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Author(s): Frederick Clairmonte

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FRIEDRICH LIST AND THE HISTORICAL CONCEPT OF BALANCED GROWTH

FREDERICK CLAIRMONTE

THE CONCEPT of balanced growth has assumed momentous importance in the formulation of economic policy and theoretical research since 1945. This is attributable to the rise of a congeries of independent states subsequent to the disintegration of imperialism, and the strivings of the emancipated to annihilate the rapacity of colonialism and the cruel legacies of underdevelopment in the shortest possible span.

The concept of "balanced growth" was first formulated by Friedrich List (1789-1846). By balanced growth is frequently meant a diversified programme which, given the special constellation of ideological and social forces, and the mid-twentieth century growth rate tempo, recognizes the need for synchronized advances in terms of the mass integral mobilization of the dormant productive potentialities of the nation, both human and natural, according to a boldly conceived schedule of rational priorities. Given the structure of an underdeveloped country, and the imperative need to quicken expansion along the entire line, the springs of normal market motivations are woefully inadequate to generate an expansionary momentum.

The concept of what is "balanced" is variable, and is determined by the resource base, the time-dimension of the industrial targets to be scaled and the geo-demographic contours of the nation. But these constitute the "technical" periphery of the application of the concept of balanced growth and its correlative national integration, for in the final upshot these concepts are hitched to those staggering changes in the social relations of production, the liquidation of a backward power elite and the drastic overhaul of the social system.

Moreover, the alpha and omega of these concepts find their unique justification in the unequivocal triumph of the planning principle, which is predicated on the success of the social revolution.

This essay is divided into two sections. In the first we project List's unconventional wisdom against the emergence of economic liberalism in post-Napoleonic British capitalism ; in the second a schematic picture of his theoretical corpus will be examined in opposition to the articulate assumptions of Ricardianism, and the genesis of the notion of balanced growth.

I

The swiftness with which British industrialism spread its all-embracing

tentacles was regarded by T. B. Macaulay as miraculous. Through the industrial revolution¹ in the eighteenth century, the stage was set for the momentous expansion of British capitalism destined simultaneously to effect a profound social transformation and remodel the economic geography of the island economy.

The cotton industry became the Prometheus of British industry and the pioneer of industrialization. It was Porter's belief that the "rise and progress of cotton manufacture in Great Britain forms perhaps the most extraordinary chapter in the annals of British trade."² Cotton, in fact, happened to be an indispensable ingredient in the fabrication of classical political economy. A calculation in 1835 gave an average employment figure of 175 for all cotton mills, 125 for silk, 93 for linen and 44 for wool.³ The size of the average cotton mill was something unprecedented in British economic history. Forty-three large mills in Manchester had an average labour force of 300 in 1815; by 1832, the figure had risen to 401. The first steam-power spinning mill was set up in England in 1785, and the first in Manchester in 1789. Between 1785 and 1800, 82 steam engines were built for cotton mills, fifty-five of them in Lancashire alone. The first steam loom factory was built in Manchester in 1806; in 1835, there were 16,800 power looms throughout Great Britain, all but six per cent of them in the cotton industry.⁴

Cotton was "raising men like mushrooms."⁵ Oldham in 1760 was a village of 4,000 inhabitants; in 1801 it had 20,000. In 1753, Bolton had a single rough, ill-paved street; in 1801 the population was 17,000.⁶ Cotton weavers unrepresented at George IV's coronation procession in 1760 were the most conspicuous feature of the coronation in 1820.⁷

¹ It was Arnold Toynbee in his *Lectures on the Industrial Revolution in England*, London, 1884, that brought the concept into general use. Cf. William Rappard, *La Revolution Industrielle et les Origines de la Protection Legale du Travail en Suisse*, p. 4, credits Karl Marx as being its originator. Paul Mantoux, *The Industrial Revolution in the Eighteenth Century* (Revised second edition, London, 1927) attributes the expression to Engels, *Die Lage der Arbeitenden Klasse in England*, 1845. There is evidence, however, to suggest that the notion is French in origin. Cf. Anna Bezanson, "Early Use of the Term Industrial Revolution," *Quarterly Journal of Economics*, Vol. xxxvi, 1922.

² G. R. Porter, *Progress of a Nation* (First edition, London, 1912).

³ J. H. Clapham, *An Economic History of Modern Britain, The Railway Age*, Vol. 1 (Cambridge University Press, 1929), pp. 184-5.

⁴ A. Redford, *An Economic History of England 1760-1860* (London, 1931), p. 22. Also the well-known study of J. Baines, *History of the Cotton Manufacture* (London, 1835).

⁵ Paul Mantoux, *op. cit.*, p. 368. The phrase is Arthur Young's.

⁶ The same was true of Rochdale, Bury, Blackburn, Preston, Wigan, Stockport, Ashton and Stalybridge. E. Butterworth, "Everywhere on This Poor Soil, the Same Fruitful Seeds Gave a Harvest of Cities," in *History of Oldham*, p. 117.

⁷ Butterworth, *ibid.*, p. 117.

The crowning of the new sovereign was, in a larger sense, the crowning of King Cotton.

The meteoric rise of the cotton industry was matched by the rise, although less spectacular, of the metal-fuel-power industries without which industrialization would have been impossible. Production of pig-iron increased tenfold between 1788 and 1830. There were three times as many blast furnaces in operation in 1830 as in 1788. The iron sent down the Glamorganshire and Monmouthshire Canals increased two and a half times between 1820 and 1833; from Cyfartha the export doubled and from Dowlais it trebled during the same period. "Britain after Waterloo," writes Clapham "clanged with iron like a smithy."⁸

These prodigious secular transformations, discernible most strongly in the cotton industry, impressed themselves on the consciousness of the nation. In the poetic imagery of William Blake:

Loud sounds of the Hammer of Los, loud turn
the Wheels of Enitharnon:
Her Looms vibrate with soft affections, weaving
the Web of Life
Out from the ashes of the Dead; Los lifts his
iron Ladles
With the molten ore: he heaves the iron cliffs in
his rattling chains
From Hyde Park to the Alms-houses of Mile-end
and old Bow.⁹

British industrial power was rapidly making the world her footstool, and the England of the post-Napoleonic period became a unique historical phenomenon. The eyes of Birmingham, Sheffield, Manchester, Paisley and Glasgow ceased to be riveted on the national horizon and the vision of the industrial leviathan—now encompassed the entire world.

