

---

## ARTICLES

---

### *Economic Theory and Policy in Germany, 1750-1800*

**Hans-Joachim Braun**

University of Bochum

When dealing with economic theory in Germany in the second half of the eighteenth century, that is, mainly with the cameralists, one has first to answer the question of whether or not there was any theory at all in cameralist thought.<sup>1</sup> This problem is controversial and the arguments for and against are roughly the same as the ones put forward in the debate on mercantilism.<sup>2</sup> Obviously,

---

<sup>1</sup> This is a revised version of a paper submitted to section C, « Economic Thought and Policy, with Special Reference to the Role of the Economist in Government » at the Sixth International Congress on Economic History, Copenhagen, August 1974. I am grateful for comments made by Professors Frank W. Fetter, Hanover, New Hampshire and Helen P. Liebel, University of Edmonton, Alberta.

<sup>2</sup> On Cameralism see A.W. SMALL, *The Cameralists*, Chicago 1909; K. ZIELENZIGER, *Die alten deutschen Kameralisten*, Jena 1914; L. SOMMER, *Die österreichischen Kameralisten in dogmengeschichtlicher Darstellung*, 2 vols., Vienna 1920-1925; A. TAUSCHER, *Die Staatswirtschaftslehre des Kameralismus*, Berne 1947. Some of the relevant articles on mercantilism are collected in D.C. COLEMAN (ed.), *Revisions in Mercantilism*, London 1969. One has to bear in mind that Cameralism is not to be identified with mercantilism, as Cameralism is a combination of theorems of political economy, public finance and administrative principles and ends of population policy, in which the theorems of political economy are more or less identical with mercantilist economics (F. BLAICH, *Die Epoche des Merkantilismus*, Wiesbaden 1973, 17 f.). As to the following remarks on « Theory » in cameralism I am indebted to Professor COATS' article *In Defence of Heckscher and the Idea of Mercantilism*, « The Scandinavian Economic Review », 5, 1957, where he deals (p. 182) with the question if there was a systematic theory in mercantilism. Though there are differences between mercantilism and cameralism, similarities as to methodological matters are obvious.

in any system of ideas, even in a system as incoherent as mercantilism or cameralism, where one certainly cannot speak of a systematic theory in the modern sense or even in the sense of the physiocrats or of Adam Smith, there must still be some kind of theory. What is of importance here is the definition of "theory". Many of the cameralists thought that what they did was scientific and that they had a theory. In this context, however, science meant mainly the process of systematization and classification of "facts", even if analysis of these facts was neglected. It must be stressed that the Cameralists were, first of all, practical men and that it was their primary aim to be so. Although many eighteenth-century authors emphasized the importance of theory,<sup>3</sup> it was not uncommon to write an apology for bothering the reader with it. Many authors were outspokenly hostile to theory.<sup>4</sup> In most cases, there are merely a few reflections in the prefaces of cameralist books which deal with some general aspects of the works' content. Nevertheless, what the cameralists definitely had was a theory of economic policy. To them, economic policy was the essence of political economy. So, political economy for them was not so much an empirical science, as it was to Adam Smith, or a quasi-natural science, as it was to the physiocrats, but an art.

This does not mean that there were no casual mechanisms in cameralist thought. These did exist, but the central issue in cameralism was not the question of how such mechanisms came into being — according to Adam Smith as a result of numerous, often antagonistic interests — something which could be observed empirically — but as an arrangement between these different interests brought about by a rational economic policy of the state.<sup>5</sup> Their most important aim was to find out simple causal mechanism, not as ends in themselves, but in order to manipulate these mechanisms in order to reach certain economic and political objectives.

---

<sup>3</sup> J. v. SONNENFELS, *Von der Unzulänglichkeit der alleinigen Erfahrung in den Geschäften der Staatswirtschaft*, Vienna 1765; J.C.C. RÜDIGER, *Über die systematische Theorie der Cameralwissenschaften*, Halle 1777.

<sup>4</sup> e.g. J.F. v. PFEIFFER, who taught cameral sciences at the University of Mainz, in his *Geschäften der Staatswirtschaft*, Vienna 1765; J.C.C. RÜDIGER, *Über die systematische*

<sup>5</sup> F. JONAS, *Das Selbstverständnis der ökonomischen Theorie*, Berlin 1964, 22.

There were some aims which constantly recurred in mercantilist and cameralist policy — a positive balance of trade, population increase — and in this context, the ends-means structure of economic policy was applied. Obviously, what the cameralists thought was not as refined as the ends-means structures we use today, but we can with some certainty say that the modern theory of economic policy — I exclude the theory of quantitative economic policy here — was *in nuce* already present in their thinking, though there are of course some methodological modifications especially in connection with the logical status of "ends".<sup>6</sup> As cameralism was a type of social economics, where the social field was closely connected with the economic sphere, "ends" were ends of public policy. It is of interest how ends and means were found. This was done by an abstract-deductive method. All knowledge relevant in cameralist thought was deducted from a single point of highest certainty; only by this method could systematic coherence be attained.<sup>7</sup> For J.H.G. v. Justi, one of the greatest cameralists, this "point of highest certainty" was the "ultimate object" of the science in question.<sup>8</sup> Justi's work can be taken as representative of the cameralists until about 1770. He was a great systematizer, who applied the "systematic theory" or "synthetic-demonstrative method" as it was also called, to economic matters. By this method "all propositions have to be deducted from their origins by syllogistic rules".<sup>9</sup> Justi calls the origin, i.e. the first principle, the "basic principle"<sup>10</sup> and at the same time it is the "ultimate object" of the state.<sup>11</sup> For him, this ultimate object was happiness.<sup>12</sup> However, this reasoning brings him into logical difficulties, which J. v. Sonnenfels, of whom more will be said later, recognized. Sonnenfels

---

<sup>6</sup> See below p. 3 f. As an example for a modern textbook on economic policy see D.S. WATSON, *Economic Policy, Business and Government*, Cambridge, Mass. 1960, where a distinction is made between primary, secondary and tertiary ends and ends of economic policy (p. 94 ff.).

