Economic History's Adventure in Italy.
The Difficult Beginning

1.

Many elements and considerations contribute to the theory that, contrary to popular opinion, interpreting the facts of history from an economic viewpoint is not a recent idea, belonging at the latest to the second half of the nineteenth century, but that it dates from much further back, at least from the eighteenth century.

Firstly, it was in the eighteenth century that interest in studying the history of economic facts became more widespread. Examples of this kind of study, which can suggest the beginnings of an economic historiography, are to be found above all in two countries, France and Great Britain, and this is obviously not fortuitous.

Despite the many wars in which they had been directly or indirectly involved, already at the beginning of the eighteenth century, but even more so as the century advanced, France and Great Britain appeared as the most avant-garde nations in Europe, despite their being in many ways very different from each other. Their cultural progress was different;[1] for most of the eighteenth century the two states were organised differently; above all, their economies were different. In actual fact, these were the most economically advanced nations in Europe; and it is natural that awareness of this progress and the desire to speed it up led to a greater interest in looking for possible causes in the past which had hindered or aided advancement.

Consequently, decadence and progress were often examined. The issue of decadence attracted attention, above all, because of what was seen in Spain, the nation against which both France and England had been at war several times during the course of the sixteenth and seventeenth centuries. Once a powerful and rich nation, Spain had then plunged into ruin, and there was not the slightest sign of recovery. And Spanish decadence, as David Hume suggested,[2] confirming Jean Bodin's reply to the Seigneur de Malestroit,[3] was due to essentially economic reasons.

[1] Cf. B. Fay, *L'esprit révolutionnaire en France et aux Etats Unis à la fin du XVIIIème siècle*, (Paris: Champion, 1925), p. 8.

[2] D. Hume, *Sulla bilancia commerciale*, in *Discorsi politici*, (Turin: Boringhieri, 1959), p. 83.

[3] J. Bodin's *La Réponse aux paradoxes du Seigneur de Malestroit* was published in 1569. On it, see E. Roll, *Storia del pensiero economico*, (Turin: Einaudi, 1954), pp. 62 *et seq*; L. Einaudi, *Saggi bibliografici e storici intorno alle dottrine economiche*, (Rome: Edizioni di Storia e Letteratura, 1953), pp. 235 *et seq.* and the sources quoted therein.

The issue of decadence appeared to be closely connected with economics, as in the case of Spain, but a nation's rise and its power also seemed to have links with economics. Holland's spectacular rise was due to its commercial pre-eminence. Great Britain's history is particularly revealing in this regard. Still enveloped in darkness in the fifteenth century and for part of the sixteenth, Great Britain appeared on the world scene with ever-increasing authority between the end of the sixteenth and the early seventeenth century, playing a decisive role on the European and the extra-European stage. This amazing rise was connected with the trade that Great Britain had carried out and continued to carry out in Europe and in various parts of the world. Hence the importance of being familiar with the history of Great Britain's trade; hence, *inter alia*, Cary's book, which Genovesi, with a keen understanding of the profound moral lesson it contained for depressed, stagnant Southern Italy, had translated and published himself in Italian.[4]

The importance attached to the economic factor in understanding phenomena such as the decadence and the progress of nations was connected with the importance that economics was acquiring in French and English culture.

It is undeniable that English interest in the study of political economy increased as the country's wealth and the national income increased. Between the end of the seventeenth century and the first half of the eighteenth century, economic writings were already familiar in Great Britain,[5] and in fact reached a peak, launching modern economic science in 1776 with the publication of Adam Smith's famous book.[6]

A similar situation was to be seen in France. Between Law's banking experience (1720) and the Revolution we find not only Cantillon's book[7] – which, although not published then, was written in the years following the bankruptcy of the Western Company, Law's great invention and hope – but also all the works of physiocracy.

Moreover, confirmation that French culture in this period already attributed ever-increasing importance to material conditions in the history of human vicissitudes is to be seen, not only, though from a broader perspective, in Rousseau's philosophical writings,[8] but also in the work of Morelly, whether

[4] J. Cary, *Storia del commercio della Gran Bretagna*, (Naples, 1757), with Preface and Note by A. Genovesi.

[5] Cf. W. Letwin, *The Origins of Scientific Economics*, (New York: Doubleday Anchor Books, Garden, City, 1965), pp. 85 *et seq.*

[6] A. Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations*, 2 vols., (London: Strahan-Cadell, 1776).

[7] R. Cantillon, *Essai sur la Nature du Commerce en Général*, (London: Fletcher Gyles, 1755); see the Italian translation with Preface by Luigi Einaudi, *Saggio sulla natura del commercio in generale*, (Turin: Einaudi, 1955).

[8] Cf. M. Leroy, *Histoire des idées sociales en France. De Montesquieu à Robespierre*, (Paris: Gallimard, 1946), pp. 132 *et seq.*

he existed or not,[9] of Raynal,[10] of Mably,[11] and above all of Montesquieu, who was the first to examine the relationships between a nation and its legislation, emphasising the concept that every civilisation is influenced by the material forces of the outside world.[12]

There is no doubt that the theory, according to which the physical environment was considered the key to understanding society's problems and its changes, had some harbingers. Apart from Aristotle, authoritative contributions had been made by Vico, Baron d'Holbach, Hélvetius and Cabanis: writers who all belong to the period between the mid-seventeenth and the mid-eighteenth century; in other words the years when, because of the beginnings of population growth in Europe and in the world as a whole, and because of the effects of the colonisation of the New World, economic resources were being increasingly exploited, giving rise to a series of innovations in all sectors of the economy, from agriculture to channels of communication (roads and canals), and from industry to commerce.

Every year economic activity increased. This was to be seen, above all, in certain countries. The others, however, could not remain unaffected in the face of this growth, and even the most distant countries,[13] by means of increasing international trade and commerce, were encouraged to participate in the greater requirements of the markets which were a consequence of the increase in demand.

Far from being a temporary phenomenon, this situation tended to become more intense as the years went by. Since the population continued to grow, and hence, simultaneously, so did product supply and demand, improvements in production were put into effect more or less everywhere. These seemed more varied and more complex in the more economically advanced countries, which took on a leading role, utilising and conditioning, totally or partially, according to circumstances and their own convenience, the resources of the backward countries. And so power or political supremacy on the one hand and ability or economic power on the other moved increasingly closer to each other; this was reinforced by the emergence and the development of the process of industrial evolution, or revolution. Alongside the old historiographical concepts which put the inestimable and unchallengeable divine will ("God, the fount of all our tragedies") or the overwhelming force of the hero at the centre and as the mover of human vicissitudes, there emerged the concept which attributed an increasingly decisive role to the economic

[9] *Ibid.*, pp. 244 *et seq.*

[10] *Ibid.*, pp. 233 *et seq.*

[11] *Ibid.*, pp. 236 *et seq.*

[12] *Ibid.*, pp. 96 *et seq.*

[13] Cf. W. Kula, *Teoria economica del sistema feudale. Proposte di un modello*, (Turin: Einaudi, 1972), pp. 208 *et seq.*

factor. Barnes[14] points out: "The Enlightenment historians spoke about trade, industry, social life, cultural development and the interrelations between these forces much more than the old political and theological histories did." And this is not all.

During the age of Enlightenment these phenomena, and economic phenomena in particular, were not spoken about merely fortuitously, in the context of other natural and social forces which contribute to shaping human destinies: George Unwin, a master of economic historiography, recognises explicitly that it was then that economic history was born. "Adam Smith" – Unwin affirms – "was the first great economic historian";[15]; "the founder of economic history" although Vico and Montesquieu had travelled this road before him.[16] In Adam Smith's writings, Unwin, and not only him, saw "that broad, lucid treatment, full of constructive observations, which, through a huge mass of obscure details, resulted in a vivid panorama of European economic development".[17]

2.

