Political Economy in the United States
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The readers who would concern themselves much about the political economy of a foreign country, in order simply to know what doctrines on the subject are taught in its text-books and colleges, are probably few. But when the inquiry is found to include one into the influence of physical geography, history, institutions, moral and religious ideas on economic theory, the curiosity of a class may be excited whose interest in the controversies of economists on their own account is but faint. A wider claim to attention will be established, should it appear that we are engaged in the study not merely of a chapter in the intellectual history of the United States, but of one which elucidates some of the causes determining the directions of the mental energies of nations, their success or failure in various branches of culture, and their fundamental ideas and methods in philosophy. The investigation may likewise help to verify some doctrines generally accepted in England as economic laws, and to ascertain how far they possess the universality or independence of time and place usually attributed to them, or need to be conditioned and qualified, if not abandoned.

America, as for shortness we may sometimes call the United States, though Canada and South America are not included in the present inquiry, is the country above all others to which we might naturally look for original and considerable contributions to the science of wealth through the inductive study of new facts. The diversity of some of the economic phenomena of this new world from those of the old; the unparalleled rapidity of its material progress, and the novel conditions, physical and political, under which it has taken place; the freedom from the limitations by which the populations of European countries are restricted; the absence of monarchy, aristocracy, and the military element, and of the peculiar direction which they give to production and distribution, seem to open a most promising field of observation. Nor would it seem unreasonable to expect that in a country the most important part of whose economic development has taken place within living memory, some important discoveries might have been reached with respect to the laws of social evolution under which this gigantic growth has been attained. It will presently be seen that American political economy does really exhibit some distinctive features closely connected with the physical character of the region in which it has taken shape, and with the diversity of the material condition of its population from that of any society of the Old World. Yet in America itself, if we except a recent Californian writer, whose claims will be examined, none but the disciples of Mr. Carey would pretend that any considerable discoveries have been made in relation to the natural laws of the production and distribution of wealth, or that any great addition has been made to the stock of economic knowledge. With exceptions and qualifications that will be pointed out, American political economy is in the main an importation from Europe, not an original development; it has made but slight inductive study of surrounding phenomena, and follows, for the most part, the method of deduction from general assumptions; it has hardly attempted to investigate the laws of evolution of which the present economic structure and state of American society are the outcome. In 1876 the 'North American Review' celebrated the centenary of the Declaration of Independence by a number of excellent essays on the progress of the American mind during the century in several directions. In one of these, on 'Economic Science in America, 1776-1876,' Mr. C. F. Dunbar, now Professor of Political Economy in Harvard College, while admitting the value of some dissertations on special subjects, summed up the history of American political economy for a hundred years in the sentence that 'the United States had done nothing towards developing the theory of political economy, notwithstanding their vast and immediate interest in its practical application.' The qualities displayed in Mr. Dunbar's own essay afford an indication that, if his country has done little for the advancement of his branch of philosophy, it has not been for want of intellectual power, and the works of several of his countrymen in the same field support the conclusion. It is worth notice that practical jurisprudence has long engaged the American intellect with success. Even Franklin seems never to have mastered the elements of economic science; but before the Declaration of Independence, Edmund Burke had noticed the bent of the colonists' mind towards the study of law. 'In no country in the world,' he said, in 1775, 'is the law so general a study. All who read and most do readendeavour to obtain a smattering in that science.' Mr. John Stuart Mill, happening to be asked in conversation by the present writer how he accounted for the Greeks doing nothing in jurisprudence when the Romans did so much, answered that 'the question always to be asked was
how a people came to do anything? Their doing nothing was easily accounted for.' Like everything-
Mr. Mill said, the remark was sagacious and instructive. Vis inertiae, routine, the obstacles within
and without every man to original intellectual efforts and to their success, account for much being
left undone, even by nations possessed of the highest faculties. Yet, in reference to the slight
progress of political economy in America, at least down to the last fifteen years, we shall do well not
to rest satisfied with the explanation that no explanation is needed.