<sup>7</sup> L. Sommer 1920, 181.

<sup>8</sup> J.H.G. v. JUSTI, *Staatwirtschaft I*, Leipzig 1758. I have to thank Mr. D. Sontberg, Bochum, for some interesting hints in connection with cameralist philosophy of science.

<sup>9</sup> J.H. ZEDLER, *Universal-Lexikon*, Vol. 20, Halle, Leipzig 1739, Vol. 20, « Methode ».

<sup>10</sup> « Hauptgrundsatz ».

<sup>11</sup> « Endzweck ».

conceded that the promotion of general happiness should be the ultimate object of the state, but claimed that in Justi's philosophy, the ultimate object and the basic principle become one. According to Sonnenfels, it should be possible to use the basic principle to test the aptness of measures used to reach the ultimate object<sup>13</sup> and as this was not possible in Justi's theory, the latter was trapped in a vicious circle.

In his methodology, Sonnenfels established a connection between speculation and reality by a basic principle discovered through "numerous observations and experiences".<sup>14</sup> The basic principle was the increase of population, his ultimate object the "augmentation of civil society".<sup>15</sup> The crucial test for the acceptance or rejection of a basic principle is its evidence.<sup>16</sup> "Augmentation of civil society" means, very generally, the increase of the individual's welfare and the increase of economic and political power. He believed that the increase of population was the means most fit to reach these aims. As we shall see later, throughout his whole political career Sonnenfels tried to put this principle into practice.

It would be wrong to suppose that there was general agreement among the cameralists about the basic principle. As we have already mentioned, many objected to any form of theorizing. J.C.C. Rüdiger wrote that many cameralist writers were against any kind of theory and that a theory about the eminently practical matters with which cameralism dealt was worth of nothing but contempt. Theory, he thought, was of no use in practice, and experience had shown that great theorists had failed when trying to be practical.<sup>17</sup>

---

<sup>12</sup> J. v. SONNENFELS, *Grundsätze der Polizei, Handlung und Finanz*, 3 vols., Vienna 1787, Vol. 1, 25.

<sup>13</sup> SONNENFELS, *loc. cit.*, 24.

<sup>14</sup> *Ibid.*, 16.

<sup>15</sup> «Vergrößerung der bürgerlichen Gesellschaft durch Beförderung der Bevölkerung» (v. SONNENFELS, *Grundsätze*, Vol. 1, 27/28).

<sup>16</sup> Franz Bob, Professor of Cameralism at the University of Freiburg, who often disagreed with Sonnenfels and had much in common with v. Justi, gained his basic principle speculatively from the subject of the science in hand («*ex natura rei et negotii*») or from the «intrinsic nature» of the respective science.

<sup>17</sup> J.C.C. RÜDIGER, *op. cit.* 14. Not only theorists in the modern sense are meant here but even those who departed from empiricism in any way.

Sonnenfels showed that experience, at least in methodological programmes, played an increasingly important part in the construction of theories, and at the end of the eighteenth century there were many political economists in Germany who were strongly influenced by him, and, as in the case of J.G. Büsch, by Adam Smith.

Büsch was director of the Hamburg Academy of Commerce and in his method he was probably influenced by the epistemological scepticism of David Hume.<sup>18</sup> Büsch advocated a pronounced empiricism, and he stood in direct contrast to the adherents of systematic theory like Justi and Bob. According to Büsch, the theory of trade, for example, is a science in which experience and observation have to be prior to any kind of systematization or theory construction. First, one should describe the "real condition" of a matter before undertaking the task of trying to find out something about possible causalities.<sup>19</sup>

It must be stressed here that generally this kind of methodological reflection remained superficial. Most of the political economists in eighteenth-century Germany were no philosophers and they normally made use of philosophical issues which were "in vogue" at the time and which were relevant to their subject without losing much time pondering about their logical consistency. Their main object was "to get on with the job", and to be as practical as possible.

So Büsch does not explain the terms "experience" and "observation", which were by no means clearly defined but much debated in eighteenth-century philosophy. For Büsch, a trade policy was only possible on the basis of trade theory. Theory was needed to reveal rules and principles in order to make proposals for possible improvements, which, however, in the last resort, had all to be founded on observation, experience and the history of the particular subject.<sup>20</sup>

---

<sup>18</sup> J. ZABECK, *Johann Georg Büsch - ein Beitrag zur Geschichte und zur Methodologie der Wirtschaftswissenschaften und Wirtschaftspädagogik*, Hamburg 1964, 230.

<sup>19</sup> J.G. BÜSCH, *Abhandlung von dem Geldumlauf in anhaltender Rücksicht auf die Staatswirtschaft und Handlung*, 3 Parts, Hamburg 1780 1784, Pt. II, 810.

<sup>20</sup> J.G. BÜSCH, *Kleine Schriften*, Leipzig 1772, 20.

## II

After discussing certain methodological issues in cameralism, something must now be said about the practical work of a few cameralists. In this context I shall try to find out to what extent and under what conditions it was possible to put cameralist maxims into reality.

