirical work. This was the core of Menger's argument: not a rejection of historical economics *per se*, but a denial that “more” historical economics could lead to “better” theory (Tribe, 1995, pp. 77–8).

As noted above, Schmoller had largely abandoned the programmatic statements that were more typical of his predecessors and instead directed his efforts to detailed historical studies; nonetheless, his response to Menger's criticism was abrupt and dismissive. Schmoller simply reversed the point that Menger had made, and argued that economic analysis could not be derived from general principles of psychology, but must arise from the study of individual economic action. Historical study, he suggested, had no need of “theoretical” economics (Schmoller, 1883, pp. 976–7). His grasp of contemporary economic theory was in any case distinctly rudimentary, as evidenced by his 1897 inaugural lecture as *Rektor* of the University of Berlin. Couched in terms of a struggle between socialism and a classical economics associated with Smith and Ricardo, Schmoller looked back on the nineteenth century in terms that would not have been out of place 50 years earlier, or more:

Contemporary economics has come to accept an historical and ethical view of state and society, in contrast to rationalism and materialism. From a mere doctrine of markets and exchange, a kind of business economics which threatened to become a class tool of the propertied, it has once more become a great moral and political science, a science which as well as investigating the production and distribution of goods, as well as the phenomena of value forms, investigates economic institutions, and which instead of the world of goods and capital places people at the centre of the science. (Schmoller, 1897, p. 26)

Of course, Schmoller never did study individual action (historical or otherwise) in the manner that he implied; to do so would have required a prior understanding

of “economising activity,” as Max Weber later pointed out in the second chapter of *Economy and Society*. There was no more to the *Methodenstreit* than this. Menger argued on the one hand that theory was not susceptible to inductive elaboration – something that Schmoller in truth never even attempted – while Schmoller’s asserted that it was, but never sought to demonstrate how. Despite its insubstantial nature, this “dispute on method” came to symbolize the gulf that separated historical from theoretical economics in the later nineteenth century.

### 14.3 THE ENGLISH HISTORICAL SCHOOL

In the early 1890s John Neville Keynes published a survey of economic method that would remain a standard work until Lionel Robbins’s *Nature and Significance of Economic Science* (1932). Keynes consistently contrasted deductive and inductive approaches to the subject, suggesting however that no reasonable practitioners adhered exclusively to the one or the other. Moreover, he noted a feature that was already evident in the German case: the greater the clarity and vehemence with which the one or the other was advocated, the less likely was it that anyone could be found who adhered to such prescriptions and injunctions. Keynes considered Schmoller to be an “extremist” who sought to collapse economic theory into economic history; he recommended instead the writings of Roscher and Wagner (Keynes, 1891, pp. 26, 298). This dismissal of Schmoller was linked with a similar judgment upon John Kells Ingram, suggesting that they were both in their different ways “arrogant and exclusive in their pretensions”:

The former would practically identify political economy and economic history, or at any rate resolve political economy into the philosophy of economic history. The latter, whose aim is somewhat different, though he is equally revolutionary in his tendency, would absorb political economy into sociology. (p. 27)

Ingram – a follower of Comte, hence the remark concerning sociology – had achieved a degree of notoriety with his robust, if wildly inaccurate, account of the parlous state of orthodox economics delivered as part of his Presidential Address to Section F of the British Association in 1878. In the previous year, Francis Galton had moved that this section, “Economic Science and Statistics,” be wound up, his chief complaint being that the papers presented were quite heterogeneous and not suited to an organization dedicated to the advancement of scientific knowledge. In fact, Galton had passed no comment directly upon political economy, and his remarks were directed primarily at “statistical” contributions; but in his address Ingram represented Galton’s intervention as one directed at political economy, employing this misrepresentation as the point of departure for his own critique of contemporary economics. He was undeniably successful in this rhetorical strategem: to this day the spin that he put upon Galton’s intervention is dutifully repeated in the literature (Koot, 1987, p. 55). While such repetition does not alter the unreliability of Ingram’s account of contemporary economics, the timing of his comments does suggest that there was a growing audience for

some form of “alternative” political economy in the later 1870s and early 1880s. Furthermore, Ingram’s address also made use of a standard refrain in such critiques: that while things might be in a sorry state “here,” elsewhere affairs are better managed. Rather like Perry Anderson some 90 years later (1968), he suggested that there had occurred in continental Europe a revolt that had largely passed the English by:

It is a characteristic result of the narrowness and spirit of routine which have too much prevailed in the dominant English school of economists, that they are either unacquainted with, or have chosen to ignore, this remarkable movement.

