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THE EARLY HISTORY OF POLITICAL ECONOMY IN THE UNITED STATES*

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(Read November 20, 1942)

AS ALL roads lead to Rome, so the history of all systematic knowledge in America leads back to Benjamin Franklin. Frequently he has been called the first American economist. It is true that papers on specific economic problems may be found which antedate Franklin's earliest effort. One such was a little pamphlet of 20 pages by Francis Rawle, printed at Philadelphia in 1721, which proposed the issue of paper currency "for the restoring of the sound credit of the Province of Pennsylvania." Another pamphlet by the same author, published in 1725, bore the alluring title, *Ways and means for the inhabitants of Delaware to become rich; wherein the several growths and products of these countries are demonstrated to be a sufficient fund for a flourishing trade.*¹

The 1725 pamphlet by Francis Rawle, as is indicated in its title, sees in agricultural products the potential "fund" from which "the inhabitants of Delaware" may "become rich," that is, if the plan recommended by the author is followed. By "Delaware" the author means not simply the area of the present state of that name,

* The field of money and banking has been reserved by the Committee for a future paper, and is therefore touched upon here only incidentally.

¹ Although the title page declares that it was "printed and sold by S. Keimer, in Philadelphia, MDCCXXV," Franklin said that he had printed it. When William Rawle, a great-grandson of the author, was dining with Franklin in Paris, Franklin said to him: "When I set up business in Philadelphia, being in debt for my printing materials and wanting employment, the first job I had was a pamphlet written by your grandfather; it gave me encouragement and was the beginning of my success." (Spark's *Life of Franklin*: 242.) This statement was reported in a manuscript entitled, "A Memoir of William Rawle," in which it is said that the book by Francis Rawle, "as far as I know, was the first original treatise on any general subject that appeared in this province." A reply to *Ways and Means*, entitled *A Just Rebuke*, etc., supposed to have been written by the notable James Logan, was published the same year (1725); to this Francis Rawle published a brief reply the next year. Original copies of all three essays are in the library of the Historical Society of Pennsylvania. The first of these was privately reprinted in a limited edition in 1878, from what was then the only copy known to exist.

but the entire valley drained by the Delaware River. The main thesis is an agricultural mercantilism of a crude sort, aiming by means of subsidies to agricultural exports to make the value of the exports to *each* country exceed that of the imports from that country, so that the "Ballance in favour" of the Delaware region may be received in "Bullion." The subsidies were to be raised by taxes on land, but this would not be a burden upon landholders because the lands would be increased in value by the increase in the prices of the products caused by the subsidy. Thus "the Delaware" could lift itself by its bootstraps.

Franklin's earliest effort in the economic field was made years before the speculations and experiments in natural philosophy for which he is best known. In 1726, when he was only 20 years old, he was the prime mover in the founding of the discussion club called the Junto, which developed into the American Philosophical Society some 17 years later. The live issue of the day was whether the paper currency issued by the Pennsylvania Assembly in 1723, based on land mortgages, should be continued. The debates in the Junto had, as Franklin records, possessed him "so fully of the subject" that he was moved to write what he called "a modest enquiry into the nature and necessity of a paper currency." First printed in the *Maryland Gazette*, it was issued in 1729 as a pamphlet and was the most widely read work on paper currency that appeared in Colonial America. It exerted great influence toward assuring the continuance of the Pennsylvania issues and doubtless those of other colonies. This "modest enquiry" comes near to being a general treatise on political economy in its attempt to relate a variety of economic effects to a plentiful supply of money in a community. Highly ingenious and effective as contemporary propaganda, it yet fares badly at the hands of modern critics. The youthful Franklin had hazy ideas regarding the amount of paper currency that can be issued without depreciation. He alternated between a vague recognition of the

truth that there is such a limit, and the erroneous notion that "if there may be at some times more than enough, the Overplus will have no effect towards making the currency as a currency of less value than when there was but enough, because such overplus will not be used in trade, but be some other way disposed of."²

It is true that Pennsylvania more nearly succeeded than did the other colonies in so limiting the issues as to avoid great depreciation; but when Franklin was writing, five years after the first issues, the notes had already depreciated 8 percent as measured in silver, and 13 percent as measured in gold coin.³ After the unhappy experience with the Continental notes during the Revolution, Franklin is believed to have revised or qualified his earlier belief in the virtues of paper money; but even after his death his authority was invoked in favor of the disastrous issue of French assignats. However, as he records in his *Autobiography*, his early service to the cause of paper currency in Pennsylvania was substantially rewarded by his being employed "in printing the money; a very profitable job and a great help to me."