Mr. Perry, in a chapter in his 'Elements of Political Economy,' on the history of the science, speaks
of the circum stances of the United States as having been favourable from the beginning to the
cultivation of economic studies, alluding to the resistance to restrictions on trade in which the
Revolution began, the various experiments in currency, the discussions excited by tariff after tariff,
and the attention directed to the new gold mines. Yet the reader will, we believe, incline to the
opposite conclusion, that, down at least to the close of the war between the Northern and Southern
States, the circumstances of the country were unfavourable to the cultivation of economic science.
The most conspicuous of the causes that have withdrawn the American mind from it may be classed
under the head of physical geography, including the natural resources of the Continent, its facilities
for internal commerce and migration, and its separation, on the other hand, by two oceans from
some of the gravest troubles of the Old World. 'Give me,' said Cousin in his 'Lectures on the History
of Modern Philosophy,' 'the map of a country, its configuration, its climate, its waters, its winds, its
natural productions, its botany, its zoology, all its physical geography, and I pledge myself to tell you
what will be the man of that country, and what place that country will occupy in history.' Had M.
Cousin been given only the map and physical geography of North America, it might have puzzled
him to say what would be the man of that continent. whether a Red Indian or a Yankee, as the red
man pronounced the French name of the Englishman; and what place that continent would occupy
in history whether a place such as it occupied before the age of Columbus, or such as it occupies
now. Yet the element on which M. Cousin laid excessive rhetorical emphasis has in reality acted
with a potency needing no exaggeration. An English writer, as prone to sweeping generalization as
M. Cousin, has referred to America in illustration of a distinction between Europe as the quarter of
the globe in which man is stronger than nature, and the other quarters in which man is overpowered
and reduced to insignificance by the forces of the external world. Mr. Buckle seems, however, to
have had in view only the tropical regions of the New World, where nature, doubtless, is more
exuberant, and man less energetic and enterprising, than in its temperate zone. In the latter, man's
environment has exercised an influence of the highest importance in relation to the inquiry before
us; but it has done so, not by overpowering and crushing, but by stimulating and developing his
energies. It has not, however, exercised his faculties equally in all directions. One of the conditions
governing throughout the world the occupation and conquests of the human intellect is, that the
greater part of the mental power of every people is engaged in the practical business of life, and
only a small surplus is anywhere available for the cultivation of science and letters. But two opposite
kinds of physical environment tend to restrict, in more than an ordinary degree, the higher ranges of
intellectual development. Extraordinary affluence and extraordinary barrenness of natural resources
have one and the same tendency to absorb in the pursuit of material welfare the energies of a
community. In Lapland and Greenland man's whole strength has been engrossed in supplying his
first animal wants. In the United States his activity has been prodigious and manysided, yet the
stock of intellectual power available for achievements of a high order has been small. Production,
accumulation, exchange, and consumption, have gone on upon the grandest scale, but they have
engaged philosophical observation upon a comparatively insignificant scale.

M. de Tocqueville, in his inquiry into the movement of American intellect, observes that he regards
the people of the United States as the part of the English people charged with the mission of
subduing a new world, while the rest of the nation, possessing more leisure and less occupied with
the material cares of life, is able to devote itself to thought and the development of the spiritual life of
humanity. The observation is applicable to political economy in common with other branches of
scientific and literary culture; but there are circumstances that have had a special tendency to
repress intellectual effort and originality in the direction of economic inquiry. The very causes that
were adverted to at the outset, as opening a new field for the economist to explore, have not only
tended, in fact, to turn the national mind in other directions, and absorbed it in the actual acquisition
of wealth instead of theorising about it, but have prevented the conditions which in Europe chiefly
contributed to fasten attention on economic subjects from arising. The problems relating to wealth
that have most urgently demanded solution in the Old World have either never emerged or have
assumed comparatively little importance in America down to recent years. Without sickness,
wounds, and pain, there would have been no physiology, pathology, or science of medicine. It was
the distressed condition of Europe in the last century that gave birth to its economic philosophy. Quesnay's motto was, Pauvres paysans, pauvre royaume; pauvre royaume, pauvre roi. Adam Smith wrote in a better governed and more prosperous kingdom, and after a generation of unusual plenty; yet his inquiry into the causes of the wealth of nations arose out of their general poverty throughout history and in his own time. The fact that the majority of the population of the whole world stood always on the verge of destitution produced the doctrines of Malthus. The free trade controversy in England grew out of dear bread, depressed trade, low wages, and low profits; and it gave political economy most of its importance in English estimation during the last generation. Had Great Britain been as large, as fertile, and as underpeopled as the United States, Mr. Mill might have made a fortune in a counting-house instead of a reputation as a political economist. America owes doubtless in part to its institutions its exemption from the necessity of attempting a solution of the chief economic problems that have occupied philosophers in Europe. The great writer on American democracy, however, seems to go too far in attributing mainly to it the passion for material welfare and the eagerness and enterprise with which riches are sought in the United States.(1)