Britain had become a colossus enjoying a technological and political predominance such as no country before or since has ever enjoyed. France lay defeated. The Austro-Hungarian Empire's dynastic heritage was being politically whittled away by the rise of a liberal bourgeoisie and more effectively by Prussia; Germany was nothing more than a geographic expression, as was Italy, divided between the Hapsburgs, the Kingdom of Sardinia, Naples and the Holy See. The pioneer maritime powers and empire builders of an earlier period, Spain and Holland, were *hors concours*—with the immense territories of the former now

⁸ J. H. Clapham, "The Industrial Revolution and the Colonies, 1783-1822" in *Cambridge History of the British Empire*, Vol. II, p. 233.

⁹ *The Book of Urizen*, London, 1815.

clamouring for national independence. Portugal still has its enclaves in Asia, but its conquests of the two preceding centuries were now archaic memories. The young American republic nothing more than a thin strip of Atlantic seaboard, composed of a conglomerate of bickering states, half slave, half free, with a vast unexplored hinterland stretching to the warm waters of the Pacific and peopled by hostile Redmen, was struggling to attain a fullness of national unity initiated by the first revolution—a national unity that was to be remoulded in the fires of the second social revolution ninety years later.

But the British colossus was a vigorous reality—a colossus draped in cotton with feet of iron and steel and coal and with arms reaching avidly outwards. “It would not be worth my while to make for three counties only,” wrote Matthew Boulton of his steam engine in 1769, “but I find it very well worth my while to make for all the world.”¹⁰ Such was the portent of things to come, the herald of the new industrial spring, the seed bed of the *Weltanschauung* that was to come to full flower in the body of liberal doctrine in the ensuing decades.

British capitalism was thinking consciously in world terms. “Between 1815 and 1830,” writes Leland Jenks, “at least fifty million pounds had been invested more or less permanently in the securities of the most stable European governments, more than twenty millions had been invested in one form or the other in Latin America, and five or six millions had very quietly found their way to the United States.”¹¹ The ebullient forces of nascent capitalism—its dynamism, Promethean potency and universality caught Byron’s perspicacious eye.

Who hold the balance of the world ? Who reign
O’er Congress, whether royalist or liberal ?
Who rouse the shirtless patriots of Spain ?
(That make old Europe’s journals “squeak and
gibber” all)
Who keep the World, both old and new, in pain
Or pleasure ? Who make politics run gibber all ?
The shade of Buonaparte’s noble daring ?
Jew Rothschild and his fellow-Christian Baring.¹²

The national liberation struggles in Latin America opened new vistas

¹⁰ A. Redford, *Economic History, op. cit.*, p. 45. Also the important work of J. Lord, *Capital and Steam Power*, 1923. On the partnership of James Watt and Matthew Boulton, cf. Eric Roll, *An Early Experiment in Industrial Organization: Being a History of the Firm of Boulton and Watt, 1755-1805* (London, 1930).

¹¹ L. Jenks, *The Migration of British Capital to 1875* (London, 1927), p. 64.

¹² *Don Juan*, Canto XII.

to British enterprise, trade and capital exports. "The nail is driven," wrote Foreign Secretary Canning with relish, "Spanish America is free, and if we do not mismanage our affairs sadly she is English."¹³

The international division of labour, it was trenchantly argued, was part of providential dispensation that transformed Britain's economy into an industrial power, and it was equally providential that other countries should be satellite raw material producers. However astonished we may be at this piece of sophistry, it was one that was echoed from Parliament and pulpit, and inspired a good deal of liberal economic legislation between 1816 and 1856.

According to this view Great Britain "by her very nature and by her talents" was destined to export manufactured products in exchange for foodstuffs and primary products.¹⁴

Such was the state of progressive and enlightened opinion; it was not the exclusive property of a tiny vociferous minority of political economists toiling away in ivory towers. Indeed, it was the messianic belief¹⁵ of that dynamic class—"the industrious middle classes," to use Cobden's pet description of his class, now in the process of seizing political and State power and already dominant in banking and commerce.

Economic liberalism reflected not only the exuberant aspirations of an ascendant class¹⁶ but the historical fact that for a good part of the century the competitive status of the British economy well allowed her the privilege of implementing as well as advocating liberal policies.

¹³ *The Cambridge History of British Foreign Policy* (Cambridge University Press, 1923), Vol. II, p. 74. Canning to Granville, 17 December 1824.

¹⁴ "It is clearly seen" wrote an anonymous publicist in 1832, "that to our beloved land Great Britain has been assigned the high mission of manufacturing for her sister nations. Our kin beyond the seas shall send to us in our ships their cotton from the Mississippi valley. India shall contribute its jute, Russia its hemp and flax, and iron stone for our factories and workshops, our skilled mechanics and artificiers the necessary machinery to weave these materials into fine cloth for the nations; all shall be fashioned by us and made fit for men. Our ships, which reach us laden with raw materials, shall return to all parts of the earth laden. This exchange of raw materials for finished products under the decrees of nature makes each nation the servant of the other and proclaims the brotherhood of man. Peace and goodwill shall reign upon the earth, one nation after another must follow our example and free exchange of commodities shall everywhere prevail. Their ports shall open wide as ours are open for their raw materials." An anonymous publicist. Cf. L. C. A. Knowles, *The Industrial and Commercial Revolutions in Britain During the Nineteenth Century* (London, 1921), p. 128.

¹⁵ Cf. *The Political Writings of Richard Cobden* (London, 1867), Vol. II, pp. 198-9 and the role he assigns to Western Russia and the Ukraine in the international division of labour.

¹⁶ Cf. The highly interesting petition by the merchants and manufacturers of London, Manchester and Liverpool addressed to the House of Commons in 1821. It is generally assumed that the economist Thomas Tooke was its author. Porter, *op. cit.*, pp. 502-4.

“The freedom which, under our government, every man has to use his capital, his labour and his talents, in the manner most conducive to his interests are inestimable advantages; canals are cut and railroads constructed by the voluntary association of persons whose local knowledge enables them to unite in the most desirable situations, and these great advantages cannot exist under less free governments. *These circumstances when taken together, give such a decided superiority to our people, that no injurious rivalry either in the construction of machinery or the manufacture of commodities can be reasonably anticipated.*”¹⁷

That the technical productivity of British industry had turned the world into its servile handmaiden was partially true; but it was hardly prophetic to have nurtured the illusion (there were exceptions among the free traders) that English industrial paramouncy would remain unchallenged “for all ages.”¹⁸ This was another of the articulate major premises¹⁹, that lay behind free traders’ minds in their appeals for the establishment of the new Jerusalem.