It seems apt to start with J.J. Becher (1635-1682). Although he lived in the seventeenth century and therefore does not fall within the period under consideration, a few words must be said about him, as his life and works are well documented and because he was a typical cameralist, his head being full of projects few of which could be put into practice. He exercised a marked influence on the cameralists in the second half of the eighteenth century. His main principle was that of most cameralists, that is the increase of population by providing people with the means of subsistence. This was to be done by setting up manufactories or supporting trade, mainly foreign trade. Of particular interest is his propagation of technological inventions and innovations.

In the 1670's, Becher had an important influence on the economic policy at the Viennese court. He had many plans, like the establishment of a council of commerce, the foundation of a silk-manufactory, an oriental trading company and a "house of industry" on Mount Tabor near Vienna.<sup>21</sup> This "house of industry" was to be furnished with models of new machines and there were to be model manufactories nearby.<sup>22</sup> His work as a political publicist fighting against the economic supremacy of France before and after the Imperial Edict of May 1676, which banned the importation of French goods,<sup>23</sup> is also important.

The plan to establish a council of commerce did not materialize in the way Becher had wished. This council was to have consisted of merchants and civil servants who were to study trade and the development of prices and consumption among other things. How-

---

<sup>21</sup> H. HASSINGER, *Johann Joachim Becher, 1635-1682. Ein Beitrag zur Geschichte des Merkantilismus*, Vienna 1951, Chapters IV and V.

<sup>22</sup> H.J. HATSCHKE, *Das Manufakturhaus auf dem Tabor bei Wien*, Leipzig 1886; U. TROITZSCH, *Ansätze technologischen Denkens bei den Kameralisten des 17. und 18. Jahrhunderts*, Berlin 1966, 15-17.

<sup>23</sup> T. BOG, *Der Reichsmerkantilismus*, Stuttgart 1959, 76 ff.

ever, the plan failed owing to various intrigues, especially those of the members of the Viennese court council, who regarded the council of commerce as a serious rival. Besides, the members of the council of commerce did not receive any payment from the state so that becoming a councillor was not considered as an attractive post by many merchants. But Becher's idea was not forgotten, and in 1714 a council of commerce<sup>24</sup> was established in Bohemia which, however, was organized quite differently from that which Becher had originally intended.<sup>25</sup> His plan of erecting a house of industry was not immediately successful, because the financial foundation was not sufficient, and there were quarrels about patents, together with other problems which beset the project. However, in the eighteenth century, there were numerous houses of industries, many of them erected by Economic Societies.

J.H.G. v. Justi, who has already been mentioned in connection with his theory of economic policy, also had his head full of projects. Like Becher, he held many official posts and was involved in the formation of economic policy at several courts. Like a true cameralist he was an expert on technological questions. In 1751 he became a professor at the newly founded Academy "Theresianum" in Vienna and tried to introduce the culture of silkworms into Austria. In 1755 he was appointed councillor of mines in Göttingen, gave lectures on cameralism at the university there, and in 1766 he became a Prussian official whose task it was to organize mining and establish ironworks in the Neumark.

In accounting for the origin of his cameralist ideas, it was not so much the theoretical influences as the economic policy of his

---

<sup>24</sup> « Merantilkolleg ».

<sup>25</sup> H. HASSINGER, *op. cit.*, 155. Where a particular economic measure was taken, it is often rather difficult to establish a direct line from a theory of a political economist to the act of economic policy. Especially in mercantilism and cameralism, there was a stock of economic measures the politician could draw upon. These measures were realizations of ideas which were « in the air » at that particular time and were advocated by almost all cameralists. (The establishment of a council of commerce is an example of this.) Therefore, it is difficult to connect this idea and its being put into practice with any one particular political economist, if this economist did not play a significant part in the actual policy-making process. Comments on the general relation between economic theory and policy can be found in A.W. COATS, *Research Priorities in the History of Economics*, « History of Political Economy » 1, 1969, 9-18, esp. 15, and *The Classical Economists and Economic Policy*, London 1971, Introduction, esp. 17-32.

time, especially that of Prussia, which was decisive for the formation of v. Justi's ideas.<sup>26</sup> There are numerous examples of this. In Brandenburg-Prussia the policy of establishing independence of imports had begun to supply the country with commodities the raw materials for which were readily at hand. In the beginning, this was mainly woollen cloth. The edict of 1687 concerning the manufacture of woollen cloth marked the beginning of such a policy. This policy was approved by v. Justi, and his four trading principles can already be found in an excise tariff of 1714 regulating the flax-yarn and linen trade.<sup>27</sup> However, although v. Justi used Prussia as his model, he was not uncritical of everything done there. Especially in matters of financial policy, he often disagreed with official practice. Justi wanted to draw bullion into the country, he favoured export bounties and tried to make Prussia attractive for foreign manufacturers and capitalists.<sup>28</sup> By pursuing this policy he did not regard taxes and duties as a mere source of revenue, but as a means to regulate the economy. There was often a conflict between fiscalism and concepts of economic policy orientated towards long-term aims.<sup>29</sup>

However, there are examples of policy proposals which directly influenced economic policy, as in the case of the regulations of the collection of excise, in which he advocated the use of rather involved statistical methods in order to arrive at a just and efficient method of taxation.<sup>30</sup> While Justi's ideas were mainly influenced by the Prussian state which he regarded as his model in economic policy, Sonnenfels tried to put his cameralist ideas into practice in Austria. As has already been mentioned, the increase in population played a decisive role in Sonnenfels' concept of economic policy, and in his

---

<sup>26</sup> This point is elaborated by E. KLEIN, in *Johann Heinrich Gottlob Justi und die preussische Staatswirtschaft*, « Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte » 48, 1961, 145-202, a stimulating article which forms the basis of what is said about Justi here.

<sup>27</sup> *Acta Borussica*, Denkmäler der Preussischen Staatsverwaltung im 18. Jahrhundert. Handels- Zoll- und Akzisepolitik, Vol. 11/1, 294.