In the most democratic cantons of Switzerland life has been for centuries calm and tranquil enough. It is to the immense prizes that nature offers, rather than to the equality of the conditions of the race, that the ardour of the competitors in the United States is to be ascribed. If democratic institutions be compared with monarchic or aristocratic, abundant proof will, it is true, be found of the superior tendency of the first to diffuse material prosperity throughout the mass of the people. Switzerland is, in all its physical conditions, the antithesis to America: nature has done almost nothing for its inhabitants beyond the immense service, indeed, of interposing barriers between them and the armies of emperors and kings; no road in it leads to great fortunes. Yet, were the conditions of all the countries of Europe as prosperous as that of Switzerland, it may well be that a science of political economy would never have arisen, because no urgent economic problems would have pressed for solution. Switzerland, however, has provided only for its own people. The grand achievement of America is to have provided for all comers, and to have not only rescued from destitution no small part of the population of Europe, but placed them in such affluence that they can endure tariffs which make them buy the produce of their old countrymen at twice its natural cost. This, however, is an achievement not of political institutions but of nature. The maintenance of the American polity with its equality is, moreover, in a great measure due to physical causes. The ocean has kept it aloof from the wars of the Old World, and the configuration of the continent has maintained a single government. Had it been broken up into rival states by deserts and mountain chains, instead of being united by rich plains and noble rivers, it might have been a battle-field. Thrones and military and aristocratic orders might have been founded; a Latin empire in Mexico would certainly have arisen; national debts, war, taxes, and impoverishment, would have followed. That the emergence of these phenomena would have given a stimulus to economic inquiry we have proof, not only in European history, but in the awakening of the American mind itself to the study of political economy since the Civil War, with the burdens and difficulties it entailed.

The inhabitants of the New World have been the more disposed to leave the production of science and literature to the old, that they get their fruits at less than their cost of production by importation; and the absence of a law of international copyright has in turn been the more unfavourable to American authorship that the rate of remuneration in other occupations has been so high. The Pennsylvanian manufacturer complains that he cannot compete with the cheap labour of England, though freight is added to the prime cost of every pound of English produce imported; yet he is content that the American author should compete with English books for which neither producer nor carrier has been paid. A single copy of Mill's 'Principles of Political Economy,' or Bastiat's 'Harmonies Economiques,' is all the American publisher need buy. No wonder if American economists should be content to take their political economy for the most part ready made from Mill and Bastiat.

It would, nevertheless, be an erroneous conclusion that American political economy has no peculiar features, or that little is to be learned from its study. Besides the perspicuity with which its doctrines are set forth, and the novel illustrations and instances which it affords, it has striking and distinctive characteristics, an examination of the nature and causes of which cannot fail to instruct the English economist. The reader will find in their consideration fresh evidence of the influence, among other conditions, of the physical geography of a country on its philosophy.