The system of “free trade,” wrote Porter of the Board of Trade, means “unrestricted intercourse with foreign countries, in which no one country shall be placed, by regulations or differential duties, at a

¹⁷ Quoted in Charles Babbage, *On the Economy of Machinery and Manufactures* (London, 1835), pp. 367-70. A special committee, set up in 1825 to study the problems associated with the export of machine tools, suggested that the law should be modified. The Manchester Chamber of Commerce was opposed to the export of certain categories of specialized machine tools. Cf. A. Redford, *Manchester Merchants and Foreign Trade, 1794-1858* (Liverpool, 1934), p. 133. In 1843, *The Select Committee on the Exportation of Machinery* proposed the abolition on all restrictions on the exports of machinery. The driving force behind this liberal gesture was not dictated by any abstract faith in the beneficence of competition. Nasmyth, the inventor of the steam-hammer, recognized this when he wrote in his *Autobiography* that it was more profitable to export machinery, rather than give a foreign country the opportunity of satisfying their own demand.

¹⁸ *Select Committee on Export of Tools and Machinery*, Board of Trade, 1825.

¹⁹ Indeed, Professor Clapham has shown the subsequent adoption of free trade neither reduced foreign investment nor checked skilled emigration, and that the assumption, which lay at the back of some of the British free traders’ minds in the Twenties and Thirties that foreigners might be induced to grow food and raw materials for eternity “if Britain would buy and use them freely, rested on questionable political assumptions, as an examination of French policy might have suggested.” *An Economic History of Modern Britain, The Railway Age*, Vol. I, p. 492, Cambridge University Press, 1926.

Although the emigration laws were abolished in 1824, British artisans and capital did go abroad, much to the annoyance and regret of McCulloch of the Board of Trade. Cf. his observations before the *Select Committee on Artisans and Machinery*, 1840, in C. K. Hobson’s *Export of Capital*, London, 1914, p. 109; also Lord Brassey, *Work and Wages*, London, 1872, p. 82 and the more recent work of W.O. Henderson, *Britain and Industrial Europe, 1750-1870. Studies in British Influence on the Industrial Revolution in Western Europe*, Liverpool University Press, 1954.

disadvantage with any other . . . a system in which the fallacy of protection shall be utterly disowned and abolished," and it was Britain's duty by her liberal conduct, to convince other nations of the efficacy of such action. "That the capital, skill and energy possessed and exercised by the inhabitants of these islands will, when unfettered, carry us forward to a degree of commercial and manufacturing prosperity of which the world has hitherto seen no example, it required little boldness to foretell; and that this prosperity will be attained to a very high degree, although the example of England should fail to convince the governments of other countries, and to be followed by them, does not admit of any doubt."²⁰

Political Economy as a Liberating Force

Economic liberalism as formulated by post-Napoleonic theorists was not a formless mass of doctrine unhurriedly elaborated in the sheltered calm of an academic cloister; rather was it the reflection of those emergent class forces that reached their maturity in the immediate postwar years. In this context it was a militant and coherent corpus of doctrine making short shrift of the cult of neutrality²¹ and its protagonists pre-eminently public men, parliamentarians, writers, business men, teachers. The forces which it represented were national in scope, and if these were apt to treat the "general interests" of the nation and their class interests as synonymous, they were legitimate in doing so for their interests coincided—at least on the domestic plane—with the basic changes and trends of the productive forces. The shackles of vested interests—mercantilists vestiges of the seventeenth and eighteenth centuries; the interests of the West Indian slavocracy—the beneficiaries of the East India Company—had to be smashed, and this by the liberating force of political economy. That was its historical mission, and in that social context classical political economy was not, and could not be neutral.

²⁰ G. H. Porter, *op. cit.*, pp. 475-6.

²¹ This also coincided with the emergence of industrial capitalism and its critics (Sismondi, Malthus, Lauderdale and the Chartists). It was in this context that "neutrality" was difficult if not well nigh impossible. It is interesting to note that Böhm-Bawerk refers to the position of Adam Smith on the question of the rate of interest as one of "complete neutrality," and adds that "in Adam Smith's time the relation of theory and practice still permitted such a neutrality, but it was not long allowed to his followers." *Capital and Interest*, pp. 74-5. On the *partipris* of James Mill and Ricardo, see the observations of Edwin Cannan, *A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848* (London, 1893), p. 206. Although Ricardo was the high priest of economic liberalism he added in a very important chapter to his *Principles* "On Machinery" heretical confessions. He expressed the view that the introduction of machinery was capable of being harmful to the interests of the working class. McCulloch rebuked him for this breach of good taste and accused him of supplying thunder to the enemy, i.e. Malthus and Sismondi.

As a battering ram against the abuses of colonial monopoly and mercantilism, the privileges and political prerogatives of a landed aristocracy, classical political economy initially played a revolutionary role. Economic liberalism was anti-slavery not because of any humanitarian impulses²² but because it saw in slavery a deterrent to the expansion of the productive forces; it was anti-colonial because colonies were expensive encumbrances serving only as “gorgeous and ponderous appendages to swell our ostensible grandeur” without “improving our balance of trade.” “After the immense revolution that has been carried into effect,” thundered Disraeli, “we cannot cling to the rags and tatters of a protective system.”²³ Mercantilism was not merely to be annihilated. Its very memories were to be uprooted. The liberal free traders were anti-tariff,²⁴ and anti-colonial,²⁵ and anti-corn law²⁶ and anti-navigation law²⁷ because they saw that behind the protagonists of vested interests lay the defenders of a diseased and bankrupt system of economic restrictionism—enemies that had to be destroyed before the victory bells could peal. The ironmasters of Glamorganshire and their textile counterparts in Lancashire and Yorkshire, eager to cut wages, were all in favour of “the free breakfast table.”²⁸

The very notion of *political* economy was considered subversive.²⁹ The younger Carey held that Ricardo’s *Principles* laid too much emphasis

²² Cf. the statement of T. B. Macaulay, *Hansard, Third Series, LXXVII*, 1290, 1292, 1300, 1302, February 26, 1845. Also B. Disraeli, *Life of Lord George Bentinck*, Vol. 1 (London, 1878), p. 78. When the American social revolution began in 1861, John Stuart Mill was revolted to find that the sympathies of the overwhelming majority of the liberal bourgeoisie lay with the “liberal” south against the “protectionist” north. “The working classes, and some of the literary and scientific men, being almost the sole exception to the general frenzy,” commented Mill. Michael St. John Packe, *Life of John Stuart Mill* (London, 1954), p. 423.