Franklin's reputation as an economic thinker rests more securely on his later works. Apart from numerous passages occurring in letters and papers on other subjects, Franklin's economic writings include ten major titles (as listed in the Smyth collection, vol. 1, p. 136). Of these, three (1729, 1765, and 1781) are on paper money, and the others cover a wide range of contemporary problems: population, agriculture, manufacturing, national wealth, wages, commerce, physiocratic doctrine, etc. Although they cover a wide scope, they do not constitute a systematic treatment of political economy. Best known to

students of economic thought is Franklin's essay on population published in 1751. This undoubtedly influenced the views of Adam Smith, whom Franklin met years later in London, and it both anticipated and surpassed in balanced judgment the views of Malthus, published nearly 50 years later. The most influential of all Franklin's economic writings was a little pamphlet called *The Way to Wealth*, which ingeniously combined the sayings of "Poor Richard" into a code of individual industry, frugality, and enterprise, breathing the spirit of the then dominant American philosophy of saving and self-reliance. Franklin, thou shouldst be living at this hour! Poor Richard quaintly confessed: "I was conscious that not a tenth part of the Wisdom was my own." *The Way to Wealth* is said to have been printed and translated oftener than anything else ever penned by an American. It appeared in more than 150 editions and was translated into every European language.

Both Franklin and Jefferson, during their missions to France, formed friendships with the leading Physiocrats and became imbued with the physiocratic doctrines. Probably on their nomination, several democratic French economists were elected to membership in the American Philosophical Society: the Marquis de Condorcet and the Abbé Raynal in 1775; Brissot de Warville in 1789, and Pierre S. Dupont de Nemours in 1800, during his brief first stay in America.

In our Colonial period nearly all discussion of public questions was concerned primarily with the political relations of the colonies to the mother country, yet the economic aspects were fundamental. The economic aim of the colonists was freedom from the control of the English Government, and from the restrictions it imposed upon the commerce and manufactures of the colonies in favor of English merchants and the English treasury.

The beginnings of national government under the Constitution in 1789 ushered in a new era of discussion concerned with the economic problems of the young and growing nation. The most important economic paper before 1800 was Alexander Hamilton's famous *Report on Manufactures*, submitted to Congress in December, 1791. The first national tariff act, passed in 1789 ostensibly for revenue purposes, had afforded incidentally and in part intentionally a substantial degree of "protection" to various industries. The *Report* was the first systematic plea in America for still higher rates to foster infant

² Smyth, *Franklin's Collected Works* 2: 150.

³ Derived from figures given by W. M. Gouge, *A Short History of Paper Money and Banking*, chap. 2, 1833. In 1786, when the newly liberated states were rocked by violent discussion of the need for, and the merits of, paper money issues, there was published in Philadelphia a little *Essay on money as a medium of commerce*, which is most remarkable for its grasp of the subject, its moderate tone, its open-minded recognition of both advantages and disadvantages in paper currency issues, and of the exact point at which depreciation of the notes in terms of bullion may be expected to set in. It equals if it does not excel in these respects anything on monetary theory before the Ricardian era. The author was John Witherspoon, President of the College of New Jersey (now Princeton University), who was a signer of the Declaration of Independence and had been a member of the Philosophical Society since 1769.

industries. It has ever since been the main arsenal of arguments in favor of an intentionally restrictive tariff, as contrasted with a revenue tariff. The *Report* evidences much familiarity with economic writings and contemporary economic conditions, and as Hamilton's authorship of the *Report* was long unquestioned, his considerable reputation as an economist has been based almost entirely on this belief. But recently a scholarly librarian had the opportunity to examine the unpublished papers of Mr. Tench Coxe, and discovered what appears to be the original draft of the *Report* in Tench Coxe's handwriting, with numerous interlineations, not just a fair copy.

For years Mr. Coxe, a native of Philadelphia, had been foremost in the movement for higher tariffs. In 1787, while the Constitutional Convention was in session, he had read a paper at the home of Benjamin Franklin, in which he had presented essentially the doctrines of Hamilton's *Report* on behalf of a "balanced economy"; and the same year he helped to organize a "Society for the Encouragement of Manufactures and the Useful Arts." Coxe was a man well versed in contemporary economic writings, and of remarkable ability in the assembling of economic data, and during the year and a half before the presentation of the *Report* to Congress he had been Hamilton's assistant in the Treasury Department, engaged in collecting the interesting factual material which the *Report* contained. Hamilton is known to have held personal conferences with Coxe regarding the *Report*, and there can now be little doubt that Coxe was its true author, although Hamilton sponsored it as reflecting his own political wishes, if not his economic beliefs. Coxe therefore was Hamilton's political ghost writer, as Hamilton was Washington's in certain matters. They were the pioneers of a great modern army. It is of interest that Hamilton was a member of the Philosophical Society when he made his *Report*, and that Tench Coxe was elected to membership five years later.