American economists have, in the first place, been nearly unanimous in rejecting, or, at least, setting aside as practically unimportant, the Malthusian doctrine of a tendency of population to
outstrip the means of subsistence. It is controverted or ignored in all American treatises on the
general principles of economics. It is repudiated alike by protectionists and freetraders by Carey,
Thompson, Peshine Smith, and Bowen, (2) the authors of the chief systematic works on the science
which advocate protection, and by Amasa Walker and Perry, the writers of the chief text-books in
which the freedom of international trade is supported. Mr. Henry George, the propounder of a new
theory of the distribution of wealth, and of the causes of poverty, is as zealous in antagonism to it as
the writers of American schools, from whom he differs on other fundamental points. The immense
resources of the North American continent; the extent of uncultivated land of the highest fertility; the
constant movement of agriculture to richer instead of to poorer soils, while the cost of production is
further diminished by invention; the actual need of a faster increase of population than the country
itself yields; the rapid improvement in the condition of a perpetual influx of emigrants, are enough to
account for general scepticism or indifference with respect to the doctrine of Malthus. A comparison
of his chapter on the checks to population in France, with its actual movement since his time,
shows, indeed, that he much underestimated the force of the preventive check there under
institutions conducive to providence; and among the American-born citizens of the United States
this check is even stronger than in France. It must be allowed to detract not a little from the practical
worth and lasting fame of his doctrines, that Malthus should have shown so little insight into the
power of institutions to foster either improvidence or prudence, as to speak of them as in reality light
and superficial in comparison with those deeper-seated causes of evil which result from the laws of
nature and the passions of mankind. Nevertheless, his fundamental position remains unshaken,
that, given the fecundity or power of increase of mankind, or the `potential rate,' as it has been
called, of population, which he assumed, the numbers of any nation must, unless restricted by either
preventive or positive checks, soon exceed the means of subsistence. If the `potential rate' of
human increase everywhere and always accords with his assumption that it tends to double in every
twenty-five years, the necessity for either positive or preventive restraints to keep population within
the limits of subsistence is incontrovertible. Both in America and in England the antagonists to
Malthus misapprehend the doctrine they combat, when they point to an actual increase of wealth as
well as of population even in old countries.

In neither England nor France has population advanced at the assumed `potential rate;' it has
everywhere been restrained by preventive or positive checks, or by both. But the question follows:
the potential rate always and everywhere what Malthus supposed? Does it really remain constant,
as he assumed?

Mr. Amasa Walker has adduced the following statistics of the proportion of births among American-
born and immigrant inhabitants of the State of Massachusetts, merely with the view of proving the
strength of the preventive check in a highly civilized and prosperous community, but they suggest
something more

Native population 970,952
Foreign 260,114
Number of births in native population, 16,672
Foreign " 16,138

The number of births in the native population, as he observes, to be in proportion to the foreign,
should have been 60,289, or nearly four times the actual number. 'The grand cause for this
remarkable difference,' according to Mr. Walker, `is to be found in the fact that the foreign
population are far less influenced by prudential considerations and social restraint.' They therefore
enter the marriage state with less regard to their ability to support a family respectably. `On the other
hand, the resistance to marriage from a more costly style of living is constantly increasing with the
native population, among whom the standard of family expenditure rises rapidly with the finer
culture, the more elegant arts, and the greater social vivacity of each new year.' (3) In support of this
view the author adds statistics showing that the number of marriages in proportion to population is
twice as great among the immigrant as among the American-born inhabitants of Massachusetts. But
the proportion of births has been seen to be not twice only but four times as great. Such a decline of
births seems to indicate something more than an increased force of the pruden-
tial check since
Franklin said, `Marriages in America are more general and more generally early than in Europe; and
if in Europe they have but four births to a marriage, we may here reckon eight.' Mr. Walker himself
suggestions that one cause of the difference is, that "the foreign population is engaged somewhat less than the native at indoor and sedentary employments, and in so far are likely to be more vigorous."(4) He furnishes statistics, too, which prove that the mortality is considerably greater, and the longevity less, among the American-born than among the foreign inhabitants. When to this we add the vastly greater proportion of diseases of the digestive organs in the United States than in Great Britain,(5) the premature fading of American women, and what dentists report of the frailty of American teeth, the conclusion seems inevitable that a decline in vigour and fecundity is one of the causes of the small families of American-born citizens, and that the "potential rate" of population is not constant, as Malthus supposed. That climate is not the cause appears from Franklin's statement quoted above. The climate of Lower Canada is healthier than that of Massachusetts, but not sufficiently so to account for the difference in the number of children to a marriage. 'Nous sommes terribles pour les enfants,' said a French Canadian to Mr. Johnston, adding that from eight to sixteen are the usual number of the farmers' families, and naming women who had five-and-twenty children, and threatened le vingt-sixième pour le prêtre.(6)