²³ *Hansard, Third Series, CXXIV*, 1036, March 3, 1853. Cf. his novel *Sybil* for an interesting description of these vested interests.

²⁴ B. Holland, *The Fall of Protection, 1840-1850* (London, 1913).

²⁵ L. J. Ragatz, *The Fall of the Planter Class in the British Caribbean, 1763-1833* (New York, 1928); F. W. Pitman “The West Indian Absentee Planter as a British Colonial Type,” *Proceedings of the Pacific Coast Branch of the American Historical Association*, 1927.

²⁶ D. G. Barnes, *A History of the English Corn Laws from 1606-1846* (London, 1930); C. R. Fay, *The Corn Laws and Social England* (London, 1932); A. Prentice, *The History of the Anti-Corn Law League*, 2 Vols. (London, 1853).

²⁷ A. Brady, *William Huskisson and Liberal Reform* (London, 1928).

²⁸ E. Dolleans, *Histoire du Mouvement Ouvrier, 1830-1871*, Vol. I (Paris, 1936). For a very lucid exposition, see Chapter 2.

²⁹ Reference to such things as “corn” and “drawbacks” were considered a “profanation of the academic profession.” Cf. Introduction to *Stewart’s Biographies*, edited by Hamilton. For an excellent piece of scholarship describing the class basis of political economy, cf. Elie Halevy, *La Naissance du Radicalisme Philosophique* (Paris, 1905).

on class struggle and that his system was one of discord creating "hostility between classes . . . his book is a manual for demagogues who seek to gain power. . . ." ³⁰ To be sure, Ricardo intended it as a manual of ideological "enlightenment," ³¹ and it was not fortuitous that he focused his abstractions on problems of class distribution. In a letter to Malthus, he said: "Political Economy you think is an inquiry into the nature and causes of wealth; I think it should rather be called an inquiry into the laws which determine the division of the produce of industry among the classes which concur in its formation" ³² and in the Preface to his *Principles* he wrote: "To determine the laws which regulate this distribution is the principal problem in Political Economy."

With its major propositions enunciated, the science of economics had attained finality. Cairnes, writing in the 1870's, declared that "it is not denied that the science has done much good. Only it is thought that its task is pretty well fulfilled. The process of abolishing monopolies and removing impediments to industry is thought to have reached its natural termination." ³³

The economic role of government had little place in the State except as the ultimate rampart protecting the privileges of property rights against the encroachments of the "lower orders." Moreover, in terms of class motivations economic liberalism "afforded a measure of justification to the free activities of the individual capitalist, which attracted to it the support of the dominant social force behind authority." ³⁴ For the former, until the advent of what Dicey called the "collectivist

³⁰ H. C. Carey, *The Past, The Present, The Future* (London, 1848), pp. 74-5. J. M. Keynes tells of late Professor Foxwell that he once declined to deliver a Presidential Address to the Royal Economic Society about Ricardo on the ground that "his onslaught on the author of the dreadful heresy between capital and labour would have been too provocative." *Economic Journal*, December 1936.

³¹ It is perhaps in this light that we can appreciate the insight of Jacob Viner concerning Ricardian ideology which he considered to be "a rule of expediency, always subordinate to the principle of utility, and never a dogma." "Bentham and J. S. Mill: The Utilitarian Background," *American Economic Review*, March 1949.

³² *Works and Correspondence of David Ricardo*, edited by Piero Sraffa in collaboration with Maurice Dobb, Cambridge University Press, 1954, Vol. VII, p. 265.

³³ *Political Economy and Laissez-Faire* (London, 1873). Cf. the observation of Sir James Stephen in 1861 in H. Sidgwick, *The Principles of Political Economy* (third edition, London, reprinted 1924), p. 2.

³⁴ J. M. Keynes, *The General Theory*: his thrusts against the classical economists were shrewd and maliciously brilliant. "That it reached conclusions quite different from what the ordinary instructed person would expect, added to its . . . prestige. That its teaching, translated into practice, was austere and often unpalatable, lent it virtue. That it was adapted to carry a vast and consistent logical superstructure gave it beauty. That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress . . . commended it to authority." pp. 32-3.

age"³⁵ the main function of the State was essentially what Adam Smith in an unguarded moment proclaimed it to be: a means that enabled the rich to sleep peacefully in their beds.³⁶

The victory of the Ricardian tradition and economic liberalism was not an event unrelated to the economic soil from which it sprung. In its relentless onslaughts against the claimants of an outworn social order it played a role comparable to those doctrines on the rights of man forming the matrix of the political and social liberalism that shook Europe to its foundations in the *annus mirabilis* of 1848.

In a celebrated passage of the *General Theory* Keynes noted that the completeness of the Ricardian victory was due to "a complex of suitabilities in the doctrine to the environment into which it was projected," and described the Ricardian tradition as having "conquered England as completely as the Holy Inquisition conquered Spain. Not only was his theory accepted by the city, by statesmen and by the academic world, but controversy ceased . . ." ³⁷

But outside England, spokesmen in the less developed areas were less enthusiastic and were soon rising to question the applicability of economic liberalism to a soil in which it had no national roots, and its value as a conceptual framework in which problems of economic growth and national unity were paramount.

II

The Emergence of Revolt

It was not paradoxical that a frontier community that had recently acquired its national independence was to repudiate the extremer forms of integral liberalism. The thirteen American states were far from integrated in a national economy, and the primary task of the young Republic, given the centrifugal forces in operation, was to develop such integration and accelerate the process of economic growth by increased reliance

³⁵ By "collectivism" this liberal jurist meant social legislation and various paraphernalia of the Welfare State. It is an interesting study because it appears at the watershed of a new age that was to see the advent of monopolistic capitalism and the increased bargaining power of the trade unions. A. V. Dicey, *Law and Public Opinion in England* (London, 1905).

³⁶ "It is only under the shelter of the civil magistrate that the owner of valuable property . . . can sleep a single night in security." *The Wealth of Nations*, Book v, p. 760, Cannan Edition (New York, 1936).

³⁷ The statement by Keynes is correct in terms of the triumph of the Ricardian tradition. But there were differences with regard to many of Ricardo's propositions. Cf. R. Meek, "The Decline of Ricardian Economics in England," *Economica*, February 1950. For an insight into Ricardo's milieu, cf. the work of Lionel Robbins, *Robert Torrens and the Evolution of Classical Economics* (London, 1957).

on the regulatory powers of the Federal Government.