Hamilton's chief interest in this "plea for a balanced economy" was no doubt very different from that of Coxe. It was almost wholly in the political rather than the economic bearings. To Hamilton, high tariff rates were merely the means to the end of securing the much-needed support of a wealthy conservative class for the feeble young Federal government. He succeeded brilliantly in this purpose, but sowed the dragon's teeth of class interests and pressure politics,

whose progeny, as organized manufacturers, organized farmers, organized silver miners, and organized labor, threaten today to destroy both free economic and true democratic institutions.

In the next quarter-century the most noteworthy economic writers were Tench Coxe and Albert Gallatin. The latter, also a member of the Philosophical Society, wrote on national finances and public debt, and although he was a citizen of Pennsylvania, he was a consistent opponent of high tariffs—the ablest northern exponent of that view during the period of threatened Nullification over the tariff issue.

In 1818 was published, with a laudatory preface by Thomas Jefferson, an English translation of a theretofore unpublished little treatise on political economy by Destutt de Tracy, who had been a member of the Philosophical Society since 1806. In 1821 appeared an American edition of an English translation of J. B. Say's lucid treatise on political economy along the lines of Adam Smith, intelligently edited for American readers by a Philadelphia lawyer, Clement C. Biddle, who was elected to membership in the Philosophical Society the same year. This work in successive editions was, for some years (until Wayland's book, 1837), probably the most widely circulated text on political economy published in America.

In 1820 began an era of more extended and systematic treatises on political economy written by Americans. In the next half-century 15 authors especially worthy of note published one or more such books (and successive editions), apart from a number of minor writers and pamphleteers. These authors fall into two well-marked groups according to their attitude toward the dominant issue of the tariff. Nine were in favor of freedom in foreign commerce, and the others (along with numerous disciples) were advocates of its restriction. The latter group, whose members assumed and were generally called by the name of nationalist economists, had its beginning and long its chief center in Philadelphia. However, a nationalist school developed in large measure independently in New England, in the period of active tariff discussion after 1815. Let us give attention first to the New England writers of the nationalist school, returning later to those of Pennsylvania.

The dominant business interest of New England before 1812 had been commercial, and New England representatives in Congress had opposed the high-tariff movement. However, the em-

bargo acts and war blockades between 1808 and 1815, paralyzing commerce and raising the price of manufactured goods, had stimulated a hectic development of manufactures in that region. The resumption of imports in 1815, and the post-war depression of domestic manufactures from 1816 to 1820, so changed the dominant self-interest and political opinion of New England that Daniel Webster and other New England representatives in Congress were forced to make a humiliating reversal of policy on the tariff issue. Reflecting this changed sentiment, three New Englanders, all lawyers, published between 1820 and 1828 treatises on political economy whose main purpose was advocacy of higher tariffs.

The earliest and the most noteworthy of the New England nationalist economists was Daniel Raymond, whose book appeared in 1820. When a young man, he had moved to Baltimore to practice law, but, having no clients, wrote a book on political economy for his own amusement and instruction, as he whimsically confesses. His preparation, in addition to legal studies, seems to have consisted of the reading of Hamilton's *Report* and several foreign texts on political economy. He alternates between modest confessions of his incompetency to write on political economy and expressions of contempt for the views of most former writers. With some warrant, however, he declares that his book "is a more general treatise than any that has to my knowledge been written in our country." His outstanding contribution to theory was his distinction between national wealth and individual wealth, two things which, he rightly said, are frequently confounded, although they are "distinct and different." In his view, national wealth consists of all useful resources, natural and artificial, whereas individual wealth (better called capital) consists of the capital-value of property rights, which may actually be increased by scarcity. This is a sound and illuminating economic-legal conception, a glimpse of what of late has been called the paradox of value; but unfortunately it was not developed further in America until independently revived much later.