Smith had managed to combine successfully economic theory and economic history by studying the causes which had determined the economic progress of the civilised nations, reaching the conclusion that freedom alone could ensure "not only wealth but the unity and the happiness of mankind", but no one else went through the door he had thrown open regarding how economic history was to be conceived. Those who followed on after Smith did not make use of the historical method; they withdrew increasingly into the abstractness of a generalising logic that did not disdain recourse to the use of mathematical formulae, and this increased their detachment not only from Adam Smith, but from the interest and the usefulness that historical-economic research could have had for the purposes of theoretical advancement. Thus, economic theory and economic history divorced, and in England and France this meant that economic history was defeated and set aside. Nor could it be rehabilitated as the "Industrial Revolution" made positive progress, in that, by raising and reinforcing complex industrial, commercial, financial and banking interests, the Industrial Revolution, distorting and exaggerating Adam Smith's definition of political economy, contributed to giving political economy the characteristics of a complete science which, like the physical sciences, had its

[14] Cf. S. B. Barnes, "Age of the Enlightenment" in M. A. Fitzsimons-A. G. Pundt-C. E. Nowell (eds.), *The Development of Historiography*, (Port Washington: Kennikat Press, 1967), p. 147; cf. also S. Pollard, *The Idea of Progress, History and Society*, (London: Watts and Co., 1968), pp. 21 *et seq.*

[15] In an address (*The Aims of Economic History*) read at the University of Edinburgh in 1908 and republished in *Studies in Economic History: The Collected Papers of George Unwin*, edited by R. H. Tawney, (London: Frank Cass and Co., 1966), p. 18.

[16] G. Unwin, *Some Economic Factors in General History* (1924), republished *ibid.*, p. 5.

[17] Cf. Unwin, *The Aims of Economic History, op. cit., ibid.*, p. 18.

own laws, valid at all times and in all places, and for this very reason had no interest in learning about individual historical experiences. This strained interpretations of Smith's book, as well as of the writings of Ricardo and his followers.[18] This was particularly evident in France, where Bastiat, especially with his *Armonie economiche*, believed he had identified the laws that control, once and for all, the functioning and the course of the economic world. But this kind of interpretation, and one which was just as lively, was also to be seen in Great Britain where it had even given rise to a school of economy: the Manchester School of Economics, Manchester being seething with industrialists yearning for greater freedom in production and commerce.

Both France and England aspired to maintain the leading position (the English advance being more significant than the French) that circumstances and a shrewd economic policy had ensured for them. And they wanted to confirm their international economic superiority by accepting the free-trade principle when dealing with individual states, despite the fact that this principle, already in force within France and England, had caused discontent and disputes, as was seen in the radical and Chartist movements in Great Britain[19] and in the flourishing of socialist schools and initiatives in France.[20]

Concrete interests prevailed over the ideal reasons and over the reservations and concern that Smith and certain of his followers had often shown regarding the indiscriminate application of free competition, both in relations between capital and labour and between different geographical and national areas.[21] This resulted in a twofold reaction. On the one hand, they wanted to show that free competition did not at all ensure the wellbeing and the happiness of the greatest number of people; and on the other hand, they wanted to show that unconditional acceptance of free competition in international relations meant only perpetuating the leading positions which some countries had managed to obtain. And to prove both these theories, the best method seemed to be recourse to analysing historical facts rather than unchanging principles as the French writers and those of the Manchester School wanted to do.

And so, although in the meantime historical-economic research was carried out in France and in England,[22] it was with these two critical approaches to free-trade "truths" that the path of economic historiography, which had been blocked, was opened up again, and a movement was started to formulate a theory for it.

[18] Cf. L. Robbins, *La teoria della politica economica nella economia politica classica inglese*, Italian translation, (Turin: Utet, 1956), pp. 155 *et seq.*

[19] Cf. L. De Rosa, *Storia del Cartismo*, (Naples: Pironti, 1967), pp. 45 *et seq.*

[20] P. Louis, *Histoire du Socialisme en France*, (Paris: Marcel Rivière, 1925), pp. 25 *et seq.*

[21] L. Robbins, *op. cit.*, pp. 33 et seq.

[22] Cf. H. Higgs, *Bibliography of Economics*, (Cambridge: Cambridge University Press, 1936).

Both approaches began in Germany where free-trade principles had spread. Adam Smith's works had been translated into German, and his theories had become widespread. After the Napoleonic wars, Prussia had not hesitated to shape her economic policy according to Smith's principles. But after less than twenty years, although politically divided into numerous states, Germany had a single customs union and had very different aims. Friedrich List was the moving spirit behind the customs union.[23] Although he cannot be included in the group of writers of the old and new German school of history, there is no doubt that his approach to economic problems was based on history. Unwin wrote that List represented "the most manifest sign of the reaction that had been created against Adam Smith's teachings".[24] Smith had assumed that, once certain preliminary conditions had been ensured, universal laws existed, whereas List concluded that every stage of a nation's economic development called for a particular economic policy, and that the prosperity of the various European nations had always been proportional to their ability to foresee the individual stages and to adapt their policy to them. Hence the necessity to learn about the country's economic history, and to identify, not only the individual phases of development, but also the moments of transition from one phase to another, and why these had been facilitated or delayed.

List's book was published in 1841, but his theories had been circulating for at least fifteen years before this date.[25] A few years later, however, again in reaction to the English and French schools, the so-called 'old school of economic history' began to be active in Germany, though at first without success. Its main exponents were Bruno Hildebrand, Karl Knies and Wilhelm Roscher.

Of these three, Roscher was the school's founder: in 1843 he published a *Summary of Political Economy Lessons According to the Historical Method*, based on a theory which he developed in more detail in his other books. Roscher's theory was that every people goes through three cultural stages in its history: a minimum stage, a middle stage and a maximum stage. Each stage has different economic laws, and identical degrees of historical development have identical economic laws, no matter what people or era was involved. Hence the usefulness of the comparative method in political economy, and the usefulness of comparing the economic institutions of several peoples, provided they were at the same stage of social development: from the resulting analogies, the law that governed their life could be inferred.

Apart from its importance as far as economic theory is concerned, Roscher's formulation led to a rediscovery of the importance of economic history. Although based on different criteria, opposed to those of Roscher, a similar

[23] F. List, *Das Nazionale System der politischen Oekonomie*, 1841.

[24] G. Unwin, "*The Aims of Economic History*" in *Studies in Economic History*, *op. cit.*, p. 27.

[25] Cf. C. Barbagallo, *Le origini della grande industria contemporanea*, vol. II, (Florence-Venice: La Nuova Italia, 1930), pp. 211 *et seq.*

reappraisal is to be found in Hildebrand's book *Die Nationalökonomie der Gegenwart und Zukunft*, published in 1848, where history is presented, not as a means to verify and perfect existing theories, as in Roscher's books, but as the means to renew economic science entirely, in the sense of discovering and examining closely the laws of the economic development of the various nations.

The third author of this school is Knies. In the book he published in 1853,[26] he not only affirmed, as Hildebrand had done, that there were no natural economic laws, but he maintained, contrary to Hildebrand's theory, that there were not even any laws which regulated the economic development of the various countries. According to Knies, political economy constituted merely a simple history of the prevailing economic opinions at different periods, opinions which were connected with each nation's historical development. Hence the importance of knowing about and studying closely the economic history of individual countries and individual periods.

3.

It was, however, again in Germany, that Karl Marx's writings gave a more decisive drive to the economic interpretation of history. A left-wing follower of Hegel, a disciple of Feuerbach, as is well-known, and hence a firm believer in the dialectic method rather than in an absolute system or the "absolute idea", Marx was apt to affirm, like Feuerbach, that nature exists independently of philosophy, reality being nothing but nature and mankind, and our religious ideas nothing but a product of our intellect, and that we are a product of nature.[27] Marx had gradually moved closer to the theory that social institutions are the result of a development which must be traced in the condition of material existence.[28] There is no need to dwell on the fact that it was by analysing economic conditions that Marx came to formulate the theory of scientific socialism. It must be emphasised, as Seligman stated, that although this Marxist theory of history was based on German philosophy, it was in France, where it came into contact with the writings of Saint-Simon and Proudhon, that it began to gain substance and to take shape. It may be said that in 1845 the *Holy Family* – the book written in collaboration with Friedrich Engels – had given birth to this economic interpretation of history,[29] and in the controversial reply to Proudhon, *The Poverty of Philosophy*, with its insistence on the fact that economic institutions represent historical cate-

[26] K. Knies, *Die politische Oekonomie vom Standpunkte der geschichtliche Methode.*

[27] Cf. E. A. Seligman, *The Economic Interpretation of History*, (New York: Columbia University Press, 1965), reprint of the 2nd edition of 1907, pp. 19 *et seq.*

[28] *Ibid.*, p. 23.