The Fathers of the Federal Constitution considered economic development as a necessary corollary for the safeguarding of national emancipation. Indeed, thanks to the decisive policy interferences by the central government economic development along many lines was made possible, and its prestige and power, enormously enhanced by its fiscal powers, enabled it to attain a viable position to finance many industrial projects, primarily in the field of external economies which otherwise would not have been undertaken.³⁸

Given the new geo-economic and social framework of the Republic, a new doctrine was evolved which, although not breaking with the general implications of *laissez-faire*, was to modify and adapt it to novel conditions.

The Impact of the American Economy on List

American economic development was to exercise a formative influence on the architect of the concept of balanced growth. Friedrich List³⁹ was born in Reutlingen, Wurtemberg, in the dramatic year that witnessed the storming of the Bastille; and which in a few brief years would see

³⁸ C. W. Wright, *Economic History of the United States* (New York, 1940), p. 285. American economists have claimed that it was not until after the civil war when the economies of the states had become enmeshed into a national pattern and individual business concerns grew stronger no longer requiring State aid, that the principles of *laissez-faire* began to find wide acceptance. Cf. H. F. Williamson (ed.) *American Economic Growth* (New York, 1951), pp. 14-15. G. R. Taylor, *The Transport Revolution, 1815-1860 (The Economic History of the United States Series, Vol. iv)* (New York, 1951). Also C. W. Kaiser, *History of the Academic Protectionist—Free Trade Controversy in America Before 1860* (Philadelphia, 1939). Also, Carter Goodrich, "Public Spirit and American Improvements," *Proceedings of the American Philosophical Society*, Vol. 92, October 1948. The same author emphasized the stimulating impact of public investments on American economic growth. In the first half of the nineteenth century "proposals to construct canals and turnpikes and other improvements, and later the railroads at public expenses, were among the most important policy questions of the time." "National Planning of Internal Improvements," *Political Science Quarterly*, March 1948. The English novelist Trollope observed "that there is no point in the national character of the Americans which commands so much respect as the boldness and energy with which public works are undertaken and carried through." Quoted in Goodrich, *op. cit.* Commenting on this trend Ragnar Nurske adds: "While the American economy today impresses the world mainly by its mass production methods, in the early nineteenth century it distinguished itself above all by the way it was building up 'social overhead capital'." *Problems of Capital Formation in Underdeveloped Countries*, Oxford University Press, 1953, p. 153.

³⁹ Unfortunately there is no adequate biography of this extraordinary man either in French or English. The work of Maurice Bouvier-Ajam, *Frédéric List: Sa Vie, Son Oeuvre, Son Influence* (Paris, 1938), is unsatisfactory and does not have an adequate bibliography or source references; the work of M. E. Hirst, *The Life of Frederick List*

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the spread of the revolutionary democratic ideals and the disappearance of the last remnants of the *ancien regime*.

Coming from an impoverished region in the heart of checkerboard Central Europe, the American experiment had impressed upon this sensitive spirit the need for national integration as a prerequisite of growth. List is a theorist of economic growth and a prophet of unity, not because of the primordial importance of the American impact, but because he came from a country in which poverty and disunity were galling realities. Had not Voltaire declared that Germany was a region condemned to eternal squalor?⁴⁰

But perhaps the most clearly discernible impact of America on List was the cognizance that a doctrine which corresponded to the material conditions of a given region at a certain stage of growth was inapplicable to another at a different stage. Listian economics is a coherent body of doctrine hammered out of the exigencies of nation building and the desire to harness the human potential to the task of creative economic reconstruction. Doctrine, in this view, is not conceived as something static but rather against a background of intense movement, in which ideology must adapt itself to different social frameworks.

Although he tells us that he brought to America the *Nationalitätsprinzip* in his baggage, Alexander Hamilton's influence was all-pervasive. Such an observation does not detract from his originality but merely serves to put him in perspective with his American legacy.⁴¹

An intellectual sword had been bequeathed to him by the inspired humanism of the French Revolution—and the fast moving vistas of the new world a grindstone on which it was to be sharpened for future battles in his dismembered country. In the Republic he served his apprenticeship for the tasks that lay ahead,⁴² and in turn provided a

and Selections from his Writings (London, 1904), was published more than two decades before the publication of the collected works by the Friedrich List Gesellschaft under the editorship of E.V. Beckerath, K. Goeser, F. Lenz, W. Notz, E. Salin, A. Sommer. Cf. the excellent and comprehensive study by Friedrich Lenz, *Friedrich List: Der Mann und das Werk* (Munich, 1936), and by the same author *Friedrich List, die 'Vulgarökonomie' und Karl Marx* (Jena, 1930), and his later work, *Friedrich List und Grossdeutschland* (Leipzig, 1938) (unfortunately, this last work bears the impact of Nazism) and *Friedrich List und der Liberalismus*, Schmollers Jahrbuch, 48 (Jahrgang, 1924); W. Schreiber, *Friedrich List als Denker und Staatsmann, die Staatslehre des jungen List* (Murrhardt, 1929). For an extraordinary documentary account of the Zollverein, cf. H. Oncken and F. M. Saemisch (eds.), *Vorgeschichte und Begründung des Deutschen Zollvereins, 1815-1834, Akten des Staaten des Deutschen Bundes und der europäischen Mächte* 3 Vols. (Berlin, 1933).

⁴⁰ Herbert Feis, *Europe, the World's Banker 1870-1914*, Yale University Press, 1930, p. 60.

⁴¹ *Werke*, Vol. 2, p. 359.

⁴² The Young Republic he considered "die hohe Schule, um ihn, für seine Hauptlebensarbeit vorzubereiten." William Roscher, *Zur Erinnerung an Friedrich List in Werke* Vol. 2, p. 49. Also Lenz, *op. cit.*, p. 277.

bridge between the New World and the Old. It was on his return to Germany in 1832 that he published his important work on railway economics,⁴³ and two years later the Zollverein, in which he was to play a decisive and dramatic role, laid the foundation stone of national unity.