The largest and most combined manifestation of the revolt has been in Germany, all whose ablest economic writers are in opposition to the methods and doctrines of the school of Ricardo. Roscher, Knies, Hildebrand, Nasse, Brentano, Held, Schmoller, Schäffle, Schönberg, Samter, and others, have taken up this attitude. (Ingram, 1962, p. 47)

The German historical school could therefore be introduced as an exemplary alternative, although as it happened none of those writers who became associated with “English historical economics” drew directly upon German writings (Tribe, 2000). Ingram went on to draw a line between Smith and Ricardo, suggesting that the former was broadly inductive and the latter relentlessly deductive; a line of argument that accounts for his statement that the German historical economists were hostile to the writings of Ricardo. This is very much an English preoccupation; the work of Ricardo was not especially influential in continental Europe, Adam Smith being consistently identified as the chief protagonist of classical economics. But it suited Ingram’s purpose to argue in this way, for by associating Smith with inductivism he could appropriate Smith to the “alternative” canon.

Ingram warmly recommended the work of Cliffe Leslie, who had likewise drawn a line between deductive and inductive methods, between Ricardo on the one hand and Smith on the other. Leslie argued that Smith’s work placed inductive investigation within a natural law framework, from which was drawn the conception of a natural harmony in economic life. This conception was later read in more providential terms, so that Smith’s original ideas were reworked into a rigid doctrine of *laissez-faire*:

The mischief done in political economy by this assumption respecting the beneficent constitution of nature, and therefore of all human inclinations and desires, has been incalculable. It became an axiom of science with many economists, and with all English statesmen, that by a natural law the interests of individuals harmonise with the interests of the public; and one pernicious consequence is that the important department of the consumption of wealth has . . . been in reality either altogether set aside, as lying beyond the pale of scientific investigation, or passed over with a general assumption, after the manner of Mandeville, that private vices are public benefits. (Cliffe Leslie, 1879, p. 154)

Leslie elsewhere made clear that inductivism was equivalent to historicism, his understanding of historical study being stamped by his teacher Sir Henry Maine,

and also the writings of Stubbs. When he identified sections of the *Wealth of Nations* with inductivism, this amounted to the claim that Smith could be regarded in a historicist light; and this itself indicates that the kind of historicism that he had in mind was quite distant from the social and economic history that Schmoller and his associates had already begun to publish.

The writings of both Ingram and Leslie had more in common with those of Roscher and Hildebrand than Schmoller and Wagner, since the organizing focus of Roscher and Hildebrand was primarily upon the history of economic doctrines, rather than historical study of manufacturing or trade. This was also true of Arnold Toynbee, whose 1881–2 course of Oxford lectures linked the study of economic history to the liberal concept of progress, in which he followed Macaulay, who in describing the English “Glorious Revolution” of 1688 argued that the history of England was a history of progress, “the history of a constant movement of the public mind” (Kadish, 1986, p. 105). His account of the Industrial Revolution linked the development of industrial history to the economic thinking that had accompanied it – Smith’s *Wealth of Nations* was therefore linked to the impact of the steam engine, rejecting Carlyle’s call for a halt to the onward march of industrialization and suggesting that the social division and fragmentation associated with it were transitional, that new economic freedoms were being generated. The literature of political economy provided an organizing framework to this history of industrial and social progress, with the work of Malthus presiding over the account of the main period of industrial change, and Ricardo taking care of the post-Napoleonic period. Toynbee also took a more conciliatory line on the question of deductivism and political economy, suggesting that the function of economic history was to test its principles, not provide a source for the inductivist reinvention of economics (Toynbee, 1884, p. 111). The historicization of political economy did not therefore necessarily imply a radical critique of the classical tradition, and Edwin Cannan – who at the time that Toynbee delivered his lectures was a student in Oxford – was later to take a very similar line on the relation of economic history and economic theory (Cannan, 1894).

Cannan’s contemporary William Ashley took the notes from which Toynbee’s lectures were posthumously reconstructed. Ashley took the historical route, contributing to the development of economic history in Britain, after inaugurating the chair of economic history at Harvard in 1893. Five years before this, at his Toronto inaugural, Ashley had expressed Ingram’s sentiments in more measured tones:

Ten or fifteen years ago Political Economy occupied, in English-speaking countries, no very dignified or useful position. In England it was represented by two very able men, Cairnes and Jevons. Neither of these, however, had any considerable influence upon the educated public; and the professorial teaching at Oxford and Cambridge was of but small scientific importance. In University and College instruction, Political Economy was the convenient stopgap. (Ashley, 1888, p. 10)

But at Harvard Ashley now spoke of the work of Ingram and Leslie as belonging to the past, that they shared a great deal with a classical orthodoxy that thought in terms of general propositions (Ashley, 1893, p. 3). Looking back on

this evolution from the even later standpoint of 1907, Ashley noted the rise of marginalist economics, but emphasized a different set of questions:

But *why* do people demand just those things? On what does the rapidity of satiation depend? Have their desires always been the same; or the possibilities of production in order to meet them? How are desires related to one another? What are they likely to become? What are the limits to demand set by the economic situation of the demanders? These are the things we really want to know. The problem is, in a wide sense of the term, an *historical* one; or, if you prefer the phrase, a *sociological* one, both “static” and “dynamic.” Behind the workman’s wife making up her mind on Saturday night whether to buy another loaf or a scrap more meat stand the whole of human nature and the whole of social history. (Ashley, 1907, p. 476)

The way in which Ashley casually links history here to sociology implies a different kind of history to the one with which he had started in the early 1880s. Only with the publication of Cunningham’s *Growth of English Industry and Commerce* in 1882 was there a textbook available that outlined the “new” economic history; hitherto, history had been treated principally as the history of past politics.

While a specifically English reaction against the rigidities of classical economics occurred in the last third of the nineteenth century, the various writers and scholars who associated themselves with this response were intellectually diverse; they were united in this reaction, but little else. Some were historians first and foremost – Rogers, Ashley, and Cunningham – although these did not share a common view of the nature of historical method. Others were not historians – Ingram and Leslie. Ashley played an important part in the creation of the study of economic history in Britain; but then so did Clapham and Unwin, who are not usually included in accounts of the “English historical school”; while there is in any case a stronger argument that the study of economic history in Britain drew for the most part on changes in the study of history, not of economics. Some, like Hewins and Cunningham, were “neo-mercantilists,” protectionists, and “fair-traders,” as Koot suggests; but not Rogers or Ingram. Some, like Toynbee, were strong proponents of social reform, but then so were most economists in Britain. “History” as a critique of theory does not therefore serve us well in seeking to characterize the development of English economics in the later nineteenth century.

But this does not mean that history and economics did not enjoy a mutually reinforcing relationship. Edwin Cannan, perhaps the most influential teacher of economics in Britain up to his retirement as Professor of Political Economy at the LSE in 1926, edited what was until the 1970s the standard edition of Smith’s *Wealth of Nations*, and he taught in London for many years a course on “Principles of Economics, including the History of Economic Theory.” His *Theories of Production and Distribution in English Political Economy* was the first historical account of political economy to take its sources seriously, using the best texts available and in its exact reading of its sources demonstrating analytic errors that had not only eluded his predecessors, but which would also pass by his successors. To take another example, E. C. K. Gonner, Brunner Professor of Political Economy in Liverpool from 1891 to 1922, published an important study of the

development of the English farming landscape, *Common Land and Inclosure* (Gonner, 1912). At first sight, the book appears to be related to a number of near-contemporary works of agrarian history; Gonner traces the gradual appropriation of common land for individual use, but in charting the impact of this transition upon cultivation and employment, he sets to work an explicitly analytic framework that owes much to his previous work in geography and economics. Gonner also edited Ricardo's *Principles of Political Economy*, and later published a collection of Ricardo's other writings, not the sort of thing that one would normally expect of a historically minded economist. Neither of these writers would conventionally be counted among "historical economists," nor do they self-consciously employ historical sources in developing a critique of contemporary economics. What does unite them, of course, is that they were both students of history and political economy in Oxford during the 1880s, as were Ashley, Price, Llewellyn Smith, and Hewins (Kadish, 1982, ch. 3). Political economy was in Oxford taught as part of history and of "Greats" until the foundation of "Modern Greats," the PPE course in 1920. In Cambridge it was part of history and the moral sciences until the inauguration of Marshall's Economics Tripos in 1903. In the London University BA degree before the turn of the century, the teaching of political economy was linked to history and moral philosophy.

In this perspective, the study of history and economics becomes part of the wider history of the social sciences, rather than a clash between inductive and deductive methods, or of historicism and rationalism. Whatever the relationship between economics and history might have been by the later twentieth century, economists of the earlier twentieth century continued as a reflex to draw upon historical materials and arguments in their work on practical economic problems – on unemployment, economic development, industrial decline, or poverty. The "historicist critique of economics" turns out on closer examination to be based largely on bad history: a faulty historical understanding of economics and history. And if this is true of the later nineteenth century, then it is even more so of the early twenty-first century.