[29] Cf. the quotation *ibid.*, pp. 30-31.

gories, it had become clearer and more conscious. In explaining that "the same men who establish social relations according to their material basis also create principles, ideas and categories according to their social relations... ideas and categories (*which*) constitute historic and provisional products"[30] and that "ancient society, feudal society and bourgeois society are simply examples of this collective result of the overall relations of production methods, each of which marks an important step in the historical development of mankind",[31] Marx not only gave his version of the dynamic of history, but also invited and stimulated others to study economic history. In fact, he wrote elsewhere that "men create their history, but they do so, not according to their own will or on the basis of independent decisions, but on the basis of given conditions that are handed down. The tradition of all the dead generations weighs heavily on the brain of those who are alive".[32]

Whether those "given conditions" changed or not when the dead generations died, and whether they can, in one way or another, influence the lives of later generations depends essentially on how the dead generations behaved when alive. Geography and the environment determine a range of options of varying importance and influence, but are not unalterable: to a certain extent, man can modify them, thereby altering the range of future action, and therefore the condition of future generations.

It is useful to say that Marx divided history into four eras, characterised by four production methods: the Asian era, the ancient era, the feudal era and the modern bourgeois era. Marx considered these progressive stages in the economic evolution of society, and regarded them all as "prehistoric" compared with the era of the future, the socialist era.[33]

It should be remembered that, towards the end of the nineteenth century, after the death of Marx, Engels, taking up again the Marxist economic interpretation of history, added that the organisation of society at a given moment is determined by political, juridical, philosophical and religious theories and concepts, as well as, for the most part, by economic theories and facts.

In Engel's words, "the economic situation is not the cause, in the sense of it being the only active agent. On the contrary, the economic situation is a case of mutual action, based on economic necessity, which in the last analysis conditions everything".[34]

[30] K. Marx, *Misère de la Philosophie. Réponse à la Philosophie de la Misère de M. Proudhon*, (Paris – Brussels, 1847), pp. 99-100.

[31] The quotation of 1849 may be read in Seligman, *op. cit.*, pp. 39-40.

[32] *op. cit.*, p. 42.

[33] An analysis of the four eras, as well as that of other aspects of the Marxist theory of history, is to be found in M. M. Bober, *Karl Marx's Interpretation of History*, (New York: The Norton Library, 1965 (1st edition 1927)), pp. 46 *et seq.*

[34] Seligman, *op. cit.*, p. 64.

4.

While, as we have seen, all this fervour of interest in history in Germany appeared to be due to different reasons and different objectives, in France and England at almost the same time a gradual new reawakening of interest in the economic factor in history was reported, although not in the traditional chairs of economy and history and in the traditional teaching contexts. In France, an important stimulus came from Auguste Comte, a disciple of Saint-Simon. Like Saint-Simon, Comte stressed the importance of both the economic factor in social development and history, as a research instrument in social sciences; and, like Saint-Simon, Comte upheld the method of the determining the principal social facts as a valid tool to reach conclusions concerning progress and decadence. It is a short step from this to stating that historical method not only allows us to understand current social phenomena, but also to foretell their future development, and Comte wasted no time in taking this step.

Besides, it was by recourse to the historical method that Saint-Simon had predicted the advent of the age of industry (industrialism). For his part, by applying the same method, Comte predicted the triumph of the positivist spirit over the religious and metaphysical spirit. There is no doubt that economy and history were only partial instruments in Comte's sociological concept, but the fact that he stresses their usefulness contributed to reappraising their importance.

A further contribution came from those who studied social issues. Generally Louis Blanc is included among these: as has been noted[35], his *Histoire de dix ans*[36] presented a complete economic interpretation of the Orleans monarchy. To the social issue scholars, such as R. H. Tawney, however, added A. de Tocqueville, whose book *L'Ancien Régime*, published in 1855, despite not being a work of economic history, represented "a divide in the indistinct boundary between economic history and political history".[37] Besides, at that time in France, some economists and some professional historians began to take an interest in the economic aspects of history. For example, in 1867 the first edition of Levasseur's *Histoire des classes ouvrières en France*[38] was published.

5.

The events of this same period in England are particularly interesting as far as the theory of economic historiography is concerned. Alongside an evolutionist movement, represented by Herbert Spencer and Charles Darwin, who made

[35] Cf. H. E. Barnes, *The New History and Social Studies*, The Century Co., (New York, 1925), p. 460 and the sources quoted therein.

[36] L. Blanc, *Histoire de dix ans 1830-1840*, 2 vols., Société typographique belge, (Brussels, 1844-45).

[37] Cf. R. H. Tawney, "The Study of Economic History", in *Economica*, Feb. 1933, p. 4.

[38] E. Levasseur, *Histoire des classes ouvrières en France depuis 1789 jusqu'à nos jours*, 2 vols., (Paris, 1867).

wide use of the social analogies method,[39] there was, just as in France, a humanitarian movement, which protested against the "history of English factories", "children's tears" and the horrors of city slums. These protests were accompanied by the scorn of writers such as Dickens, Kingsley and Carlyle for "the dismal science", the economy,[40] and by the English Christian socialists' and John Ruskin's condemnation of the "Cobden and Bright-type" political economy,[41] an attitude which is found again[42] in Howell's book, *Conflicts of Capital and Labour*.[43] More importantly, alongside these so-called opinion movements, certain sectors of academia and culture began to take a stand against the predominant school of economics, which demanded to be considered as a "precise, separate and exact production science, whose axioms [*could*] be proved just as much as astronomy's could, and whose practical rules [*were*] as simple and familiar as arithmetic's".[44] In effect, under the blows inflicted from various sides, some of economic theory's fundamental points were challenged one after another. Between 1866 and 1869, for example, Francis D. Yonge and Thornton demolished the wage-fund theory; a few years earlier,[45] Frederic Harrison challenged the validity of the law of supply and demand.[46]

This wave of destruction occurred between the publishing of the second and the third edition of John Stuart Mill's *Principles of Political Economy*, in other words, between 1848 and 1871. This was the period that saw the decline and the fall of the era influenced by Ricardo. And it was between these two dates that in Great Britain there was a gradual transition from political economy, understood in the absolute sense as an abstract science, to political economy understood as a discipline that appreciated what could be learned from facts. People referred to the transition from a political economy set up and ready to use solely the deductive method (from the general to the particular) to an economics prone to using the deductive method and/or the inductive method (from the particular to the general).[47]

It was not only the changes in national and international economic life, but above all the gap between the official economic doctrinarianism and these facts which prompted this transition. A gap which, highlighted explicitly in the writ-

[39] Cf. H. S. Foxwell, "The Economic Movement in England", in *The Quarterly Journal of Economics* Oct., 1887, p. 89.

[40] Cf. S. Leacock, "What is Left of Adam Smith?" in *The Canadian Journal of Economics and Political Sciences*, Feb.-Nov. 1935, p. 46.

[41] Cf. R. T. Ely, *The Past and the Present*, (Baltimore: The John Hopkins University Press, 1884), p. 41.

[42] This observation was made in J. K. Ingram, *The Present Position and Prospects of Political Economy*, (London: Longmans, 1878), p. 6.

[43] Chatto and Windus, (London, 1878).

[44] Quotation from Howell, *Conflicts of Capital and Labour*, *op. cit.*, p. 196.

[45] In *Fortnightly Review*, June 1865.

[46] Cf. also Howell, *op. cit.*, p. 197.

[47] Cf. H. S. Foxwell, "The Economic Movement in England", *op. cit.*, p. 84.

ings of Sargant, Cliffe Leslie and Macleod, led to the conclusion that theory was one thing and concrete economic life quite another, and that often in dichotomy "economic laws were put aside".[48] The end of the old school was hastened both by the introduction, especially by Jevons, of the mathematical method into economic studies, and by the increasingly widespread interest in history.