Raymond's second and less valid basic proposition is that "a nation is a unity and possesses all the properties of a unity." This was really Hamilton's doctrine of "a balanced economy" in a new dress. With this half-truth Raymond plays fast and loose for hundreds of pages. He urges that because of this "unity" the increase of profits and wages in manufactures by means

of high tariffs benefits the nation as a whole even though the rest of the nation has to bear the burden. It is the simple rule of heads we win, tails you lose. It is startling to discover later that Raymond's whole argument is based on the assumption that without a high tariff there must always be great numbers of men out of employment, and that he believes raising the tariff to a prohibitive level is a panacea for the problem of unemployment both in post-war depressions and permanently. He ignores the fact that the tariff act of 1816 increased the rates substantially above those of any previous acts. His was the childish faith attributed to one of the sponsors of the ill-starred Hawley-Smoot Act in 1930, who was said to have declared: "Within six weeks the depression will be over"; and 12 years later it was still not over, when Pearl Harbor brought it for a time to a tragic end. Raymond's ideas on unemployment and its causes were evidently the result of superficial observation of the post-war depression after 1815, whereas the normal condition in America was a shortage of labor relative to the abundance of natural resources.

Mathew Carey (of whom later) was so pleased with Raymond's book that he offered to finance a professorship for him in the University of Maryland, but nothing came of this proposal. However, Raymond came into personal touch with the Pennsylvania nationalist group at this time, and the considerable success of his book, which ran through four editions, was largely due to their favor.

The next New England nationalist political economist was Alexander H. Everett, a brother of Edward Everett. Prominent in law and in politics, he published his book on political economy in 1826. The two Everett brothers were elected to membership in the Philosophical Society in 1831. Another lawyer, Willard Phillips, later a judge and then prominent in the insurance business, published a text on political economy in 1828 in which, along with advocacy of high tariffs, he clearly envisaged the modern theory of subjective value. In general doctrine his text ranks as the ablest American work on political economy before that of Tucker nine years later.

Mention may be made here, out of the chronological order, of the later New England nationalist economist, Francis Bowen, whose somewhat distinctive and original book, entitled *American Political Economy*, appeared in 1856. Broadly educated in liberal arts, theology, and moral philosophy, Bowen was in turn language teacher,

editor for years of the *North American Review*, and for the last half of his life professor of moral philosophy at Harvard, where he also taught political economy until his death in 1890. Both in his general economic doctrine and in his tariff views he was out of accord with his younger contemporaries at Harvard, including Dunbar and Taussig, who adhered closely to the English orthodox theory and were pronounced free-traders, whereas Bowen in both respects was pretty much in agreement with the nationalist school.

If we turn now to the Pennsylvania branch of the school of nationalist economists, it may be said to have been founded by Tench Coxe and Alexander Hamilton, but for more than half a century its outstanding leaders were the two Careys, father and son, both members of this Society. The brilliant Irishman, Mathew Carey, because of his anti-British agitation in Ireland when he was a mere lad, had been forced to flee first to France, where he met Benjamin Franklin, and later to the United States, where he arrived in 1784 at the age of twenty-four. Like Franklin, he had learned the printer's trade, and the publishing house which he founded in Philadelphia became, and continued for years to be, the greatest in the United States. At once after arriving he began to participate in political discussions. He pictured himself as a peacemaker, and one of his favorite titles for polemical tracts was *The Olive Branch*, in which he counseled his opponents to be sweetly reasonable by agreeing with him no matter how much it was against their interests to do so. He was a tireless fighter for his convictions and his sympathies. He delighted, so to speak, in hand-to-hand intellectual conflict, and in ridiculing, and often successfully exposing, weaknesses in the arguments of his opponents. The variety and volume of his writings on public questions is astounding. Probably the best collection of them is in the library of the Philosophical Society, many of the pamphlets containing presentation inscriptions in the author's own hand.

After the close of the Revolutionary War, Pennsylvania was the leader in the movement for state tariffs. The Pennsylvania State law of 1785, levying moderate rates on imports, was the model for the first national tariff act passed in 1789, with protectionist features introduced largely by the efforts of the Pennsylvania delegation in Congress. That state continued strongly to back efforts to increase restrictive tariff rates,

which were more than doubled in the next quarter-century. When the tariff issue blazed into still greater importance after 1815, Mathew Carey took Hamilton's *Report on Manufactures* as his gospel. He claimed Hamilton as his spiritual father and repeatedly wrote under the pen name of Hamilton. His greatest activity in tariff propaganda dates from 1819. Whether or not he had been a member of the Society formed by Coxe in 1787, Carey was active in 1819, 1824, and 1827, in organizing several similar societies for the "encouragement" of manufactures by means of tariffs.