<sup>28</sup> J.H.G. v. JUSTI, *Staatswirtschaft*, Leipzig 1758, esp. § 202 - § 213.

<sup>29</sup> This is one of the topics, J. VAN KLAVEREN deals with in his *Fiscalism, Mercantilism and Corruption*, in D.C. COLEMAN, ed., *Revisions in Mercantilism*, London 1969, 140-161, esp. 142-144.

<sup>30</sup> *Acta Borussica*. Denkmäler der Preussischen Staatsverwaltung ... Behördenorganisation, Vol. V/2, 814 f.

proposals we find again and again that this idea was axiomatic to his thinking.

J. v. Sonnenfels (1733-1817) studied law in Vienna, became professor of cameral sciences at the University there in 1763 and, because of his practical abilities, Privy Councillor in the Bohemian and Austrian "Hofkanzlei" in 1780.

Apart from his population theory the idea of "balance" between the individual and the community, between private welfare and "commonwealth" was central to his theoretical thinking. It was no longer the sovereign and his personal power which mattered most, but the individual's self-interest and the care for his material welfare.<sup>31</sup> In his population theory, Sonnenfels' reasoning was as follows: the larger a population, the greater its security against foreign attacks and the greater its welfare. Commerce can thrive and the amount of tax every individual has to pay decreases.<sup>32</sup> The incentives for an increase in population are: public provision of work by founding manufactories, intensification of agriculture and colonization.<sup>33</sup> Sonnenfels suggested numerous measures in this context. After becoming professor of cameral sciences in 1763 he was particularly interested in the problems of local administration. He thought that it was not only necessary to have as many people as possible living in a state but that they had to be healthy and able to work, so that they did not become a public charge. He therefore planned to increase the number of physicians who were to provide the population, especially in the rural areas, with medical treatment and medicine. As the medicine sold in the pharmacies was often of a poor quality and sometimes even harmful to the

---

<sup>31</sup> K.H. OSTERLOH, *Joseph v. Sonnenfels und die österreichische Reformbewegung im Zeitalter des aufgeklärten Absolutismus*, Lübeck, Hamburg 1970, 40 f. A valuable work, to which I owe many insights into the relation between economic theory and practice in Sonnenfels' work.

<sup>32</sup> J. v. SONNENFELS, *Grundsätze der Polizei, Handlung und Finanz*, Vol. I, 1787, 30-32.

<sup>33</sup> Great efforts were made to colonize fertile soil especially in Hungary and in areas in eastern Austria which had been depopulated during the Turkish wars. The theoretical foundation of all this is to be found in Sonnenfels. (OSTERLOH, *op. cit.*, 84).

patient, he suggested that the pharmacies should be subject to surprise inspection by government officials.<sup>34</sup> This proposal was taken up and became law in 1773.

Sonnenfels' theory of population implied that those able to work should do so; therefore he was strongly opposed to beggars. The eighteenth-century poor law in Austria was to a large extent influenced by notions of Christian charity and Sonnenfels advocated the idea of giving alms only to the "deserving poor". It is possible that the prohibition of alms-giving at fairs in 1774 was to a large extent due to his influence.<sup>35</sup>

While dealing with the ways of making a country populous Sonnenfels often considered reform of the feudal agricultural system. He was in favour of the liquidation of the manorial holdings and their division into small holdings on the basis of lease. By this measure, the yield would be increased, from which population increase would follow. This idea was supported by one which was taken from natural law and was characteristic of the Enlightenment of the second half of the eighteenth century: the peasant as a member of the "commonwealth" had a right to a maximum of welfare and lifelong property of the soil he was cultivating.<sup>36</sup> As to this last idea Sonnenfels was quite ahead of his time, and the resistance against it proved too strong. However, with the law of November 1781, serfdom was moderated by regulations according to which the serf was free to marry, carry on the trade he chose and move away from manorial land.<sup>37</sup>

In the field of manufacture and commerce, Sonnenfels strongly opposed monopolies which ran counter to the concept of subsistence

---

<sup>34</sup> J. v. SONNENFELS, *Grundsätze*, Vol. 1, 1st. ed. 1765, 3rd. ed. 1789, 295.

<sup>35</sup> I. BEIDTEL, *Geschichte der österreichischen Staatsverwaltung*, Vol. I, Innsbruck 1896, 139 ff.

<sup>36</sup> J. v. SONNENFELS, *Grundsätze der Polizei*, Vol. II, 1765, 59.

<sup>37</sup> It would, of course, be wrong to say that measures like this were taken because Sonnenfels advocated them. The problem is obviously more complex; see the following more general remarks.

for everyone.<sup>38</sup> In foreign trade the market system was central to his thinking. Obstacles to free trade were to be abolished as far as possible, and in 1775 new rates of duties came into effect which removed numerous hindrances to trade.<sup>39</sup>

His concept of regulating economic order was also of importance. As a remedy for the shortage of capital which had led to excessive usury, he suggested the establishment of a public bank, where entrepreneurs and merchants could obtain cheap loans for investment purposes, whereby the general rate of interest would be brought down.<sup>40</sup> Sonnenfels, who recommended a combination of the prohibition of usury and measures of public finance to overcome the shortage of capital, was not successful, because in 1787 the usury act was repealed.<sup>41</sup>

In the following years there was great unrest among those who needed capital, and the public discussion over the pros and cons of the usury act became more and more intense. Sonnenfels wrote a treatise on this matter<sup>42</sup> which he presented to the emperor, in which he strongly advocated the reintroduction of legislation against usury.<sup>43</sup> However, usury did not find a definite legislative solution until 1830, when the former penalties were reintroduced.<sup>44</sup>

### III.

After these remarks about three important cameralists, it is worth adding a few more general comments on the relationship

---

<sup>38</sup> J. J. Becher, the cameralist, had been suspicious of monopolies. However, during the seventeenth and the first half of the eighteenth centuries, most of the cameralists considered them necessary to limit the risks of enterprise, especially for merchants and entrepreneurs.