H. T. Buckle[49] was among those who contributed significantly to the progress of the economic interpretation of history. In the second chapter of his *History of Civilization*, published between 1857 and 1861, he stressed the importance of physical factors and their influence on determining national character, social life and food products, maintaining, although without proof,[50] that "the distribution of wealth is, like the creation of wealth, governed entirely by physical laws".[51] This book – Gooch noted –[52] marked an era in the life of many readers and gave a great boost to sociological research into the past.

The place in England where there were signs of wanting to study real economic history was Oxford, where, on his own initiative, Thorold Rogers in 1866 had published the first volume of his *History of Agriculture and Prices*[53]. Despite its many faults,[54] and despite the fact that it does not reach any profound theoretic conclusion, this book still remains an important contribution of data and reflections.

In actual fact, the greatest progress in Great Britain had been seen not in economic history but in a field close to it: the history of law. In 1861, Henry Maine founded a school which was continued by historians such as Paul Vinogradoff[55] and Frederick W. Maitland.[56] And it was the work of these specialists in the history of law, together with the work of sociologists, that continued to arouse interest in the history of institutions and of socio-economic facts. As a contemporary observer noted, it was substantially this "feeling for history" which exerted most influence on the new economic theory movement which was growing in England. It was, however, the success of the young German school of history, championed in Great Britain by T. E. Cliffe

[48] *Ibid.*, p. 87.

[49] Cf. J. R. Hale, *The Evolution of British Historiography. From Bacon to Namier*, (London: Macmillan, 1967), pp. 241 *et seq.*

[50] Cf. Seligman, *op. cit.*, p. 15.

[51] H. T. Buckle, *History of Civilization in England*, (London: Parker & Son, 1857), p. 52.

[52] G. P. Gooch, *History and Historians in the XIXth Century*, (reprint with additions from the 1913 edition, Boston: Beacon Press, 1965), pp. 534-535.

[53] Cf. T. Rogers, *The Economic Interpretation of History*. Lectures, (London: T. F. Unwin, 1888).

[54] Cf. R. H. Tawney, *The Study of Economic History*, *op. cit.*, pp. 6-7.

[55] On Vinogradoff, cf. F. M. Powicke, *Modern Historians and the Study of History*, (London: Odhams Press, 1955), pp. 9 *et seq.* and the sources quoted therein.

[56] *On Maitland*, the book by Fischer, *Frederick William Maitland*, (Cambridge, 1910), is still useful; cf. also J. R. Hale, *The Evolution of British Historiography*, *op. cit.*, p. 301; R. L. Schuyler, "Maitland" in *American Historical Review*, Jan. 1952.

Leslie,[57] which was responsible for increasing the interest in and the status of economic history in the context of the social sciences.

6.

The success of the young German school of history was linked to the importance which the cultural and intellectual worlds had acquired in German universities. The role of these universities had increased hand in hand with Germany's economic development; and in the universities, especially in the Law Faculties, the study of economics had become more and more established by means of an efficient organisation, which included institutes and seminars with well-equipped, specialised libraries, and through close contact between lecturers and students. Seminars of this type had been created in many universities – at Jena (1849), Berlin (1862), Halle (1870) and Strasbourg (1872) – and in all these, economic research had been improved and enriched. Following an eighteenth-century tradition, which was appropriately renewed and rekindled, the method of research into the socio-economic issues of the time and the causes which had accompanied and determined the change in them had been the most vital factor in this research. "Statistical work in its various historical aspects" in the words of a contemporary, "occupied an important position", contributing, of course, to the progress of socio-economic studies. This organisation and its method of work had soon crossed the German borders, and was copied in almost all the Central European countries, in other words in Austria-Hungary and in Switzerland.[58]

Gustav von Schmoller had a role in these economic seminars: it was from the seminar that formed around him about 1870 that the school of history emerged, which was called the 'young' school to distinguish it from the one already mentioned, founded by Roscher.

The young school of history differed[59] from the old one in two ways: since it denied the existence of natural laws in the life of society, it had totally abandoned Hildebrand and Knies' dispute about economic laws, and it had actually applied history to political economy, not restricting itself merely to proclaiming the advisability of doing so, like the old school had done. In fact, distancing themselves increasingly from theoretical issues, von Schmoller and his school devoted themselves above all to the study of social problems and to descriptive historical research, publishing an assortment of excellent economic mono-

[57] Cf. T. E. Cliffe Leslie, *Essays in Political and Moral Philosophy*, Longmans, Green and Co., (London, 1879); cf. R. T. Ely, *The Past and Present of Political Economy*, *op. cit.*, p. 42; E. F. Gay, "The Tasks of Economic History", in *The Journal of Economic History*, Dec. 1941, Supplement, p. 10.

[58] Cf. S. M. Wickett, "Political Economy at German Universities", in *The Economic Journal*, VIII, 1898, pp. 146-150.

[59] Cf. A. Rist, "L'école historique et la Querelle des méthodes", in C. Gide-A. Rist, *Histoire des doctrine économiques*, (Paris: Recueil Sircy, 1926), p. 458.

graphs, in which various experts examined in depth the institutions of medieval and ancient times, ancient doctrines, social history, statistics, and the description of modern nations' economic organisation, to such an extent that someone observed that "it was as though political economy were drowned in the study of the institutions and of economic history".[60] Von Schmoller himself set an example with his excellent monographs on the history of small industries in nineteenth-century Germany and on Strasbourg's corporative and municipal organisation. These books were the result of years of research, hence their rich documentation. From all his work, there emerged increasingly – as Wender remarked – "the intimate connection and interaction between the state and society", the idea that "the institutions and the predominant economic processes determine the character of all other social and cultural expressions", and, above all, the concept that "the development of economic life and institutions is determined more by the state than by the action of individuals".[61] In short, in the face of the revolutionary teachings of Marxism, a school of history – by stressing social phenomena and their concrete causes, and by recognising that it was the state's task to intervene to correct imbalances therein, and that it had the capacity to do so – appeared as a means not to upset but to safeguard traditional established society, by renewing and transforming it. The school's contribution to the forming of the "state socialism" movement was noteworthy. Thus, the school of history became an instrument of progress, a means of bringing about social reform. It was for this reason that, also supported, as many people have recognised, by the prestige of German science – especially after victory in the Franco-Prussian War had revealed the degree of efficiency and the technical power attained Germany – the German school of history soon after 1870 appeared to be the most advanced centre in Europe as far as economics was concerned. In fact, the seminar led by von Schmoller, like those led by his pupils in other universities, attracted students not only from Germany, but from many other countries.[62]

7.

It has been said that T.E. Cliffe Leslie, "stuffed with German ideas, around 1870 began to attack unequivocally the school of the *a priori* economists".[63] Cliffe Leslie was the pupil of Sir Henry Maine, the expert in the history of law, and he recognised that he was indebted to Maine for having learned from him about the "historical method of research" which he had taken from law and applied to political economy. Cliffe Leslie had often spent time abroad

[60] *Ibid.*, p. 459.

[61] Cf. H. Wender, "German Historiography in the Second Half of the XIXth Century", in M. A. Fitzsimons-A. G. Pundt-C. E. Nowell (eds.), *The Development of Historiography*, *op. cit.*, p. 215.

[62] Cf. G. P. Gooch, *History and Historians in the XIXth Century*, *op. cit.*, p. 534.

[63] Cf. Ely, *The Past and the Present of Political Economy*, *op. cit.*, p. 42.

carrying out research.[64] But one of his manuscripts, which was to have been a systematic treatise on the economic and legal history of England, was lost in 1872. It is known, however, that Cliffe Leslie's fundamental idea was that the present conditions, as well as the future conditions, of any state are the product of a long process of historical evolution.