Critics have frequently declared that Mathew Carey's tariff convictions were merely the rationalization of his political prejudices; that his advocacy of high tariffs sprang from his intense hatred of all things English which he brought with him from Ireland; and that his chief motive was to injure England by stopping imports, which at that time were largely from England. However that may be, Carey appears not to have profited personally by his propaganda, and he was not engaged in manufactures which would benefit by higher rates, although many of his close associates were.

When Mathew Carey died at a ripe age, in 1839, his place as leader of the nationalist school was taken by his even more distinguished son, Henry Charles Carey. Henry Carey, born in Philadelphia in 1793, had been drilled from early youth by his father in the Catholic Irishman's hatred at that time of everything English, and with a zeal for high tariffs for America as the means of injuring England. However, until he was 42 years of age, he was engaged in the publishing business, and his first book on political economy, an *Essay on the Rate of Wages*, was published in 1835. From that time, as new works from his pen appeared, his European reputation grew until it exceeded that of any other American economist. His fame was particularly great in Germany, where his nationalistic views were in full harmony with those being advocated at the same time by Friedrich List. Georg Friedrich List, the founder of the enormously influential German nationalist school of political economy, had, during a seven-year sojourn in Pennsylvania between 1825 and 1832, been in closest personal touch with the whole Philadelphia group most active in tariff propaganda, including Mathew Carey, Charles Jared Ingersoll, and P. S. Du Ponceau, all members of the Philosophical Society. Undoubtedly List de-

rived from them in large part, if not wholly, his nationalistic views on the advantages of restrictive tariffs, views which later were adopted and put into practice in Germany by Bismarck.

Irrespective of the validity of his beliefs, Henry C. Carey was marked for preeminence by the vigor of his literary style, by a certain audacity of thought, by sublime confidence in his own opinions, and by the remarkable volume and variety of his writings on economic subjects. Except for his father's biased instruction, he was self-trained through an astonishing range of reading. He aspired to attain, and in some measure achieved, a larger social philosophy rather than a mere political economy. His writings during the first decade were mainly given to a refutation of the Ricardian rent doctrine and of the Malthusian principle of population, without (it must be said) a full understanding of either. Thereafter his dominant interest was more and more the tariff issue. The one thing that he saw clearly and truly from the first was that conditions in America did not warrant the pessimistic conclusions of the English school. Carey held in much higher regard the views of Adam Smith, which the Ricardians thought they had improved or displaced in essential matters, and many recent students agree with Carey's judgment in this respect. Carey was optimistic and dynamic in contrast to the static pessimism of "the dismal science" as developed in England. As I have said on another occasion in an international gathering: "American economists from the time of Carey have naturally thought of change and progress as normal, and have protested against the assumption of fixity of customs, in social institutions, in the land supply, in the labor force, and in the industrial processes." But while Carey rejected a large part of the so-called orthodox theory, he retained some of its worst features. He accepted the fallacious wage fund theory, and developed to further absurdity the labor theory of value by explaining even the value of all land and natural agents as due *solely* to the labor embodied in them.

In contrast with what with some warrant he called the "discords" of the English school, Carey proclaimed the "harmony of interests" of all classes of society, a thought expressed also in his *Principle of Association*,⁴ which he and his

⁴ A paper on this subject was presented at a meeting of the Philosophical Society in 1894 by Henry Carey Baird, nephew, namesake, and ardent disciple of Henry Carey. It may be found in the *Proceedings* (33: 144, 1894)

disciples deemed to be the highest achievement of his thought. In essence this is much the same as Hamilton and Coxe's balanced economy and Raymond's national unity, and Carey used it in the same way to identify the interests of the whole nation with those who benefited by tariffs, while ignoring the injury to others. If "protected" manufacturers gained by the tariff, everybody gained, but if other classes of the nation lost, nobody lost. It was a lop-sided unity and a discordant harmony.

With a wide European reputation, Henry Carey was not without honor in his own country. He was reverently called "The Master" by a devoted group of disciples,⁵ and was fulsomely praised by the partisan advocates and the beneficiaries of tariffs. But, like Henry George, he was embittered in old age because his views (especially those on the tariff) had been so generally rejected by college professors, that blind and wicked generation. Only one elementary text on the lines of Carey, that of Robert E. Thompson, seems to have had even a limited use in the classroom. Only one university professor, the original, eccentric, and lovable Simon N. Patten, could be said to have been his disciple in any considerable measure. However, other Americans, returning like Patten from studies in Germany imbued with the ideas of the Historical School, were more appreciative of Carey (at least of some of his ideas) than were the stricter followers of the orthodox English economics. Distinguished in the last generation among these Americans influenced by their study in Germany were Professors Ely, Hadley, Farnam, James, Jenks, Seligman, J. B. Clark, Ripley, and Seager, to name only a few. But all traces of a distinctive nationalistic school had been lost by the end of the century, although some grains of gold in its thought have been conserved in the psychological, humane, and welfare economics of the present century.