List as Theorist of Economic Growth

List's detractors and disciples have described him variously. Nurske⁴⁴ and Bouvier-Ajam⁴⁵ describe him as an economic nationalist. Hayek,⁴⁶ Gide and Rist⁴⁷ see him as the precursor of German and Hitlerian imperialism, and the Nazi ideologist Rosenberg,⁴⁸ in an urge to establish a philosophical paternity for German fascism, embraced him as one of their ancestral godheads. To others he is the poisoned fount of economic nationalism. To Oswald Spengler⁴⁹ he is a socialist, to Wilhelm Schreiber⁵⁰ a conservative-liberal and to von Sbirck⁵¹ a neo-mercantilist. Amid this welter of divergent opinion, controversy is pointless; all we can say is that it is indeed a supreme tribute to any mortal that his intellectual performance could give rise to such conflicting interpretations.

It would be useful, however, to centre attention on another aspect of List's thought which seems to have been hitherto ignored—its cogency in respect to the industrialization process of our time. The pertinence of his doctrinal constructs is to be seen in his closely knit economic philosophy of which the apparently isolated elements—protectionism, State interventionism, the role of the railways in economic development,

⁴³ "Ueber ein sächsisches Eisenbahnsystem als Grundlage eines allgemeinen deutschen Eisenbahnsystems und insbesondere über die Anlegung einer Eisenbahn von Leipzig nach Dresden," *Werke*, Vol. 5.

⁴⁴ *Problems of Capital Formation*, Oxford University Press, 1953, p. 104.

⁴⁵ *La Vie et l'oeuvre de Friedrich List*, Doctoral dissertation (Paris, 1938).

⁴⁶ Together with his other *bêtes noires*, Marx and Engels and the Historical School he is considered to be one of the doctrinal inspirers of Hitlerian Fascism. *The Road to Serfdom* (London, 1944), p. 17 and pp. 140-1.

⁴⁷ Gide and Rist, *Histoire des Doctrines Economiques*, Vol. 1, p. 32.

⁴⁸ Alfred Rosenberg, *Der Mythos des 20. Jahrhunderts* (Munich, 1937), p. 123. There is hardly a single work on List published in Germany between 1933-45 which did not attempt to resurrect List and make him appear as a militant Nazi. A notorious example is H. P. Olshausen, *Friedrich List und der Deutsche Handels-und Gewerbsverein* (Jena, 1935). This work, however, contains original research.

⁴⁹ *Preussentum und Sozialismus* (Jena, 1920).

⁵⁰ *Friedrich List als Denker und Staatsmann* (Murrhardt, 1929), p. 49.

⁵¹ Heinrich Ritter von Sbirck, *Metternich, der Staatsmann und der Mensch*, Vol. 1 (Munich, 1925), p. 534. Metternich labelled List "a heroic swindler." Cf. Victor Bibl, *Metternich in neuer Beleuchtung: sein geheimer Briefwechsel mit dem Bayrischen Staatsminister Wrede* (Wien, 1928), p. 62.

the notion of balanced growth, etc.—are merely strands in a single pattern.

Our further contention is that his relevance to less developed countries and regions stems from his methodological approach to the problems of growth based on concrete sociological and historical case studies. That was his precious legacy. To List, a concept was never considered as philosophically detached, but in intimate relation to its historical roots, and logic only purposeful if it was able to cast a light on the problems of development, especially those which highlighted the brakes and accelerators of economic expansionism. Moreover, in his approach to problems of his time he was—like his contemporaries, Sismondi, Marx and Engels—a rebel against the liberal strait-jacket, which he believed could not provide a solution to the gigantic tasks which confronted his own country. In this respect, it can be argued that he was a “nationalist” in the sense that he understood the catalytic mechanisms required to release those forces for the task of economic reconstruction and social transformation.

The price mechanism, in its initial stages, was not a sufficiently powerful explosive to breach the backwardness of centuries within a short period. This, in List’s opinion, could only be done by a cohesive, purposeful policy of national integration on the part of the State. Once pioneer demolition work had been done, the price mechanism could perhaps play its role more efficiently as the conductor of the national economic orchestra. It is this latter aspect of List’s thought which has been seized upon by those countries caught in the twentieth century industrial maelstrom.

The Nation

Schumpeter has argued that liberal economists from Smith to Marshall developed what may almost be called a general theory of economic growth. Taking institutional, political and natural endowment factors for granted, they started from the assumption that a social group, in the absence of war and mass destruction of productive power, will experience a certain rate of growth determined by population increase and savings. The effect of this is to widen the internal market, thus in turn accentuating the division of labour and so increasing productivity. “In the Smith-Mill-Marshall theory, the economy grows like a tree. . . . Each situation grows out of the preceding one in a uniquely determined way, and the individuals whose acts combine to produce each situation count individually for no more than do the individual cells of a tree.”⁵²

⁵² “Theoretical Problems,” *Journal of Economic History*, Supplement, Vol. III, 1947.
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To be sure, the Mill-Marshall school considered the process of capital accumulation and the developments associated with it to be a self-perpetuating and self-equilibrating mechanism which would continue to function adequately if it were not tampered with either by State intervention or restrictions on trade. This was so because the capitalist entrepreneur was considered the "accumulator." Competition was the spur which compelled him to plough back his profits and expand productive enterprise. Such were the exigencies of the accumulation process. All that the mechanism required was to be wound up and given investment opportunities and adequate profit-expectations in order to function without impairment.

List, however, believed that classical political economy had no theory of growth, since by virtue of its "rootless cosmopolitanism"⁵³ it had ceased to consider the dynamic role of the nation-state. To List, economic growth was not conceived as cellular. He was in search of a formula, or rather a catalytic agent that would quicken, with reference to his own national tree, this growth. His researches led him to discover the "nation-state" as the catalyst. It was this discovery, he tells us, which led him on to pursue his research.⁵⁴

Economic theory and its corollaries, asserted List, must weigh the quantitative economic discrepancies in any consideration of the problems of growth. A uniform economic policy cannot be made applicable to countries at different historical stages of development. The concept of productive forces within the framework of the nation replaces the classical concepts of "value" and "exchange" market relations.⁵⁵ And thus national economic policy should aim at expanding the productive potential of the nation by conscious policy interferences.⁵⁶

His entire economic philosophy of industrialization was determined by an interventionist approach. The State was used to spark the massive chain reaction of industrialization in the absence of an entrepreneurial class. It was basically for this reason that many British technical experts were amazed at the role of the State in mobilizing scientific talent and popularizing industrial equipment. One of the British experts, T. E. Tennent, testifying before the *Select Committee on the Exportation of*

⁵³ With an eye to List, Lionel Robbins writes: "I find no trace anywhere in their writings (the classical economists) of the vague cosmopolitanism with which they are often credited by continental writers." *The Theory of Economic Policy in English Political Economy* (London, 1952), p. 10. He then quotes Smith's *Theory of Moral Sentiments*, Part VI, Section II, to corroborate his view of the "patriotism" of the classical economists. Now then List did not use the term "cosmopolitanism" in a pejorative manner. To List, it signified an economic approach, a method and tool of analysis. List never questioned their patriotism, to the contrary, he considered them as super-patriots.