"The truth", he observed, "is that a nation's entire economy, regarding the jobs of both men and women, and the kind of wealth, the amount, how it is distributed and how it is spent, is the result of a long upheaval in which there has been both continuity and change, and of which economics is only one aspect or particular phase. And the laws which produce it have to be sought in history and in the general laws of society and social evolution".[65]

In short, Cliffe Leslie believed that "political economy is not a body of natural laws in the strict sense, nor is it a body of universal unchangeable laws: it is a collection of speculations and doctrines which are the result of a particular history that is sometimes the same as the history and the character of its principal writers".[66] Rightly so, Cliffe Leslie was of the opinion that there was not much difference between Ricardo and Roscher. Roscher had supplied merely "a certain extra amount of historical research, but his economic doctrine was not very different from Ricardo's, although it did not reach this latter's rigorous, infallible logic".

Abstractness, generalisation, being detached from reality and from history were all faults found in Ricardo, who had distanced himself from Adam Smith, altering Smith's research method and his approach. Since 1876 marked the centenary of the publication of Smith's book, the contrast between his method and Ricardo's was reasserted more effectively. Thorold Rogers, pointed out, repeating an opinion of David Hume's, that Smith had been an eminently inductive philosopher, with a wealth of references to reality and to history, as was to be expected from such a well-read man. J. K. Ingram[67] and Walter Bagehot,[68] the editor of *The Economist*, expressed equally positive judgements.

The centenary of Smith's book was, without doubt, an opportune occasion to examine the state of political economy in Great Britain. But Cliffe Leslie

[64] Cf. L. L. Price, *A Short History of Political Economy in England from Adam Smith to Arnold Toynbee*, (London: Methuen, 1911 (1st edition 1891)), but I quote from the seventh edition, based on the fifth edition, which was revised), p. 126.

[65] *Ibid.*, pp. 127-128.

[66] *op. cit., ibid.*, p. 127.

[67] Ingram wrote (*The Present Position and Prospects of Political Economy*, *op. cit.*, p. 23): "Open (Smith's) book anywhere and read a few pages of it; then do the same with Ricardo's most famous book, and observe the difference in the impressions made... In Smith's book you feel you are in contact with real life, observing human actions and their consequences in the light of experience...".

[68] In 1876 Bagehot was finishing his article on *Adam Smith as a Person* (in *The Fortnightly Review* 1 July 1876, and now in W. Bagehot, *Historical Essays*, edited and with a preface by Norman St. John-Stevas, (New York: Anchor Books, 1965), pp. 79-108) with the observation that "perhaps so much theory and so much practice never issued from one single mind".

was not the only one to hasten the change towards reappraising research based on economic history. He was joined by other scholars, such as J. K. Ingram. Cliffe Leslie had published only one of his principal books of essays – *Land Systems and Industrial Economy of Ireland, England and Continental Countries* (1870) (the other, more important one, *Essays on Political and Moral Philosophy,* was published in 1879) – when in 1878 Ingram gave his inaugural lecture in Dublin at the British Association for the Advancement of Science. In this, Ingram denounced "the narrowness and the routine mentality which widely permeated the dominant school of English economists",[69] their abstractness and their total detachment from socio-economic reality, and he went on to point out that, in Germany, "all the best economics writers were at odds with the methods and the doctrine of the Ricardo school". He added that the German concept of history had been accepted and followed in other countries: in Italy, where, among others, Luigi Luzzatti, Fedele Lampertico and Forti had founded a journal, the *Rassegna,* which then became the *Giornale degli Economisti;* in Denmark, where Frederiksen was stimulating important scientific work; and in Belgium, where de Laveleye had not only drawn attention to the importance of the new German school of economy,[70] but had also produced notable economic history works. France alone tried to keep away from the new trends, despite the fact that French socio-economic research remained of a high standard. Ingram defined the new school as the "realistic" school or "history" school, and concluded that political economy should be based on four premises: 1) the study of society's economic phenomena should be systematically combined with the study of other aspects of social life; 2) the excessive trend towards abstractness and over-simplification, which did not correspond to reality must be stopped; 3) the *a priori* deductive method must be replaced by the method based on history; 4) economic laws and the practical rules founded on these laws should be drawn up in a less absolute form.[71]

As well as Ingram,[72] Arnold Toynbee deserves mention. At Oxford he had known Ruskin, a notorious opponent of the unalterable truths of the school of Ricardo. Toynbee had learned a lot, especially from Cliffe Leslie's writings on economics, and had accepted this latter's recommendations in favour of the history-based method.[73] In fact, Toynbee's accusation that the Ricardo school's system was an intellectual fraud was in line with Cliffe Leslie's ideas; the English

[69] J. K. Ingram, *The Present Position and Prospects of Political Economy, op. cit.*, p. 9.

[70] Cf. the article "Tendances Nouvelles de l'Economie Politique et du Socialisme", in *Revue des Deux Mondes,* 15 July, 1875.

[71] Ingram, *The Present Position and Prospects of Political Economy, op. cit.*, p. 28.

[72] Of course, Like Cliffe Leslie, Ingram had been on the Continent, had visited some cultural centres in Germany and had fed on the ideas of the German school of history. Cf. *Bibliography of the Writings of John Kells Ingram 1823-1907,* with chronology (Dublin: Cumann Na Leabharlann, 1907-08), p. 9.

[73] Cf. C. F. Montague, "Arnold Toynbee", in *The John Hopkins University Studies in Historical Political Sciences* 7th s., VII, 1889, p. 33.

economists – he maintained – had not made much use of logic, but had made even less use of history, and, by building their theories on too modest a database of facts, had diminished both the value and the popularity of their science.[74] In his lectures on the "Industrial Revolution", a term he invented, Toynbee showed that he expected a great deal from the history-based method whose task was to examine "the effective causes of economic development and to study the influence of the institutions – such as the medieval guilds, the current agricultural legislation, or the political constitution of a given country – on the distribution of wealth".[75] He added that "without the aid of the history-based method, it would be impossible, for example, to understand why half the United Kingdom's land is owned by only 2,512 people". The history-based method, however, permitted not only the study of the phases in the economic development of a given country, but also "the comparison with those of other countries and in other periods. By means of this comparison, we can attempt to discover some laws which can be applied universally".[76] It would seem that Toynbee was moving towards Hildebrand, but, as has been rightly observed, he was a long way from accepting Hildebrand's tendency to generalise;[77] and, like Bagehot, while extolling the history-based method, Toynbee did not exclude the deductive method.

It is well-known that Toynbee had a very short life. He died at the age of thirty, but his ideas lived on: above all, his idea that the economic theories of Smith, Malthus and Ricardo were based on facts that were evident when these authors stated them, but that, because of what had happened in the world since then, these theories had to be modified.[78]

8.

Thorold Rogers, in his book of 1887-88, *The Economic Interpretation of History*, accused both historians and economists, claiming that "in almost all historical works, and in almost all political economy works, collecting and interpreting economic facts, in the sense of all data which illustrate social life and the distribution of wealth in different eras of the history of mankind, had usually been neglected...".[79] Nevertheless, it was at that very time that a proper school of economic history began in Great Britain. It has already been stated that Toynbee's *The Industrial Revolution* was published in 1884. Two years before that, in 1882, one of Toynbee's friends, the Reverend William Cunningham,

[74] *Ibid.*

[75] Cf. A. Toynbee, *The Industrial Revolution*, with preface by Arnold F. Toynbee, (Boston: Beacon Press, 1966 (reprint of the 1884 edition) p. 3.

[76] *Ibid.*, pp. 3-4.

[77] Cf. on this point F. Duby, *L'oeuvre économique d'Arnold Toynbee*, doctorate thesis, (Paris: Recueil Sirey, 1937), pp. 38 *et seq.*

[78] Cf. L. L. Price, *A Short History of Political Economy*, *op. cit.*, p. 191.