So much for the nationalist school of political

under the title: "Association: the dominating need of man and the keynote of social science."

⁵ Among the minor writers of the nationalist school, the following eight men, nearly all of whom were in personal touch with Carey, are probably the most noteworthy (the dates being those of the publication of the first, or the only, book of each: Nathaniel Ware, 1844; Calvin Colton, 1844; George Opdyke, 1851; E. Peshine Smith, 1853; Henry Carey Baird, 1875; William Dexter Wilson, 1875; R. E. Thompson, 1875; and William Elder, 1882. Ware, Baird, Thompson, and Elder were members of the Philosophical Society.

economy. Let us now briefly identify the writers favoring free trade, or rather a low-tariff policy, preliminary to the attempt to indicate certain common elements marking the thought of American writers on political economy in contrast with those of contemporary England.

The principal writers of what we have denominated the free-trade school may be noted as follows, with the dates of their first general works on economics: John McVickar (1825), theologian, Columbia College, New York, largely educated in England (included here somewhat irregularly, since he wrote no independent text, but merely edited an American edition of McCulloch, the strictest of the English Ricardians); Thomas Cooper (1826), an English natural scientist who lived for some years in Pennsylvania, and then moved to South Carolina, where his free-trade views found a more congenial atmosphere; Jacob Newton Cardozo (1926), also of South Carolina, editor and active in public life, a writer of ability and considerable originality; George Tucker (1837), lawyer, member of Congress for three terms, then long-time professor at the University of Virginia, perhaps the most original and thoughtful of the economists of this period, though not popularly known or widely influential in his day; Francis Wayland (1837), theologian and moral philosopher, long President of Brown University, and author of the text on political economy most widely used in the quarter-century before the Civil War; Henry Vethake (1838), born in British Guiana, mathematician, natural scientist, and moral philosopher, who taught a wide range of subjects at Columbia, Princeton, and Pennsylvania. Then three other writers considerably later: John Bascom (1859), trained first in law, next in theology, and then successively teacher of English literature, President of the University of Wisconsin, and professor of sociology and political economy at Williams College; Arthur L. Perry (1865), liberally educated and for some years professor of political economy at Williams College; and Amasa Walker (1866), successful business man, long active in politics, including service in Congress, and father of Francis A. Walker, still more distinguished in political economy.

In the colonial period the leading public men and writers on public questions without exception favored a policy of free trade *on principle*, although they not infrequently declared that a restrictive tariff might sometimes be justified (as a necessary evil) when used in retaliation against

an unfriendly tariff policy of other nations. Hamilton was the first American of political prominence to voice the desires and demands of domestic manufacturers that higher customs duties be levied for the express purpose of excluding competing imports and thus raising the prices of their own domestic products.

The classification of American writers after the colonial period according to their attitude on the tariff question is obviously not truly "scientific," but rather is an empirical classification according to difference of belief in regard to one practical public policy among many in the choice of which economic theory has some application. Yet this provisional classification has been perhaps justified for the present purpose by the fact that in the public mind, during the period from the adoption of the Constitution until after the Civil War, the tariff loomed larger than any other one economic issue in national politics, and was generally assumed to be chief subject-matter and *raison d'être* for political economy. Indeed, this conception still persists in some tariff-favored circles.

When, however, the attempt is made to classify the American political economists of the period reviewed with respect to their more fundamental economic doctrines (a more "scientific" classification, let us say), a very different grouping results. With few exceptions a surprising amount of agreement is found, irrespective of the differing attitudes toward the tariff issue. This agreement is such as to constitute, it may fairly be said, a characteristic American political economy in contrast with the contemporary English school. However, there is still this noteworthy distinction: the nationalist school sincerely believed and argued that disproof and rejection of certain theoretical tenets of the orthodox English school was itself logical and conclusive proof of the fallacy of free trade and of the merits of a restrictive commercial policy; whereas the free-trade writers, most of whom also departed in greater or less degree from the tenets of English orthodoxy, believed that the conclusion in favor of freedom of commerce was a simple deduction from the economic principle that both parties normally gain by freely exchanging.