<sup>39</sup> OSTERLOH, *op. cit.*, 85. At the end of the chapter on Sonnenfels a few general remarks about the relation of economic theory and practice in the eighteenth century will be made.

<sup>40</sup> J. v. SONNENFELS, *Grundsätze der Polizei* . . . , Vol. 2, 447.

<sup>41</sup> K. CHORINSKY, *Der Wucher in Österreich*, Vienna, 1887, 15.

<sup>42</sup> *Über Wucher und Wuchergesetze*, Wien 1789.

<sup>43</sup> According to the interest law of 1766 the rate of interest was not to be higher than 4% with an additional interest tax of 2%.

<sup>44</sup> *Sammlung der Gesetze* . . . Franz II, Vol. 17, 1803, 380 ff.

between economic theory and policy, with special reference to the role of the economist in government. It is probably advisable to do so at this stage of the discussion in order not to let the preceding remarks appear in a false light and not to let the role of the economist and the influence of ideas in economic policy-making become overrated.

Most of the cameralists were either university professors or held a similar post at an Academy, and most of them were civil servants. Quite often, their writings can be regarded as an apology for certain economic measures taken by the sovereign.<sup>45</sup> To him, their apologies were welcome, and as he had the ultimate decision on appointing a professor, raising his salary or providing him with a lucrative public function, many cameralists tried their best to please him.

In the context of our discussion, however, these cases are only of minor interest. It would be more important to deal with those incidents in which there was a clash of ideas between economic advisers on one side and the interests of the sovereign on the other. This could happen if the sovereign considered his fiscal interests predominant and neglected long-term economic policy or the interests of his subjects. As we have noted above, in the course of the eighteenth century, especially in the last decades, the individual came more and more to the forefront, and in political and social theory, which of course was closely connected with economic thought, the sovereign was regarded as part of the people, and not as standing above them;<sup>46</sup> a movement which reflected the aspirations and political wishes of a bourgeoisie becoming more and more conscious of its economic possibilities and power.

Rulers, especially in the numerous small states in Germany, seldom lived within their means. They wanted to display their

---

<sup>45</sup> For example some of J.H. Jung's writings. In his numerous early writings he defended the economic policy of the Elector of the Palatinate. Jung was professor of agriculture and cameral sciences at Lautern and Heidelberg from 1778.

<sup>46</sup> An example for this ideology is the famous dictum by Frederick the Great: «I am the first servant of the state».

power and imitate the court life of the principal sovereigns of Europe. A lot of money was needed for wars, representative buildings and an extravagant life. Therefore, their economic projects were generally rash and not well planned.<sup>47</sup> Besides, the incentives for capitalists to invest their capital in Germany in the second half of the eighteenth century were not very great. In this phase of pre-industrialization,<sup>48</sup> the state had to step into the breach where private enterprise had failed, or it had to support craftsmen, many of them foreigners. There was hardly any long-term planning by the sovereign, although a start had been made in the field of statistics, which became very important in providing the sovereign and his advisers with figures relevant to economic decision-making.<sup>49</sup>

Structural changes in the agricultural system, which would have been necessary in order to obtain higher yields, met with fierce resistance from the landlords, who were often influential

---

<sup>47</sup> This is even true of Prussia in the eighteenth century. See e.g. the case study by J. MIECK, *Preussischer Seidenbau im 18. Jahrhundert*, « Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte » 56, 1969, 478-498. There are numerous examples in other German territories. See the literature on Braunschweig-Wolfenbüttel in the eighteenth century (F. BIERINGER, *Herzog Karl I. von Braunschweig*, 1920; W. BURMEISTER, *Der Merkantilismus in Braunschweig-Wolfenbüttel im 16.-18. Jahrhundert*, 1928, and W. HAHN, *Handel und Handelspolitik im Herzogtum Braunschweig-Wolfenbüttel in der Regierungszeit der Herzöge Karl I. und Karl Wilhelm Ferdinand, 1735-1803*, 1931). On Württemberg see W. SÖLL, *Die staatliche Wirtschaftspolitik in Württemberg im 17. und 18. Jahrhundert*, 1934. All the authors mentioned here stress the rashness in matters of economic policy. They show that the sovereigns mainly had the rapid enlargement of their revenue in mind, without considering whether the measures they undertook were really fit for long-term revenue purposes, let alone the welfare of the state in general.

On the other hand, T. RUNGE, *Justus Möser's Gewerbetheorie und Gewerbepolitik im Fürstbistum Osnabrück in der 2. Hälfte des 18. Jahrhunderts*, Berlin 1966, shows how J. Möser, a political economist with a very practical bent, was able to put many of his theories into practice, some of which, however, were already rather outdated in the second half of the eighteenth century.

<sup>48</sup> In the second half of the eighteenth century there were some stirrings of early industrialization at different places in Germany. See W.O. HENDERSON, *The Genesis of the Industrial Revolution in France and Germany in the 18th Century*, *Kyklos* 9, 1956, 190-207. In this historical phase, however, it would not be apt to speak of early industrialization, when taking Germany as a whole.