[79] Thorold Rogers, *The Economic Interpretation of History*, *op. cit.*, p. 1.

who lectured in economic history at Cambridge from 1878[80] and who, as his biographers remind us, in 1868 had been in Germany, at Tübingen, and had brought back "lasting impressions",[81] published a book, *The Growth of English Industry and Commerce*. This book, which was to remain Cunningham's principal economic history work,[82] increased in size with successive new editions (1890, 1892, 1896, 1900, 1903, 1905, 1907, 1910), covering the entire period from the early Middle Ages to the modern era, and the original single volume became two large volumes. Even though he was not a history theorist, and he did not always write solely about economic history, Cunningham managed to arouse interest and enthusiasm; the most famous of his pupils was, without doubt, Mrs. L. Knowles,[83] a pioneer – as W. Beveridge noted – in some sectors of the economy, such as transport and nineteenth-century British trade.[84]

The connection between British economic historiography and the German school of history is even more pronounced in William James Ashley, a pupil of Toynbee's,[85] who also went to Germany several times (1880, 1883 and 1884) to collect information and to study.[86] In his *Surveys Historic and Economic*, Ashley collected papers he had published previously. The book was dedicated to Gustav von Schmoller with words which were both the public recognition of an intellectual debt and a declaration of principle: "with your example", wrote Ashley, addressing von Schmoller, "you have shown me how to introduce the spirit of history"; in other words, how "to be an economist without ceasing to be a historian".[87]

Years before writing this dedication, Ashley had clarified what for him were the limits and the significance of economic history.[88] In 1888, he was called to found a Department of Political Science at the University of Toronto. He went on to the

[80] Cf. W. R. Scott, "William Cunningham (1849-1919)", in *The Proceedings of the British Academy*, IV, p. 5.

[81] *Ibid.*, p. 3.

[82] The list of his other works is to be found in *ibid.*, pp. 6-7.

[83] Cf. G. Wallas, "Professor Lilian Knowles (1870-1926)", in *Economica*, VI, 1926, p. 121.

[84] *Ibid.*

[85] Cf. J. L. Macdonald, "Sir William Ashley (1860-1926)" in B. E. Schmitt (ed.), *Some Historians of Modern Europe*, (Port Washington: Kennikat Press, 1966), p. 24.

[86] *Ibid.*, p. 21.

[87] Cf. W. J. Ashley, *Surveys Historic and Economic*, (New York: Kekkey, 1966, reprint of the 1900 edition).

[88] In 1881, in a letter to the lady who was later to become his wife, Ashley had explained that he inclined towards "history and economic history in particular, because it explained the life of the people... Historians were constantly obliged to avoid generalisations; and to try and discover the significance of the institutions, their rise and fall and the relations between them. The historian thus began to consider that the whole of human history had a significance, was not aimless and appeared to be moving towards an objective. Therefore, it seemed that the economist's job should be: 1) to study economic history: no fact is too remote to be without significance for the present... and 2) to examine in detail modern industrial life..." Cf. A. Ashley, *William James Ashley: A Life*, (London, 1932), pp. 33-35.

United States in 1892, where he had been appointed to the Chair of Economic History at Harvard. In his inaugural lecture in January 1893, he stressed that economic history, as he understood it, differed from what until then had been understood as social history or, as the Germans called it, the history of civilisation or *Kulturgeschichte*. "Economic history, in effect, is totally dominated by one prevailing interest: the economic interest". Economic history examines "what has been the material basis of social existence; how the necessary goods and comforts of human life have been produced; what organisation has supplied and directed labour; how the foodstuffs thus produced have been distributed; which institutions have been based on this organisation and distribution; which changes have been seen in the methods used in agriculture, industry and commerce; whether an intelligible development can be seen... these and many others are the issues an economic historian must study".[89] As to why studying economic history may be opportune, Ashley observed that it could be useful: 1) to satisfy "the quintessence of a liberal upbringing"; " natural, innocent curiosity"; 2) to understand the social movements which are active on the surface of society; 3) to reach a more intelligible concept of the evolution of human society.[90]

With Ashley's teachings, economic history began at last to appear in its own right, separate from political economy and the other history disciplines, stating its subject and claiming its autonomy. It was not fortuitous that Ashley had the first chair of economic history in the world;[91] his appointment itself marked a stage in the development of the methodology. Indeed, despite the fact that the Paris Conservatoire des Arts et Métiers boasted a chair of "industrial economy" which at that time was held by historians, in Paris, as in England, economic history was tolerated rather than valued for itself. And so the appointment to the chair at Harvard was a positive recognition of the real significance of Ashley's work.[92]

9.

There were many important differences between what was now becoming established as an autonomous discipline and the young German school of history founded by von Schmoller. Ashley had shown, and had written, that he did not see "any reason why economic history should not be taught once as "history" and another time as "economics".[93] For von Schmoller and his school,

[89] Cf. W. J. Ashley, "On the Study of Economic History", in *Harvard Quarterly Journal in Economics*, January 1893, and now in *Surveys Historic and Economic*, *op. cit.*, p. 15.

[90] *Ibid.*, pp. 19-21.

[91] Cf. Macdonald, *Sir William Ashley*, *op. cit.*, p. 42.

[92] Cf. A. P. Usher, "W. J. Ashley, A Pioneer in the Higher Education", in *The Canadian Journal of Economics and Political Science*, May 1938.

[93] Cf. W. J. Ashley, *On the Study of Economic History: After Seven Years*. A Paper Read at the Annual Meeting of the American Historical Association, Boston, 28 December 1899: republished later in *Surveys Historic and Economic*, *op. cit.*, p. 25.

on the other hand, history was only a method, not an aim: von Schmoller had abandoned the nineteenth-century economist's aim of formulating laws which regulate economic activity in the same way as a scientist who observes nature does. He simply desired "that history should widen the field of observation from which economic theory assumptions could be proved and, as he argued, more validly defined than from minimum observation and maximum logic".[94] In other words, he remained essentially an economist, despite the animated dispute in 1883-4 with the Austrian marginalist economist, C. Menger, in defence of the history-based method.[95] Von Schmoller and his followers – and they were the vast majority of the professors of economy in Germany at that time –[96] studied economic history "to create – as has been rightly affirmed – the basis for a new kind of economic theory", "considering themselves economists more than historians".[97] Although, as has been observed, "von Schmoller's analyses of history still appear more acute than his analyses of economics"[98] and his research on the individuality of certain institutions or on that of an era "can arouse the envy of any historian",[99] he believed economic history to be nothing more than an economist's *ancilla*, albeit essential and irreplaceable, which was to supply the economist with the most material possible. This is why he had planned for himself and for his pupils and his successors a long series of monographs on the economic institutions of various eras and of various countries, with a sense of development and of change which would prove invaluable for the study of the personality and the activity of the groups.

But, even understood in such a subordinate form as this, was von Schmoller's really economic history? Anderson considers von Schmoller to be essentially a social scientist, convinced that "economy should be among the social sciences that cannot be separated by space, time and nationality, and the foundations of which are to be sought, not only in history, but first and foremost in history".[100] Lane refers to von Schmoller and his school as social

[94] Cf. P. R. Anderson, "Gustav von Schmoller (1838-1917)" in B. E. Schmitt (ed.) *Some Historians of Modern Europe*, *op. cit.*, p. 415.

[95] A summary of the terms and the development of the controversy is to be found in F. C. Lane - J. C. Riemersma, "Introduction to Spiethoff" in F. C. Lane – J. C. Riemersma (eds.) *Interprise and Secular Change. Readings in Economic History*, (London: Allen and Unwin 1953), pp. 434-436.

[96] A. Oncken, "New Tendencies in German Economics" in *The Economic Journal* IX, 1919, pp. 462 *et seq.*; W. Zimmerman ("Gustav von Schmoller und der nationalökonomische Nachwuchs", in *Schmollers Jahrbuch* LXII, 1938, p. 733) maintains that von Schmoller was the founder of a school because he prepared a remarkable number of economists for a university career. These economists, aided by the authority and the influence of von Schmoller's friend Althoff, the Prussian Minister of Education, "held most of the chairs of economics in Germany before the (First World) War..."

[97] Cf. Lane-Riemersma, *Introduction to Spiethoff*, *op. cit.*, p. 434.

[98] Cf. Anderson, "Gustav von Schmoller", in *Some Historians of Modern Europe*, *op. cit.*, p. 436.

[99] *Ibid.*, p. 437.