The slow growth of the native population of the Eastern States of America seems to lend probability to Mr. Herbert Spencer's doctrine, that the increased cost in nervous structure and function attending the keener struggle for life, as human society advances, entails a diminution in fecundity. And whoever studies Mr. Spencer's arguments, along with facts which may be learned from English physicians, surgeons, and dentists, will find ground for surmising that new elements and conditions, which Malthus could not foresee, have begun to affect the population of Europe itself. A question, indeed, arises whether Mr. Spencer's view of the matter is not of too optimist a colour; and whether the hurry and anxiety of modern life do not cause more than a mere change in the direction and use of nervous power, and bring with them a decline in physical vigour that takes many painful and distressing forms, and is, in truth, a degeneracy of the race. However this may be, there is much to justify a doubt that Lord Macaulay's prediction will ever be fulfilled, or that American economists will ever be driven to give the theory of Malthus a prominent place in their treatises.

A second marked feature of American political economy is the conspicuousness of a theological element. Mr. Buckle affirmed that in England political philosophy was finally separated from theology before the end of the eighteenth century; and Dr. Roscher speaks of German political economy as having disengaged itself from religion and become an independent science a century earlier. Neither proposition is strictly accurate; but neither German nor English writers on the science have incorporated theology with it, as American economists have habitually done. The assumption of an invisible hand, directing to the general good the efforts of individuals seeking their own gain, appears only in a single passage of the "Wealth of Nations," and Adam Smith's economic philosophy could stand without it. He never used his conception of the character and designs of the Deity as a premiss from which to deduce conclusions or laws. Archbishop Whately is the only modern English writer of eminence who has imported theological conceptions into economic discussions: he was a digressive writer, and his introduction of theology is clearly a digression. Of Continental economists, Bastiat is the one in whom the religious element is most prominent; but with him, too, it comes in as an inference, not as a major premiss. The harmony of the economic interests of mankind is not deduced from the beneficence of the Ruler of the Universe, but inferred from economic facts, and applied to confirm the belief in such a ruler. In American treatises, on the other hand, theology becomes the backbone of economic science. Assumptions respecting the Divine will and designs are employed by both protectionists and free-traders in support of their theories. The Malthusian theory is controverted as atheistic in tendency, and contrary to the commandment to replenish the earth. Mr. Perry announces at the beginning of his "Elements of Political Economy," which has reached a fourteenth edition, that one of his main purposes is "an examination of the providential arrangements, physical and social, by which it appears that exchanges were designed by God for the welfare of men." He bases his theory of value and rent on the proposition that "God. is a giver, and not a seller," and that "value has its origin, not in what God has done, but in what man has done." Children, used to have a way of classing books as "Sunday" or "weekday books" by looking over the leaves for sacred names. According to this criterion several American treatises on political economy would be set apart as Sunday books. See, for instance, Mr. Perry's "Elements of Political Economy," pp. 2, 635, 131,, 23841; and his "Introduction to Political Economy," pp. 29, 735,

152, 203.