The characteristic and distinctive American views on general political economy may best be indicated by comparing them with those of the contemporary English Mill-Ricardian school of political economy. This was a strictly dated and strictly insular explanation (with some lag)

of the pathological economic conditions in the British Isles midway in the Industrial Revolution during and just after the Napoleonic wars, say between 1800 and 1825, continued with slight amendment by J. S. Mill after 1848. These peculiar conditions were mainly the scarcity of agricultural land in the British Isles to meet the needs of a rapidly increasing population, the record-breaking high price of food (aggravated by war conditions), the great concentration of land ownership and the almost complete separation of investment in land from that in commerce and manufactures, the entail and non-salability of land, and the relative superfluity of labor with consequently depressed wages along with abnormally high profits and high agricultural rents. In all these and in other respects the contemporary conditions in the United States between 1790 and 1860 were strikingly different.

It is true, as has been shown in repeated studies, that the English writers of the so-called orthodox school not only differed with each other in a good many details, but were frequently either ambiguous and self-contradictory, so that an exhaustive examination of their views would be a task far transcending our present purpose. Indeed, it may well be questioned whether the term "orthodox" is not a misnomer when applied to a miscellany of views in which there was so much of heterodoxy. Yet, if we pass over many minor and some greater exceptions, there was, among the English economists of the Mill-Ricardian school, a substantial measure of agreement on various fundamental doctrines, just as there was among American economists so considerable a measure of dissent from these doctrines.

The following may be taken as the chief criteria of the "orthodox" political economy: (1) the Malthusian population doctrine; (2) the Ricardian rent theory; (3) the conception of capital as consisting of "artificial" physical wealth (products of labor), excluding from capital all natural agents (land and its value); parallel with this distinction and depending on it, the conception of rent and interest as incomes derived from distinctly different classes of agents (land and artificial agents, respectively); (4) the conception of wealth as limited to commercially scarce goods, those having market valuation, excluding from wealth (and from the scope of political economy) the free gifts of nature, thus linking wealth with scarcity and market price rather than with the abundance of goods.

Of the writers we have named (either as na-

tionalists or as free-traders), only three adhered almost completely to the orthodox doctrines. These were McVickar, Cooper, and Vethake, all of whom followed closely McCulloch's text. All the others more or less fully rejected or qualified these doctrines, sometimes radically to the extent of ignoring the elements of truth in them when carefully interpreted, sometimes merely denying that they applied to American conditions, as for example, that there was danger of too rapid increase of population in the United States, or that the historical order of the "progress of rent" had been from the best to the poorer lands, as the Ricardian rent doctrine seemed to them to assume.

Not only the nationalists but some others inclined to much the same view held by Raymond and M. Carey, that there is no special "law of rent" in the Ricardian sense, that the explanation of rent comes under the general law of supply and demand for scarce desirable things and uses (a view recently more widely accepted).⁶ This thought is also rather fully implied in the doctrine (otherwise patently erroneous) taught by Henry C. Carey and his disciples that the value even of natural agents is entirely produced by (and attributable to) labor—a view taken also by some free-trade writers, as by Vethake (1838), and notably by Perry (1865) who acknowledged his indebtedness for this idea to the optimistic French writer, Frederick Bastiat (1850).⁷

Most American writers of both tariff groups rejected also the orthodox distinction between (physical) capital and land, and included land (and land values) in the concept of capital (in both the physical and the value sense). Likewise (overlooking some significant legal contractual differences) they rejected the orthodox distinction between rent and interest as incomes from different kinds of physical agents (natural and "artificial" agents, respectively), and accordingly they treated rent and interest as simply

⁶ For a fuller discussion of the rent issue, see John Roscoe Turner, *The Ricardian Rent Theory in Early American Economics*, 1921 (with an introduction by Frank A. Fetter). The treatment is less limited in scope than the title implies.

⁷ Henry C. Carey and his admirers accused Bastiat of plagiarizing this idea and the conception of the economic harmonies. For a brief impartial discussion of this charge, see L. H. Haney, *History of Economic Thought*, rev. ed.: 304-305, 1920. It may be remarked that whereas Carey used these ideas to support his extreme protectionist conclusions, Bastiat, Perry, and others were equally convinced that they were consistent with a policy of free trade.

two names for essentially the same thing. This was in contrast both with conditions and with business practices in Europe, but was in accord with those in America, where land was as freely salable as were other forms of wealth and was one of the commoner objects of commerce, of investment, and of financial speculation. Thus, almost unanimously, American writers on political economy looked upon land as a form of capital considered as physical productive agents, and upon the investment-value of land as a form of capital considered as a value-fund invested in business. Therefore, contract rent was viewed by them to be an element of business costs as fully as the monetary cost of machinery, of labor, or of any other use and service of production. These significant departures from "orthodox" doctrines characterize the views not only of the nationalist writers, but to some extent even those of such otherwise staunchly "orthodox" free-traders as Cooper and Vethake, and much more those of the more heterodox free-traders such as Cardoza, Amasa Walker, Perry, and Tucker.