[100] *Ibid.*, p. 419.

historians and not economic historians, maintaining that, forced to lecture in the Faculty of Laws, without colleagues in sociology or political science in the American sense of the discipline, "their academic functions led them to discuss very general issues of social evolution". This resulted in von Schmoller's tracing the development, not only of economic institutions, but also of social institutions in his *Grundrisse*.[101] In fact, von Schmoller and his school stressed that the cultural, moral and spiritual factors – in a single word, the *Geist* – was essential in historical development. On the other hand, as has been observed, in his economic treatises, von Schmoller did not hesitate to express moral judgements; he believed ethics was part of the economy, and expressed the desire that his school be called the school of history and ethics. The problem of the relationship between economics (or theory) and history, however, remained central to the all the school's work; a problem which was solved in different ways by the various members of the school. The reasons for these differences and the forms they took are very evident in Lane's magnificent article of 1956[102]. All von Schmoller's followers maintained that economic history was important and useful, even those who were more inclined to extol the theoretical approach to economic issues. Schumpeter,[103] for example, included economic history among the four disciplines which he believed fundamental to the study of economic analysis (the others being statistics, economic theory and economic sociology); and, although Eucken accused the school of history of being responsible for the low level of development of economic studies in Germany and of having led to relativism and fatalism, he was aware of and appreciated the value of economic history. He rejected publicly Menger's idea of separating theoretical sciences from historical sciences. Eucken believed that economic history should aim at "the descriptive analysis of particular historical situations in such terms as to permit economic theory to be applied in order to explain the course of economic events, once the important historical situation was well-known and accepted as 'data'".[104] The fact is that Eucken, like Schumpeter, Sombart, Spiethoff, and we could add like K. Bücher[105] and A. E. S. Schaffle,[106] just like von Schmoller himself, remained faithful to the idea that it was economic history's job to identify and analyse historical situations which, once described, should constitute the basis for formulating economic laws. The same idea is found in Sombart, who

[101] Cf. F. C. Lane, "Some Heirs of Gustav von Schmoller" in *Architects and Craftsmen in History*, Festschrift für Abbot Payson Usher,(Tübingen: J. C. B. Mohr (Paul Siebeck), 1956), p. 12.

[102] *Ibid.*

[103] Schumpeter, an Austrian, joined the school of history along the way, because of unrelated circumstances, and never joined totally or for ever.

[104] Cf. Lane, *Some Heirs of Gustav von Schmoller, op. cit.*, p. 30.

[105] Cf. K. Bucher, *Entstehung der Volswirtschaft*, (Tübingen 1893), and what A. Loria wrote about him in *La Morphologie Sociale*, (Brussels – Paris, 1905), pp. 46 *et seq.*

[106] Cf. A. Graziani, *Storia delle doctrine economiche*, (Naples: Morano, 1949), pp. 16 *et seq.*

maintains that there is a body of economic theory for each of the various forms of economic life identified by means of historical analysis. And so, in his *Der Moderne Kapitalismus*, Sombart reduced the forms of industry to three – isolated, intermediate and collective – according to a scale which entailed progressive socialisation in work. He believed the economy had the same number of theoretical forms – individual, transitional and social – and each one of these contained a variety of other categories. Thus transitional economy was divided into feudal economy, village economy, city economy and so on; and social economy was divided into socialist economy, colonial slave economy, wage-earners' economy and so on. By analysing the aims and the spirit of the various participants, Sombart detected or defined (*Verstehende Methode*) the spirit of these various historical situations' economic system which he analysed, summarising it in the essential characteristics of the various periods of economic history.

The relationship between history and theory acquires an even more singular significance in Arthur Spiethoff's work. Spiethoff was von Schmoller's successor as editor of the school's famous journal, the *Jahrbuch*. Spiethoff stated the need to replace pure theory with the theory of reality or, in his own words, "the theory of economic *Gestalt*", endeavouring to create or discover "real types". In more modest terms, if the historic situation studied is sufficiently broad, or if the study and comparison of several historical situations permits the application of the same body of theory, and this can be repeated with other similar situations, then we have a "real type": we have moved from the historic fact, which is by definition individual and particular, to the theoretical fact, which is general and generalising, in other words, the "economic style". Spiethoff did not escape the school's characteristic trend, and , although he did not write about "phases" like von Schmoller or "systems" like Sombart, he referred to the "economic styles" that he believed existed in history: the "economic style of city economy", the "economic style of free, capitalist market economy", and so on.[107]

Schumpeter did not shirk from the task of theorising history and its development. Intending to reconcile theory with history and to prove how useful history was to the economist, Schumpeter used the term "model" instead of "phases", "economic systems" or "economic styles", and his description of them,[108] as Lane rightly observed,[109] was very like Spiethoff's method and his "real types". Like Spiethoff and Sombart, Schumpeter aimed to describe the essential elements of the individual historic situations he examined. And in this choice of the essential elements he believed that every economist brings his own particular "view", in other words the sum of the phenomena he

[107] Cf. Lane, "Some Heirs of Gustav von Schmoller", *op. cit.*, p. 21; Lane – Riemersma, *Introduction to Spiethoff*, *op. cit.*, pp. 441 *et seq.*

[108] Cf. Schumpeter, "Science and Ideology" in *American Economic Review*, 1949, pp. 350-351.

[109] Cf. Lane, *Some Heirs of Gustav von Schmoller*, *op. cit.*, p. 24.

wants to analyse and their interactions. "View" and "ideology" are very close, but Schumpeter stated that ideology can be valid only for a given historical situation, and that the discovery and the analysis of the facts soon eliminate those ideological elements which have no justification.

Eucken did not call the various historical situations "models", but "forms of economic organisation". He was of the opinion that every society had an economic order (or an economic organisation) – *Ordnung* –, the creation and development of which only history can explain, whereas theory's task is "to show its effects on the everyday course of economic events within the society examined".[110]

This insistence in looking for models, forms, phases, systems and styles was not only an attempt to use history to advance theory. It was linked with the spirit of the age, the last 25 years of the nineteenth and the early years of the twentieth century, which were characterised, as has been pointed out, by an optimistic faith in evolution and by the conviction that evolution is always tantamount to progress.[111]

10.

It should by now appear evident that, although the young German school of history was conditioned by several factors (the trend to subordinate history to theory; the undue importance, more appropriate to social history, given to psychological, motivational and spiritual causes;[112] and the inclination, not in everyone's work but certainly in Sombart and Schumpeter, to accept certain Marxist approaches, subjects, language and formulation), this school gave a remarkable boost to economic history studies. Its influence was widely felt: not only in England, as we have seen, but in many other countries both in Europe and outside Europe which were attracted by the emphasis the German school put on the economic aspects of history, even though some countries, such as Hungary, corrected certain excesses and altered its definition.[113] Incidentally, since Hungary has been mentioned, it should be noted that it was at this very time that Tagányi (1854-1906) founded the Hungarian school of economic history.[114]

The German school of history's seeds fell on fertile ground in Italy, too, as we have seen. Cusumano, who had studied in Germany, published his analysis of German historiographical doctrines in 1873. This resulted in the clash between

[110] *Ibid.*, p. 31.

[111] *Ibid.*, p. 14.

[112] Gooch, *op. cit.*, p. XIII; Lane, "Some Heirs of Gustav von Schmoller", *op. cit.*, p. 15; J. T. Lambie, "An Introductory Note", in *Architects and Craftsmen*, *op. cit.*, p. 3.

[113] Cf. S. Borsody, "Modern Hungarian Historiography", in *The Journal of Modern History*, March-Dec., 1952, pp. 400-401.

[114] *Ibid.*, p. 400.

those who followed the classical school, led by Ferrara, and the group of young scholars, which included Messedaglia, Lampertico and Nazzani, who wanted less universalism and more relativism and particularism, and hence more historicism, in the study of economic phenomena, and who maintained above all that the political responsibility of the state could not remain indifferent in the face of Italy's economic and social problems, as the followers of the classical school wanted it to do. The German school's influence is seen in Cognetti's works – *Delle attinenze tra l'economia sociale e la storia*, (Florence 1865), *Le forme primitive dell'evoluzione economica*, (Turin 1881), and *Socialismo antico*, (1889) – and in Schiattarella's book – *Del metodo in economia sociale*, (Naples 1875) –, but the German influence is most evident in the multiplicity and the variety of history papers on economic facts and economic theory that began to be published in Italy from 1875 onwards. The increased interest in and importance attached to historical-economic research would lead us to believe that what Luigi Cossa wrote in his famous *Guida allo studio dell'economia politica* was by now widely accepted. Cossa wrote that economic history is closely related to political economy, with economic history investigating facts regarding the social order of wealth, "searching for its concrete and immediate causal connection", and political economy "investigating the essential characteristics, the principal causes and the rational laws". In Italy in 1892 there was no objection to proclaiming that economic history, and in particular the most recent economic history, can provide elements that are useful to prove the truth of doctrines which are reached by sheer reasoning, assuming that researchers have surmounted the serious difficulty of finding sufficient real analogies in the conditions of the period and the country which has to supply the selected facts, in order to explain other facts regarding different periods and different places.