One cause of this characteristic is the religious origin of the chief American colonies, and the
traditional influence of theological tenets over American thought on which M. de Tocqueville lays stress. (7) The chief American colleges in the Eastern States were, moreover, founded for sectarian purposes, and their original design still exercises a considerable though a declining influence over their systems of instruction and philosophy. At Yale College an attempt was made last year to stop the Professor of Social Science, Mr. W. G. Sumner, whose name is honourably known in this country as well as in his own, from making use of Herbert Spencer's works, and the matter is not yet settled. Down to recent time, also, the lecturers on political economy in American Colleges were for the most part, as many of them still are, ministers of religion. This circumstance is itself connected, with a more general cause; for political philosophy has been left to a theological class, who have worked their professional ideas into it, because the laity were engaged in more lucrative pursuits. Again, the prosperity of the American people, and the bountiful aid which human effort receives from nature, are more in harmony than the general condition of European society with assumptions of beneficent design in the arrangements of the economic world. Sentiment has undergone a great change in modern times in relation to this point. In the Middle Ages pain, privation, and poverty were regarded as pleasing to God, and the idea lingered longer afterwards. Lord Bacon speaks of times of peace and prosperity as inclining to atheism, 'For troubles and adversities do more bow men' s minds to religion.' The feelings of our own day are becoming more and more adverse to such a conception. Mr. Mill's essays on religion leave little room for doubt that had all mankind been as happily circumstanced as the people of the United States, he would have been a confirmed theist. An example of the mixture of national pride in the prosperity of the United States with thankfulness to heaven on the part of its citizens that they are not as other men are, appears in the Secretary of State's letter accompanying the reports of the United States consuls, in 1829, on the 'State of Labour in Europe': 'No American labourer or capitalist,' says Mr. Evarts, 'can read their reports without a feeling of the utmost commiseration for the toiling millions of Europe, and heartfelt pride in and appreciation of the blessings which heaven has vouchsafed to the people of the United States.'

A third characteristic of American political economy is the absence of long chains of deduction, such as English economists have affected, from the assumption that competition equalizes the wages of labourers and the profits of capitalists in different occupations and localities throughout a country. A priori one might naturally have anticipated, from the mobility of labour and capital in the United States, that the doctrine of the dependence of prices on cost of production, by reason of the equality of the gains of equal efforts and sacrifices, would have been pushed to its farthest point there. It has been, on the contrary, rejected by some American economists, ignored by others, or greatly qualified, and by none made the foundation of a great superstructure of theory; and two causes seem to have contributed to this: First, the rapid invention and change in the processes of American industry; for only in a stationary condition of the industrial arts could the value of commodities really depend on their original cost. Secondly, the fluctuation in prices, and the palpable deviation from first cost, resulting from speculation, the manipulation of dealers, and the local variations of demand and supply within the vast area over which American business is carried on. 'The extraordinary fluctuations of the grain and flour market in this country,' says Mr. Bowen, 'American Political Economy,' p. 212, 'are so great as to put all calculations at defiance, and to make the gains of dealers nearly as uncertain as a lottery.' And Messrs. Read and Pell observe in their recent report, 'When we quitted America wheat was 1½d. per bushel cheaper at Liverpool than New York; and wheat of the same quality was worth almost as much at Chicago, 900 miles from the seaboard.'

A fourth distinguishing feature of the development of Political Economy in the United States is the systematic teaching of protectionism in colleges and text-books as a scientific doctrine. In the United Kingdom only a single professor of the science—the late Isaac Butt, who for a time held the chair of Political Economy in the University of Dublin—has shown any leaning towards protection. In Germany Dr. Schindler, Professor in the University of Strasburg, supports the present protective tariff, and has some followers. But no regular text-book of the principles of political economy, advocating protection, so far as the present writer is aware, has been published in any country in Europe. In the United States, on the other hand, protection is set forth in formal economic text-books for example, the treatises of Carey, Thompson, Peshine Smith, Bowen, and Wilson and taught by the professors of several colleges. Mr. Perry, though himself a zealous advocate of the freedom of trade, in his 'Elements of Political Economy,' describes American economists as falling for the most part into two groups: First, those modelled mainly after the ideas of Adam Smith; and, secondly, those modelled mainly after the ideas of Henry C. Carey; thus recognising the system of Carey and his followers as that of a school of economists. No supporter of free trade, indeed, could be appointed to a chair, or get a class of students, in Pennsylvania. In the other colleges the lecturers in political economy are generally on the side of free trade, yet notable exceptions may be found. In Harvard College Mr.
Bown's chair included economics when his 'American Political Economy was published, in 1870. The chair has since been divided, it has been said, in consequence of Mr. Bown's strong protectionist bias; but his successor in respect of economic functions, Mr. C. Dunbar, is reported to be a mild protectionist, though no indication of this appears in the essay above referred to, but only an objection to sudden and violent alterations in tariffs. At Cornell University, Dr. Wilson, who lectures on economic science, has published a manual which shows him to be a protectionist. Physical and political conditions have combined in America to evoke a development of protectionist doctrine. The chief obstacle the manufacturer there has had to combat, in competing with England, has been the superiority of his own country in some of the natural elements of wealth: and its products, cereals, cotton, tobacco, and the precious metals creating a scale of wages much above the English rate, and raising the cost of production in industries in which the natural advantages are not so great. The best economy, of course, would have been for American capital to confine itself to the fields in which it had superior productiveness, awaiting a rise of wages and in the cost of coal-mining in England for competition in others. But in some States, Pennsylvania especially, there were rich coal-beds and iron ores; and the owners of these and the capitalists at their side were naturally impatient for an earlier harvest, in reaping which, moreover, they could not, like the English protectionists, be charged with taxing the food of the labourer. The antagonistic feeling towards England of a large section of the Republican party concurred to favour protection. But instead of taking sulk at political economy and turning his back on it, as the English protectionist did, the shrewder American sought a political economy on his own side, advocating a development of all the national resources; and authors and lecturers were soon forthcoming to supply the demand for economic science of this sort.