A comparison of American and English writers with respect to some other subjects reveals less definite and consistent contrasts. But it can be said that scarcely a trace is to be found among American writers of belief in the wage fund theory (long before Francis A. Walker's later repudiation of it); or of belief in a fatalistic downward trend in the standard of living for the masses (an "iron law of wages"). Such ideas were too strongly contradicted by the prevailing trends in popular welfare (despite repeated financial depressions); and they were incompatible with the optimistic spirit in America.

Least departure from orthodox views was shown in general value theory. Most American writers, led by the nationalists, out-Heroded Herod in their professions of belief in the labor theory of value and in labor costs as determining all prices, although often inconsistently resorting to the saner idea that prices are determined by demand and supply in the market, by what commodities will bring rather than by what they have cost. Two laudable exceptions were Phillips (a nationalist) and Tucker (a free-trade writer), who independently anticipated the modern theory of subjective value, conceiving of valuations as essentially reflecting present desires rather than past costs. Henry C. Carey and his disciples substituted a "cost of reproduction" for the "cost of production" doctrine, which is

at least a step toward a present-demand, rather than a past-cost, theory of prices.

Here our story must break off just as the plot thickens. Is it possible to pass any general judgment on the American political economy of the period we have surveyed? Charles F. Dunbar, in 1876 (*North American Review* 122: 140, 1876), recorded his pessimistic conclusion as follows: "The United States have thus far done nothing toward developing the theory of political economy." Dunbar, a man of undoubted ability, had been a student of law and a business man until, at the age of 39, with no special schooling in economics, he was appointed to a professorship of political economy at Harvard. His limited writings on money and banking became noteworthy, but his general economic conceptions had been derived from the orthodox English school, as formulated in 1848 by John Stuart Mill with some admixture of a newer social philosophy and a more optimistic outlook. It may well be the long-run verdict of history that in those very matters in which the characteristic views of American political economists differed most from those of the contemporary English school in the first half of the nineteenth century, they came nearer to the ultimate truth. Dunbar explains the alleged failure of American political economy as "a natural effect of environment," by which vague phrase he seems to mean that the urgent practical problems of the new country left no time for original thought. It may be contended on the contrary, that the natural effect of a new environment is to stimulate to explanations more fitting the new reality. The question worth asking, therefore, is not, why did early American political economy fail utterly in originality; for it did not utterly fail. The pertinent question is, rather: why did the fertile and original conceptions which sprang, as it were, spontaneously from the new environment in America, not come to fruition in a constructive and more lasting system of American economic thought?

Two obstacles long stood in the path of productive thought on economics in America. One was false authority, mistaken regard for economic theories conceived *ad hoc* in England to explain essentially different and distinctly abnormal conditions. The other was partisanship, which blocks the path to disinterested scientific effort whenever personal prejudices and pecuniary or class interests are affected by the application of any kind of theory to practical problems. American political economy has suffered in both these

ways. On many American students of political economy the false authority of English orthodoxy has rested like a dead hand. The views of the other group, the nationalistic school, were largely determined, no doubt in large measure unconsciously, by political prejudices and by the pecuniary interests of tariff beneficiaries.

Perhaps it must always be so in some measure. As long as men allow their thought to be dominated by false authority and by their material interests and selfish likes and dislikes, political economy cannot be a purely objective science. The best that can be done is to minimize the evils by developing the judicial and scholarly spirit in the social studies. For this is needed specialized training, a slow process of public education, a changed public opinion, and social institutions to safeguard intellectual independence. Surely some progress in these respects has been made in the last 75 years.

It is a remarkable fact that during the whole

period before 1870 there was not a single so-called political economist who had received the minimum amount of special training demanded today for the practice of law, or of medicine, or for the pursuit of the natural sciences. All were trained primarily in some other field: theology, moral philosophy, literature, languages, law, practical politics, journalism, business, or some branch of natural science. In political economy they were all self-trained amateurs, who, as it were, happened to wander into this field. If the study of the more exact sciences were pursued only by men with such dominant motives and such unspecialized training, little scientific progress could be expected. Perhaps this is the main moral of our story. Another outcome of special interest to this company may be a fuller appreciation of the part taken by members of the American Philosophical Society in speculations on political economy during the first century of our national history.