⁵⁴ *Werke*, Vol. 6, Preface.

⁵⁵ *Werke*, Vol. 6, p. 251.

⁵⁶ *Werke*, Vol. 9, p. 147.

Machinery in 1840, "found at Berlin the most enterprising and systematic exertions made on the part of the government to obtain a command of the manufacture of machinery. I found no expense spare for that purpose, and the exertions quite astonished me." And what was true of Berlin held equally for other German states. The Prussian Finance Minister von Rother was Listian in his outlook when he declared in a report submitted in 1844, "that little advance will be made by accepting the common belief that the State should stand aloof and should certainly not engage itself in industrial enterprise . . . I have shown how false is the familiar cry that a civil servant cannot compare with the private citizen when it comes to running an industrial undertaking successfully."⁵⁷

In the light of these facts, Carr's contention that "on the theoretical side, the title of father of economic planning belongs rather to Friedrich List than to Karl Marx"⁵⁸ has much to commend it. He goes on to remind us that the term "Planwirtschaft" was coined, and in practice developed, by Rathenau and his experts in the German War Materials Department in List's Fatherland and not originally, as had often been claimed, in the land of the Soviets.

Repudiation of Specialization in Its Classical Forms

If List categorically repudiated the doctrine of comparative costs, he did so because he saw to what extent its premises had been conditioned by British technological leadership, and that the meteoric expansion and cumulative revolutionary potential in applied science appeared at every point to be in contradiction with its assumptions.

Keynes was not making a debating point when he stated that the rise of the modern chemical industry had made the law of comparative costs obsolete. "Modern productive processes of mass production can be performed in most countries and climates with almost equal efficiency."⁵⁹ And Sir Dennis Robertson pushed this line of argument a little further when he claimed that it is possible to produce out of "local dust and dirt" all sorts of things which previously had to be imported, and "in particular it has become evident that the simpler processes of textile manufacture can be carried on with almost equal efficiency by almost any kind of population in almost any part of the world."⁶⁰

In addition, as Jefferson and List clearly saw, in the economics of war (in D. H. Robertson's words) the "subtleties of comparative ad-

⁵⁷ B. Brockhage, *Zur Entwicklung des preussisch-deutschen Kapitaleports* (Leipzig, 1910), p. 27.

⁵⁸ *The Soviet Impact on the Western World* (London, 1946), p. 23.

⁵⁹ "National Self-Sufficiency," *Yale Review*, June 1933.

⁶⁰ "The Future of International Trade," Vol. XLVIII, March 1938.

vantage become a foolish irrelevance."⁶¹ In point of fact, the post-1945 decade demonstrated that it was not merely the economics of war that stimulated industrialization, but equally the economics of the cold war and of partition—i.e. India, Korea, Indo-China, Germany.

List saw that the emergence of industrialization would inevitably induce changes in agricultural productivity. Economic development must therefore be envisioned as the process of balanced growth for the two major segments of the national economy. In a striking passage he takes to task the classical economists for relegating the importance of balanced growth (*einer gleichmässigen Ausbildung*) and pinpoints the crucial role of science and technology in initiating and sustaining the process of growth.⁶²

It is worth comparing List's thought with the observations of United Nations experts:

As a result of the remarkable progress of science during the past two hundred years, the gap in technology between the developed and the underdeveloped countries has grown wider and wider. This gap is even more impressive than is the great inequality in wealth which separates them; the two are not unrelated. On the basis of a long cumulative scientific tradition, the advanced countries of Europe and America have made great strides. . . . While some of this new technology has reached the underdeveloped countries, it has only affected certain limited sectors of their economies, and has not permeated their social and economic structure. . . .⁶³

The authors of another United Nations study were Listian in their approach when they insisted that in a country where population is large in relation to cultivable land, and where the land supports more people than can be fully employed in agriculture, substantial technical progress in agriculture is predicated on a reduction of the agricultural labour force. In this case, a programme of boosting agricultural productivity is determined by industrial growth rates and its capacity to absorb the surplus rural population.

"A primitive agricultural nation is characterized by despotism, superstition and ignorance, a low cultural level, the non-existence of transport and communications, poverty and political impotence."⁶⁴ These words

⁶¹ *Economic Journal*, March 1938.

⁶² *Werke*, Vol. 6, p. 180.

⁶³ *Measures for the Economic Development of Underdeveloped Areas*, United Nations (New York, 1952), para 79. It is generally recognized that a high level of economic activity is a prerequisite for a heavy demand for agricultural production and a sustained rate of industrialization is essential for absorbing surplus farm population and for higher productivity in agriculture.

⁶⁴ *Werke*, Vol. 6, p. 180.

could have been spoken by Nehru, Sukarno, Mao Tse-tung or any other prominent spokesman of the Afro-Asian world.

The industrialization process—and here the humanism of List rises to its apex—is seen as an agency of human expansionism, liberating man from the confines of a constricted world and opening up before him the endless frontiers of science, change and hope, and of freedom and the ability to transform society and thus transform himself.⁶⁵

The Infant Industry Thesis

In the initial stages of industrialization, List argued, present sacrifices are necessary for the acquisition of future benefits. This was one of the incidental costs of progress; the alternative being economic infanticide.

It would have been utterly alien to List's method to reject *en bloc* liberal doctrine. As a "political liberal"⁶⁶ he observed that in order to attain the stage of "universal free trade" it would first of all be necessary for the less developed countries to raise their technical productivity to that prevailing in Britain's economy. Only when such an historical summit had been scaled would it be logical to speak of the practical universality of free trade—but not before. In Myrdalian terminology: international integration was to be attained through national integration.