The professors of political economy in the United States, elsewhere than in Pennsylvania, are, however, for the most part, on the side of free trade. And when it is borne in mind that each of the thirty-six States in the Union has from one to five or six universities or colleges' university' in the United States means no more than 'college,' and is only regarded as a somewhat finer name, and that there are 287 such universities or colleges, the importance of a decisive predominance of free trade doctrine in academic lectures and instruction is undeniable. Its significance ought not, however, to be overrated. Even in England it was not philosophers and professors, but manufacturers and politicians, who carried free trade: in America the manufacturers and most energetic politicians are against it, and can point to a so-called national system of political economy on their side, while the opposite system labours under the suspicions attaching to a foreign origin.

Economic theories and systems may be regarded in several different lights (1) in reference to their causes, as the products of particular social, political, and physical conditions of thought; (2) in reference to their truth or error; (3) as factors in the formation of public opinion and policy. It is chiefly from the first of these points of view that American political economy has been considered in this essay; but the other aspects of the subject ought not to be altogether overlooked. The chief different schools of economic doctrine in the United States accordingly call for some notice. On the side of free trade are two schools, of whose leading principles respectively the late Amasa Walker's 'Science of Wealth,' now in its seventh edition, and Mr. Perry's 'Elements of Political Economy' and 'Introduction to Political Economy,' may be said to contain the best expositions. Mr. Walker's treatise fully deserves its popularity and circulation, but is so nearly in accordance with the views of the majority of English economists, unless with respect to population, as to need no special description. Mr. Perry, on the other hand (Professor of History and Political Economy in Williams' College, Massachusetts), claims to belong to a newer school, of which Bastiat is the chief light. The lies of his system seem, by Mr. Perry's own account, to have been somewhat hastily traced in his mind. The study of Bastiat's 'Harmonies Economiques' had, he says, been recommended to him: 'I had scarcely read a dozen pages in that remarkable book,' he adds, 'when, closing it, and giving myself an hour's reflection, the field of political economy in all its -outlines and landmarks lay before my mind, just as it does to-day. From that hour political economy has been to me a new science.' That the clearness with which a conception is entertained gives evidence of its truth is a proposition for which the maxim of an illustrious philosopher might be cited: 'Credidi me,' said Descartes, 'pro regula generali sumere posse omne id quod valide dilucide et distincte concepiam verum esse.' Modern logic, nevertheless, rejects the presumption, and, as Mr. Mill has observed, no one can have examined the sources of fallacious thought without becoming deeply conscious that a nice coherence and concatenation of our ideas are apt to pass off with us for evidence of their truth. Political economy, in Mr. Perry's view, is simply a science of value, and value is never the result of natural agencies apart from human effort and service, because God's gifts are gratuitous. Rent, accordingly, is a payment, not for the use of a natural agent, but for a service rendered by the owner.
Pennsylvania, like its iron and coal, and has gained little acceptance in its entirety beyond the limits of its own confines which are frequently changed the ‘providential conditions of independent economic existence?’ Carey argues further that great waste in carriage is saved by bringing the farm and the factory into close proximity to each other, and that a return is thereby made to the soil, which is thus not robbed of its constituents as it is by the exportation of its produce. But in the United States the chief iron and coal mines and factories are at one side of the continent; the richest soils and the most productive farms are many hundred miles off at the other side; considerable cost of carriage is incurred, and no return of constituents is made to the land in the west from produce sold in the east.