<sup>49</sup> See the talk given by W. WEBER, *Wirtschaftsplanung in Brandenburg-Preussen im 18. Jahrhundert*, at the Fifth International Conference of Economic History in Leningrad, 1970.

noblemen. Furthermore, there are cases where civil servants were so corrupt that economic measures often could not be carried out as they had been planned.<sup>50</sup> In making their economic proposals, then, the cameralists had to take into consideration the interests of the sovereign and the landowners. Against the will of the sovereign, which to a large extent was influenced by his advisers, no economic idea could be put into practice, at least not in the short run.

What could be done in such a case? Either the political economist (cameralist) had to become a member of the council or he had to establish connections with an important economic adviser of the sovereign. Or, if there was a clash between fiscal interests and concepts of long-term economic development, the political economist had to convince the sovereign<sup>51</sup> that in the long run his interests<sup>52</sup> would be best served by taking fiscal burdens from the people or by carrying out liberal reforms.

It is, of course, impossible to quantify the influence of intellectual movements, but the liberal ideas connected with, for example the Enlightenment, were certainly influential. The political economist, who advocated reforms could make use of existing intellectual ideas which were expressed in these movements, especially if they had already become influential. In such a case, it would often have been inadvisable, from the political point of view, for the sovereign to suppress these ideas, even if this meant that some disruption of the social order might follow, if they were carried out in the way the political economist intended. Normally, however, these ideas left the position of the sovereign untouched so that it was not too difficult for him to agree with many of them. If the

---

<sup>50</sup> Elaborated in the already mentioned article by J. VAN KLAVEREN, *op. cit.*, and in his *Die historische Erscheinung der Korruption*, « Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte » 44, 1957, 45, 1958, 46, 1959.

<sup>51</sup> This could be done by writing books or pamphlets, or better, by discussing the relevant work with the sovereign.

<sup>52</sup> In the ideology of enlightened absolutism the interest of the sovereign was said to form an undissoluble unity with the interests of his subjects. This ideal existed in theory rather than in practice.

differences between the sovereign and the political economist over matters of economic policy could not be solved, the latter could always propagate his ideas by pamphlets or by discussing them in the many economic societies. His means, however, were severely restricted, for if he went beyond the proposal of minor changes and advocated changes in the economic order of which the sovereign did not approve, the political economist could quickly be silenced by censorship.

#### IV.

Discussion in this paper has so far centered on the adherents of cameralism. A second group, the physiocrats, which whom we shall now deal, was never as influential in Germany as the cameralists.

The role of physiocratic ideas in Baden-Durlach in the second half of the eighteenth century is of some interest for the relationship between economic theory and economic policy. In this German territory the Margrave, Carl Friedrich, tried to put the physiocratic model, especially the theory of taxation, into practice.<sup>53</sup> As is well-known, the physiocrats claimed that taxes should only be taken from the « *produit net* », i.e. from the landowners; in Germany, however, many physiocrat theorists advocated the taxation of the tenants.<sup>54</sup>

---

<sup>53</sup> Economists often maintain that one of the crucial differences between the social and natural sciences is the inability of the social scientists to carry out experiments in order to test a hypothesis. It is interesting to note that this was — rather inadequately — tried in the eighteenth century. *The Physiocratic Theory of Taxation* is dealt with in an article with the same title by L. EINAUDI in « Economic Essays in Honour of Gustav Cassel », London 1933. Warren J. SAMUELS writes on *The Physiocratic Theory of Economic Policy*, « Quarterly Journal of Economics » 76, 1962, 145-162.

There is information on the experiment in Baden-Durlach in A. EMMINGHAUS, *Carl Friedrichs von Baden physiokratische Verbindungen, Bestrebungen und Versuche. Ein Beitrag zur Geschichte des Physiokratismus*, « Jahrbücher für Nationalökonomie und Statistik » 19, 1872, 1-62. The best recent treatment is in Helen P. LIEBEL, *Enlightened Bureaucracy versus Enlightened Despotism in Baden, 1750-1792*, « Transactions of the American Philosophical Society », N.S. Vol. 55, Pt. 5, Philadelphia 1965, pp. 40-54.

<sup>54</sup> K. BRAUNREUTHER, *Über die Bedeutung der physiokratischen Bewegung in Deutschland in der zweiten Hälfte des 18. Jahrhunderts. Ein geschichtlich-politikökonomischer Beitrag zur "Sturm-und-Drang" Zeit*, Wissenschaftliche Zeitschrift der Humboldt-Universität zu Berlin, Gesellschafts und sprachwissenschaftliche Reihe V, 1955/6, Nr. 1, 22.

The Margrave of Baden-Durlach was sympathetic towards physiocratic ideas and went to France, where he came into contact with the physiocrat Mirabeau.<sup>55</sup> On this journey, he was accompanied by the German physiocrat J. A. Schlettwein, one of the Margrave's Councillors from 1763 onwards and Professor of Political Economy at Giessen from 1778. Mirabeau proved to be quite unfit to put theories into practice or to be helpful to anyone who tried to do so. He was known as a bad farmer and the advice he gave to the Margrave was more general than practical; he was completely bound to the « *ordre naturel* » neglecting altogether the « *ordre positif* ».<sup>56</sup>

A few remarks must be made about the physiocratic reforms in Baden-Durlach, which Schlettwein was in charge of. The Margrave's main motive for this experiment was that he wanted to make his revenue more stable by simplifying the system of taxation. As has already been pointed out, the loss of tax through fraud was generally large, and many civil servants were also needed to collect the complex taxes.

In 1769 Schlettwein visited the three villages where the physiocratic system was to be introduced. He distributed questionnaires with twenty-five questions inquiring about the occupations of the people living in the villages, the size of the fields, the number of livestock, the kind of manure used, etc. This first stage was intended to give as complete as possible a survey of the village.