And so, for example, according to Cossa, "the history of French assignats, Austrian banknotes and American greenbacks served admirably to clarify the theory of the forced circulation of paper money". Economic history "helps political economy even more to determine the limited and purely relative character of certain ensuing secondary economic laws which change radically as the social conditions, which are their necessary premise, change". On the other hand, however, "political economy provides economic history with the theoretical criteria which are essential for the selection, the coordination and the appreciation of those facts, conditions and institutions which constitute its stuff".[115]

[115] Cf. L. Cossa, *Introduzione allo studio dell'economia politica*, (Milan: Hoepli, 1892), pp. 26-28.

[116] Cf. Lane, *Some Heirs of Gustav von Schmoller*, *op. cit.*, p. 9.

11.

The influence of the young German school of history was also felt in the United States of America. A few years after Ashley returned to Great Britain to create a Faculty of Business Studies at Birmingham, Edwin F. Gay inherited his chair of economic history at Harvard. Lane referred to Gay as the honoured teacher of many of the next generation's principal economic historians,[116] as one of the founders, with Wesley C. Mitchell, of the National Bureau of Economic Research, and as the first president of the American Economic History Association. In actual fact, Gay had studied in Germany. He left the United States in 1890 and did not return until 1902. During his twelve and a half years in Europe, spending some of his income and his capital, Gay spent nine years at university: he studied for three years at Leipzig University, five years at Berlin University and one year at Zurich University. In particular, he had attended von Schmoller's seminars, showing great interest in them.[117] In 1902 Gay had graduated with von Schmoller with a thesis on economic history.[118] And he had begun his academic career by publishing his thesis on the history of salaries in England in the *Staats - und social wissenschaftliche Forschungen*, a series of volumes in which von Schmoller published his pupils' best work.[119] Gay's connections with the young German school of history is also seen in the fact that, while he was lecturing at Harvard (in 1902), he supplemented his courses on medieval economic history and European modern economic history from 1500 with weekly lectures on nineteenth-century German economic theory.[120]

During Gay's period at Harvard, first as an assistant professor and then, from 1906, as a professor, he was not able to spend many years teaching economic history.[121] In fact, in 1908 he became the first Dean of the newly-founded and now world-famous Harvard Graduate School of Business Administration.[122] This appointment, which occupied Gay full-time, eventually put him in contact with a variety of issues, which sprang from the course of economic life and above all from the American business world, since the new School's task was to give a university education to those who were destined to work in the world of business, or who aspired to finding a job in the business world. Nourished by these new experiences, Gay continued to enrich his passion for economic history, broadening his interests from the medieval period to the Industrial Revolution.

[117] Cf. H. Heaton, *A Scholar in Action: Edwin F. Gay*, (Cambridge, Mass.: Harvard University Press, 1952), p. 39.
[118] *Ibid.*, pp. 30, 55 *et seq.*
[119] *Ibid.*, p. 56.
[120] *Ibid.*, p. 59.
[121] *Ibid.*, pp. 64, 75.
[122] *Ibid.*, p. 67.

Although his publications are rather limited in number,[123] he worked profitably, reading numerous manuscripts and theses written by young economic history scholars, and providing the authors with suggestions, criticism and aid:[124] this was an important aspect of Gay's career. Many of these young people went on to hold chairs in the principal American universities, as was seen in the miscellany in his honour, which thirty-four of his former pupils presented to him to mark his twenty-five years' teaching at Harvard and thirty years in economic history.[125] His dual role as counsellor and sponsor of economic history studies and as Dean of the School of Business Administration in 1927 resulted in his becoming editor of the *Journal of Economic and Business History*, a review which, according to Gay's biographer, was to have linked the Business School with economic history. Gay remained editor until 1932,[126] one year before the *Journal* collapsed because of lack of funding, as did other much bigger initiatives and enterprises during the Great Depression, which lasted from 1929 until 1933.

Nevertheless, despite this variety of scientific and teaching experiences, Gay still clung to his long, rich European cultural heritage, and all that he had learned from von Schmoller and the other scholars of the German school of history. All this surfaced and became an essential part of the method Gay adopted for the teaching of economic history and other disciplines at the School of Business Administration.

The use of the "case system" which, according to W. T. Jackman,[127] one of Gay's pupils, was one of the best and most recent developments of the business schools that, based on the Harvard school, and often with Gay's advice, had been founded in various American universities, can be linked to the German school of history.[128] This "case method" consisted in showing pupils how, in a particular case drawn from business experience, studying the past can throw light on future behaviour , even though often "it is impossible to say whether a certain decision is right or wrong".[129]

Indeed, "studying the most distant past and its evolution until the present day, and using different peoples' experience in facing the great economic and social problems, contribute to broadening the mind further, leading to greater caution in expressing judgement on decisions".[130]

The economic stages method used by Gay came from the German school of history, too, albeit somewhat mitigated and enriched by the experience of the economic changes and by the results of the cultural debate which had

[123] *Ibid.*, pp. 64-65.

[124] *Ibid.*, p. 194.

[125] Cf. the list of articles by pupils of Edwin Francis Gay in *Facts and Figures in Economic History*, (Cambridge, Mass.: Harvard University Press, 1932).

[126] Cf. Heaton, *A Scholar in Action*, *op. cit.*, p. 194.

[127] Cf. W. T. Jackman, "The Importance of Economic History" in *Facts and Figures*, *op. cit.*, p. 5.

[128] Cf. Heaton, *A Scholar in Action*, *op. cit.*, pp. 194-195.

[129] Cf. Jackman, *The Importance of Economic History*, *op. cit.*, p. 5.

[130] *Ibid.*, p. 6.

taken place in the United States of America and in many other countries throughout the world. Like Gay, two other pupils of the German school of history, Ashley and Heaton used the economic stages method for "a chronological and topical exposition" and as a point of reference for a "group of facts to be always subordinate, and to be used always in connection with certain points of reference". Gay considered the way of exchanging goods and services a point of reference: in this the influence of two other German historians, von Thünen and Bücher, is more apparent than that of von Schmoller.[131] For Gay, it was through the use of these stages that economic history became a live, useful discipline, because, as one of his pupils wrote, he was of the opinion that "we are indebted to the past, not only in commerce and in industry but in almost all other sectors of economic life. And the deeper our knowledge of the economic history of our own and of the other countries, both in the East and in the West, the better qualified we are to take decisions which could lead to economic prosperity".[132]

Gay had altered the old teachings of the German school of history. He valued history, just for its possible theoretic uses. "Economic history", again in the words of Gay's pupil, Jackman, "is not merely historical material; it is life, and men write it in keeping with their philosophy and their actions".[133] In his inaugural address as the first president of the American Economic History Association, recalling the discipline's early days and paying tribute to Roscher, the founder of the German school of history and von Schmoller's teacher (von Schmoller, in turn, being Gay's teacher), Gay himself pointed out that, since the time of the old and young German schools of history, economic history had made considerable progress; and this progress has "enabled us to be economic historians instead of historical economists".[134] With Gay, and going back through him to von Schmoller, economic history was born in the United States of America, just as it was with Ashley in England.

[131] *Round Table Conference's* 'Stages in Economic History" in *American Economic Review*; March 1930, Supplement, pp. 3-4.

[132] Cf. Jackman, *The Importance of Economic History, op. cit.*, p. 9.

[133] *Ibid.*, pp. 16-17.

[134] Cf. E. F. Gay, "The Tasks of Economic History", in *The Journal of Economic History*, Dec., 1942, Supplement, p. 9.