## Bibliography

- Anderson, P. 1968: Components of the national culture. *New Left Review*, 50 (July–August), 3–57.
- Ashley, W. J. 1888: *What is Political Science?* Toronto: Rowsell and Hutchison.
- 1893: On the study of economic history. *Quarterly Journal of Economics*, 7, 115–36.
- 1902: *The Faculty of Commerce in the University of Birmingham*. Birmingham.
- 1907: The present position of political economy. *Economic Journal*, 17, 467–89.
- Brentano, L. 1877: *Das Arbeitsverhältniss gemäss dem heutigen Recht*. Leipzig: Duncker und Humblot.
- Cannan, E. 1894: *A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848*. London: Rivington, Percival & Co.
- Cliffe Leslie, T. E. 1879: The political economy of Adam Smith. In *Essays in Political and Moral Philosophy*. Dublin: Hodges, Foster and Figgis, 148–66.
- Cunningham, W. 1894: Why had Roscher so little influence in England? *Annals of the American Academy of Political and Social Science*, 5, 317–34.

- Gonner, E. C. K. 1912: *Common Land and Inclosure*. London: Macmillan.
- Hagemann, H. 2001: The Verein für Sozialpolitik from its foundation (1872) until World War I. In M. M. Augello and M. Guidi (eds.), *The Spread of Political Economy and the Professionalisation of Economists*. London: Routledge, 152–75.
- Hildebrand, B. 1848: *Die Nationalökonomie der Gegenwart und Zukunft*. Frankfurt am Main: Literarische Anstalt.
- Ingram, J. K. 1962: The present position and prospects of political economy. Reprinted in R. L. Smyth (ed.), *Essays in Economic Method*, London: Duckworth, 41–72.
- Kadish, A. 1982: *The Oxford Economists in the Late Nineteenth Century*. Oxford: Oxford University Press.
- 1986: *Apostle Arnold*. Durham, NC: Duke University Press.
- Keynes, J. N. 1891: *The Scope and Method of Political Economy*. London: Macmillan.
- Knies, K. 1853: *Die politische Oekonomie vom Standpunkte der geschichtlichen Methode*. Brunswick: C. A. Schwetschke und Sohn.
- 2000: Allgemeine (theoretische) Volkswirtschaftslehre (1886). *Kyoto University Economic Review*, LXIX(1 & 2), 16–78.
- Koot, G. M. 1987: *English Historical Economics, 1870–1926*. Cambridge, UK: Cambridge University Press.
- Menger, C. 1883: *Untersuchungen über die Methode der Socialwissenschaften, und der Politischen Oekonomie insbesondere*. Leipzig: Duncker und Humblot.
- Peukert, H. 2001: The Schmoller renaissance. *History of Political Economy*, 33, 71–116.
- Robbins, L. 1932: *An Essay on the Nature and Significance of Economic Science*. London: Macmillan.
- Roscher, W. 1843: *Grundriß zu Vorlesungen über die Staatswirthschaft. Nach geschichtlicher Methode*. Göttingen: Dieterische Buchhandlung.
- 1854: *System der Volkswirtschaft Bd. I: Die Grundlagen der Nationalökonomie*. Stuttgart: J. G. Cotta.
- Schmoller, G. 1870: *Zur Geschichte der deutschen Kleingewerbe im 19. Jahrhundert*. Halle: Verlag der Buchhandlung des Waisenhauses.
- 1883: Zur Methodologie der Staats- und Sozialwissenschaften. *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, N. F. Jg. 7, 975–94.
- 1897: *Wechselnde Theorien und feststehende Wahrheiten im Gebiete der Staats- und Socialwissenschaften und die heutige deutsche Volkswirtschaftslehre*. Berlin: W. Büxenstein.
- 2000: Eröffnungsrede auf der Eisenacher Versammlung zur Besprechung der sozialen Frage. In J. Burkhardt and B. P. Priddat (eds.), *Geschichte der Ökonomie*. Frankfurt am Main: Deutscher Klassiker Verlag, 595–603.
- Toynbee, A. 1884: *Lectures on the Industrial Revolution in England*. London: Rivingtons.
- Tribe, K. 1988: *Governing Economy*. Cambridge, UK: Cambridge University Press.
- 1993: Political economy in the northern civic universities. In K. Tribe and A. Kadish (eds.), *The Market for Political Economy*. London: Routledge, 184–226.
- 1995: *Strategies of Economic Order*. Cambridge, UK: Cambridge University Press.
- 2000: The historicization of political economy? In B. Stuchtey and P. Wende (eds.), *British and German Historiography 1750–1950*. Oxford: Oxford University Press, 211–28.
- 2001: Economic societies in Great Britain and Ireland. In M. M. Augello and M. Guidi (eds.), *The Spread of Political Economy and the Professionalisation of Economists*. London: Routledge, 32–52.
- Weber, M. 1989: The national state and economic policy. In K. Tribe (ed.), *Reading Weber*. London: Routledge, 188–209.
- Whewell, W. (ed.) 1859: *Literary Remains, Consisting of Lectures and Tracts on Political Economy, of the Late Rev. Richard Jones*. London: John Murray.