The main outcome of this first survey was the discovery that the villages and their inhabitants were in a rather desolate state, due mainly to the sub-division of land-holdings among all the heirs, a custom prevalent in Southern Germany.<sup>57</sup> The consequences of

---

<sup>55</sup> See the correspondence between the Margrave and Mirabeau in K. KNIES, ed., *Carl Friedrichs von Baden brieflicher Verkehr mit Mirabeau und Du Pont*, 2 vols., Heidelberg 1892.

<sup>56</sup> F. LINDNER, CHARLES DE BUTRÉ, *Ein französischer Physiokrat des 18. Jahrhunderts an einem deutschen Fürstenhof*, « Ein Beitrag zur Geschichte der Physiokratie », Bern 1906, 4.

<sup>57</sup> A. KREBS, J. A. Schlettwein, *Der "deutsche Hauptphysiokrat"*, « Ein Beitrag zur Geschichte der Physiokratie in Deutschland », Leipzig 1909, 12 f.

this system were that many young people married without any secure means of subsistence.

In 1770 the experiment proper began. Schlettwein divided the cultivable land into different categories, arable land, pastures, vineyards, gardens, meadows and forests. The arable land was divided into two, the forest into three grades. The "*produit net*" was calculated by subtracting from the gross yield the costs of the "*avances foncières*", "*avances instrumentales*" and "*avances annuelles*." These costs, however, were fixed rather arbitrarily. The remainder was the "*produit net*" from which tax rates of twenty per cent or more were to be levied.<sup>58</sup> Naturally, there were many people who were hostile to the experiment in Baden-Durlach, and who protested against it soon after its introduction. The tenants pointed out that after the introduction of this system, their debts had suddenly risen, especially because the taxes had to be paid in money once a year.<sup>59</sup> They also presented statistics to prove that the cost of fodder in particular had risen markedly.<sup>60</sup> Apart from this, there were also bad harvests, and in 1776 the experiment had to be cancelled in two of the three villages. As taxes were to be paid only from the "*produit net*", all other commodities were tax free. This system, however, did not have the effects originally intended. One consequence was that in almost every house in the three villages, wine-shops were quickly established, and people came there to drink tax-free wine. The system did not function, because artisans, such as millers, did not sell their goods cheaper than before; they simply added the tax savings to their profit.

The main cause for the failure of the system was that in the three villages a "*petite culture*" and not a "*grande culture*" was pre-

---

<sup>58</sup> A. EMMINGHAUS, *op. cit.*, 31.

<sup>59</sup> Trade on a monetary basis was not developed very far in the smaller German territories in the eighteenth century.

<sup>60</sup> EMMINGHAUS, *op. cit.*, 35. This was an early incidence of a statistical lie, as the fact that the number of livestock had increased considerable by about 250-300 per cent was deliberately forgotten. However, it is certainly true that this variant of the physiocratic theory of taxation, demanding taxes solely from the tenants, was very unjust to them and not feasible from the economic point of view.

valent. The existence of the latter was, however, demanded by the physiocrats. But in addition the logic of the teachings of physiocracy was not realized. It was a model, and in order to put this model into practice — which would have been problematic in any case — it would have been necessary to make many arrangements beforehand and create conditions which would have given the model some chance of successful application. This, however, was not done. Another reason for the failure of the experiment was that there was an insufficient number of categories, into which the arable fields, pastures etc. were divided.<sup>61</sup>

To remedy this, Charles de Butré, who had worked with Quesnay and had been recommended to the Margrave by Mirabeau, was called to Baden-Durlach to try his best to bring the experiment to a successful conclusion.<sup>62</sup> Butré, who was considered an expert in problems of taxation, started work in Baden-Durlach in 1776, but advanced rather slowly with his task. By the end of 1778, less than one-eighth of the compilation of a land register had been completed. Butré preferred travel to work and did not take his task very seriously.<sup>63</sup> By 1795, he had at last divided the land into six different grades but the Margrave's interest in the project had ceased and the experiment was abandoned.<sup>64</sup>

Another German territory, in which physiocratic ideas played quite an important part, was the Palatinate. In 1777, an Academy

---

<sup>61</sup> In the discussion at the 6th International Congress on Economic History, Professor Liebel stressed the mistaken physiocratic notion of regarding agriculture as the source of all wealth and the physiocrats' failure to incorporate technological progress as a factor into their system.

<sup>62</sup> In a letter to the Margrave of Baden-Durlach, the physiocrat Dupont de Nemours praised de Butré and recommended him as a very able, practical physiocrat (KNIES, *op. cit.*, Vol. 1, 193).

<sup>63</sup> In spite of his slight success in Baden-Durlach, he was anything but modest: He compared himself to Newton, as he thought he had compiled as many computations for the earth as Newton had set up for heaven (LINDNER, *op. cit.*, 18).

<sup>64</sup> In the «Neues Archiv» Vol. 4, 226/7, Schlettwein writes that it would have been more advisable to introduce innovations in agriculture in Baden-Durlach than to experiment with the physiocratic theory of taxation.

was founded at Lautern, which was mainly concerned with economic questions and problems of administration. In this Academy and the Economic Society at Lautern which was connected with it, mercantilist ideas were prevalent, though there were also a number of physiocrat adherents.