It must not be assumed, as certain economists have claimed, that List inveighed against classical economists out of sheer perversity.⁶⁷ He was a victim of calumny and he fought back with determination, charging British liberals of advocating universal principles with universal validity, and advising them that their time could be better spent if they closely studied the Indian tragedy that was being enacted before their eyes and for which their doctrinal fanaticism was wholly responsible.⁶⁸ It was the hall-mark of hypocrisy, he went on, to maintain that the postulates of economic liberalism had anything in common with the scientific method, for in advancing this claim it relegated the material conditions of its doctrinal roots.⁶⁹

The Legacy of List

List's blueprints were drawn within the socio-historical framework of his own backward country, and this is the main reason why his central

⁶⁵ *Ibid.*, p. 180.

⁶⁶ In Germany, at any rate in the south, "it was considered a truism that every liberal must be a protectionist, and that every free trader necessarily a reactionary." Heinrich von Treitschke, *Deutsche Geschichte im 19ten Jahrhundert* (Leipzig, 1928), Vol. v, p. 451.

⁶⁷ "These bitter strictures on the English liberals undoubtedly lower the tone of the book and exhibit all the weakness of List at their worst." *An Economic History of Europe since 1750*, W. Bowden, M. Karpovich, A. P. Usher (New York, 1937), p. 379.

⁶⁸ *Werke*, vol. 6, p. 439.

⁶⁹ *Ibid.*, Vol. 6, p. 439.

theses foreshadow many of the theoretical concepts now fulfilling an important function in economic research and experimentation in the less developed areas.

List interpreted history as a dialectical process in which individuals and social groups were creative entities, and the concept of dynamic adaptation and balanced growth was the nucleus of his theoretical work. Growth, in turn, was determined and conditioned by natural and human resources, but the limitations on these could be overcome by effective social organization, the application of science and technique, intensive social discipline in harnessing human resources to a common objective. In this respect he was the precursor of the doctrine of institutionalism.

With regard to the formulation of economic policy, he emphasized that decision makers must be adaptable to changing circumstances, and that the success of a social formula under one set of conditions may have calamitous consequences when applied to another.

Admiration has its limits, and in it would be doctrinally obtuse to suggest the integral validity of the assumptions of the Listian model for less developed communities about to commence the epic of industrialization, and now standing at the crossroads after the recent achievement of their national independence.

Indeed, Listianism is no more immediately relevant to them than Ricardianism is to those countries which proclaim their liberal faith on every possible occasion, notwithstanding the fact that the structure of their national economies no longer corresponds to the liberal blueprint.

Rather we should argue that Listian inspiration lies in its spirit of healthy scepticism towards familiar but dessicated formulae and its strength not in precedence but in the audacity of innovation.

In its time, the Zollverein, offered an example to countries such as the United States and Switzerland which had not attained their national unity, where trade was hamstrung by internal custom frontiers. The father of the Hungarian national liberation struggle—Ludwig Kossuth—inspired by the achievements of the Zollverein, abandoned his Smithian liberalism and embraced the ideology of List.⁷⁰ Italy, in particular, was illustrative of the inspiration it derived from Listian thought. The *Annali universali di Statistica* “hailed as an event of good omen for Italy the treaty providing for the completion of the Zollverein in 1834.”⁷¹

⁷⁰ Von Sbirck, *op. cit.*, Vol. 1, p. 201. On the short friendship that sprung up between these two men, cf. *Werke*, Vol. 7, p. 338.

⁷¹ K. R. Greenwood, *Economics and Liberalism in the Risorgimento* (London 1934), p. 233.

A word of caution needs to be said at this juncture. I have perhaps exaggerated the role of national unification and national independence as catalysts in economic development. There are no *automatic mechanisms* which engender balanced growth once independence is achieved. For an elaboration of this point, cf. my work *Le Libera-*

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List's life symbolized a unity of theory and practice, for he more than any other heretic of his time—Marx and Engels included—had stripped British economic liberalism of its quasi-theological pretensions, and conclusively showed that British industrial supremacy was not based on “eternal principles,” nor was it a unique attribute of Anglo-Saxon racial superiority; but rather that it was an historically conditioned force; and that if economic construction and social reconstruction are to surge ahead it is mandatory that the human potential of the nation be mobilized with this aim in view.

The radical departures from the traditional views—that is the views of the then dominant English political economists—earned List, despite his lack of appreciation of classical reasoning and a certain intolerance towards its methods of analysis, the homage of perhaps one of the most distinguished inheritors of the classical tradition. “The brilliant genius and national enthusiasm of List,” wrote Alfred Marshall “stands in contrast to the insular narrowness and self-confidence of the Ricardian school” for “he showed that in Germany and still more in America, many of its indirect effects (Free Trade) were evils. . . . Many of his arguments were invalid, but many were not.”⁷² And Schumpeter observes, in a joint tribute to the Zollverein and List: “What this association means to Germans cannot be understood by members of those fortunate nations for which the right to national existence and national ambitions is a matter of course.” As a “scientific economist,” he continues, “List had one of the elements of greatness, namely, the grand vision of a national situation, which, though not in itself a scientific achievement, is a pre-requisite for a certain type of scientific achievement—that type of which, in our day, Keynes is an outstanding example. Nor was List deficient in the specifically scientific requisites that must come in to implement vision if it is to bear scientific fruits.”⁷³

Marshall's evaluation, made in the 1890's, has not yet lost its force despite the changed constellation in the world economy for those coun-
lisme économique et les Pays Sous-développés: Etudes sur l'évolution d'une idée (Geneva, 1958).

For economic development to get off the ground one must examine the politico-economic forces behind the drive for national integration. The case of Israel and China in our time is particularly revelatory since it highlights the fact that the regimes in question have been able to canalize the drive for national unification and national independence into creatively economic channels. National independence acquired from a colonial power is no guarantee that growth will be accelerated. Haiti exchanged prosperity under French slavery for poverty under black freedom. Indonesia lacerated by internal political conflicts has made little headway since the acquisition of independence. And Thailand which has always been “independent” continues to stagnate. And the same is true of Pakistan and many nominally independent Latin American republics.

⁷² Alfred Marshall, *Principles*, p. 727 Eighth edition, (London, 1936).

⁷³ Joseph A. Schumpeter, *History of Economic Analysis* (London, 1955), p. 504.

tries who rightly or wrongly regard industrialization as an unqualified blessing.

List, as we know, was profoundly influenced by the application and failure of liberal economic principles to India. When at the turn of the century Indian economists began to formulate their ideas within the framework of "Indian economics," it was obvious that List's ideas had been imbibed by an intellectual elite in the Indian sub-continent—ideas that contributed towards the forging of a popular movement after 1919. For it was he who had emphasized that nationalism—and particularly economic nationalism—was a decisive creative force in the historical process.