A common object of the Academy and Economic Society was the emancipation of the agricultural system and the abolition of many taxes and tithes.<sup>65</sup> It was probably to a large extent due to the activity of the Economic Society and the influence of one of its most important theorists, F.C. Medicus, that the tithe on clover was abolished in 1778.<sup>66</sup> However, there were a number of economic issues on which the members of the Academy disagreed or differed in their policy proposals; the problem of state support for manufactories provides one example. The Academy Professors, L.B.M. Schmid and J. H. Jung, emphasized the value of manufactories and F. C. Medicus agreed with them, stressing the importance of manufactories for population growth and increasing the money supply in the country.<sup>67</sup> But in the controversy over woollen manufactories, Medicus thought it more advisable to use the land for arable farming rather than for sheep walks, as he considered this more profitable for the economy as a whole.<sup>68</sup>

The most interesting problem in the context of this article, however, is the discussion about a compulsory market for foodstuffs, mainly corn, and for other articles such as wood, tobacco, wine, flax, madder and fruit. This is particularly interesting, as both sides in the controversy tried to use "scientific" economic arguments, and there was also a clash of interest between towns on the one hand and the countryside on the other. The sovereign's motives for

---

<sup>65</sup> « Bemerkungen der physikalisch-ökonomischen Gesellschaft », 1770, Pt. I, 45 f.

<sup>66</sup> M.J. FUNK, *Der Kampf der merkantilistischen mit der physiokratischen Doktrin in der Kurpfalz*, « Neue Heidelberger Jahrbücher » 18, 1914, 129.

<sup>67</sup> F.C. MEDICUS, *Von dem Bevölkerungsstand in Chur-Pfalz, vorzüglich in Mannheim*. Frankfurt 1769.

<sup>68</sup> F.C. MEDICUS, *Über die Veredelung der Wolle*, « Vorlesungen der Kurpfälzischen physikalisch-ökonomischen Gesellschaft », Vol. 1, 1784, 339 f.

introducing compulsory markets were manifold. He wanted to stop the "usury with victuals", that is transactions in which a few merchants bought all the corn in the different villages and then, as oligopolists, sold it to the townspeople, so making excessive profits.<sup>69</sup>

From the middle of the seventeenth century, the townspeople had wanted regular municipal corn-markets to be made legal. These would be the only places where peasants were allowed to sell their corn, and it was expected that while the peasants were in town, they would provide themselves with articles made by the local artisans. The ruler was much in favour of this idea, as tax collection was comparatively simple at compulsory markets, and many new taxes could also be introduced, like taxes to obtain permission to sell at the markets etc. The cameralist Justi advocated cornmarkets; in 1772 the corn trade was restricted to the towns and in 1775 a law was passed which made it illegal to sell corn except at the newly established municipal cornmarkets.<sup>70</sup> The passing of this law was followed by a lively discussion in books and journals. The Economic Society at Lautern was divided about this matter. The landed interest represented by the pastor J.C. Weber, who was strongly influenced by physiocratic thought, was on one side. He protested against the law and the new taxes on peasants selling corn at the municipal markets.<sup>71</sup> Weber regarded cornmarkets as a monopoly of which all economic theorists at that time, be they physiocrats or cameralists, were deeply suspicious.<sup>72</sup> He argued that the price of corn would be severely depressed by the competition of suppliers

---

<sup>69</sup> W. BORGIVS, *Die Fruchtmarktgesetzgebung in Kurpfalz im 18. Jahrhundert*, Tübingen 1898, 18.

<sup>70</sup> BORGIVS, *op. cit.*, 39 f.

<sup>71</sup> In his pamphlet: *Über den Nachteil, den die dermalige Einrichtung unserer Fruchtmärkte der produzierenden Klasse verursachen*, Frankfurt and Leipzig 1780.

<sup>72</sup> Although ADAM SMITH'S *Wealth of Nations*, had been translated into German in the same year as it was published in England, political economists in Germany had no need to quote Smith in this matter. There had been a strong movement against monopolies in German economic writings since at least 1760.

for the cornmarkets, which would lead to a depopulation of the countryside and jeopardize the supply of corn in the Palatinate. Many, especially the marginal producers of corn, would have to leave the countryside, and would no longer be able to pay their rents.

The municipal interest argued differently. The councillor Binger, for example, maintained that the cornmarkets had only been established in order to bring town and countryside into closer contact with each other, a desirable state in which both sides would profit. Far from being a kind of monopoly, the corn trade had gained its real freedom<sup>73</sup> by the institution of the market, as the tenants were no longer obliged to sell their corn to fraudulent corn merchants at low prices.<sup>74</sup> It was their monopoly which was broken by the cornmarkets.

He further argued that it was not the compulsory cornmarket but the lack of demand<sup>75</sup> which was responsible for the low corn prices. The demand could be increased, firstly, by providing the artisans in the towns with better wages and, secondly, by augmenting their numbers by increasing the demand for their goods. This, however, could only be effected if there was an increase in demand for goods manufactured in the towns. This means that there would be a more extended division of labour between town and countryside; the tenants should stop producing products other than those connected with their farms and the townspeople should concentrate on their different trades. By doing this, both sides would prosper.

It was the municipal interest which convinced the ruler and the law introducing compulsory cornmarkets was not repealed.<sup>76</sup> This, however, does not necessarily mean that the economic arguments used in the debate by the municipal interest were in eco-

---

<sup>73</sup> The terms "liberal" and "freedom" were used by the different parties as befitted their case; a quite familiar occurrence to students of economic history, especially in the late eighteenth and nineteenth centuries.

<sup>74</sup> FUNK, *op. cit.*, 175.

<sup>75</sup> = Mangel an Verchrener (i.e. lack of consumers).

<sup>76</sup> FUNK, *op. cit.*, 180.

conomic terms the more sound. We can say with some certainty, however, that the ruler saw that his interests would be best served by the measures finally undertaken. At the end of the eighteenth century the influence of the landowners in the Palatinate decreased, and the manufacturers gained influence and were regarded by both the ruler and political economists as the group in economic life which would be decisive for future economic growth.