Carey's system is, in fact, Pennsylvanian rather than national economy; it is a product of Pennsylvania, like its iron and coal, and has gained little acceptance in its entirety beyond the limits of its own confines which are frequently changed the ‘providential conditions of independent economic existence?’ Carey argues further that great waste in carriage is saved by bringing the farm and the factory into close proximity to each other, and that a return is thereby made to the soil, which is thus not robbed of its constituents as it is by the exportation of its produce. But in the United States the chief iron and coal mines and factories are at one side of the continent; the richest soils and the most productive farms are many hundred miles off at the other side; considerable cost of carriage is incurred, and no return of constituents is made to the land in the west from produce sold in the east.

A chain of filiation connects Mr. Perry's system with one which, on the question of free trade, is fundamentally opposed to it; for Mr. Perry's doctrines are derived directly from Bastiat; and Carey, not without reason, claimed that Bastiat owed to him his leading ideas respecting the harmony of economic interests, the value of land, and the economic results of the growth of population and civilization. Carey himself owed not a little to Herbert Spencer, though he strangely metamorphosed some of the conceptions he drew from that great thinker's philosophy. A personal element, however, combined to mould Carey's economic ideas. Throughout the history of political economy, indeed, the personal history, education, and character, of particular writers has borne no small part in its developments and forms. Dr. William Elder, one of Carey's most zealously supporters, remarks that, besides being a philosopher, he was an American and a patriot, and that his passionate hostility to the British system of foreign trade, and to the subsidiary British system of political economy, takes something of the temper and tone of national prejudice. Dr. Elder adds: 'His father was an Irish patriot and a political exile from the land of his birth. Something hereditary may be detected running with much of the pristine force of blood through the life and character of his son.'

The main doctrine of Carey is, that under a proper national economy all the productive powers of a country and its people are harmoniously developed, and continual progress is achieved both in every branch of production and in the equity of distribution. An industrial nation contains three great fundamental classes: the agricultural, the manufacturing, and the commercial. All three should be developed and exist in equilibrium. In a rude state of the social organism there is no differentiation of functions; every man is warrior, hunter, fisher, builder, and carpenter. In an advanced and harmoniously developed society all the leading industries are carried on by distinct classes, dependent on each other. Up to this point the advocate of free trade, looking on civilized society as embracing all civilized nations, might concur in the doctrine. The point of separation is, that Carey regarded each nation as a distinct social organism, containing the appointed natural means of independent development. 'No one,' says the chief living expositor of Carey's ideas (Mr. Robert Ellis Thompson, Professor of Social Science in the University of Philadelphia, and editor of the 'Penn Monthly'), 'who believes in the continual government of the world by Divine Will can doubt that nations exist in consequence of that will. "He fixeth the bounds of the nation." Each State, like each man, has a vocation. Every nation is a chosen people. It has a peculiar part to play in the moral order of the world.' Unless in the sense that whatever is is right, and exists by divine ordinance in which case Carey's followers must concede that free trade itself may be a divine institution can hardly be maintained that the boundaries of nations have been providentially ordained. A witty countryman of Professor Thompson has 'guessed' that 'if ever the lion lies down with the lamb, it will be with the lamb inside;' and such is in reality the manner in which the bounds of the nations have for the most part been settled. They have swallowed up their weaker neighbours. History, too, is one long contradiction of the fixity of national boundaries. The limits of no great civilized empire, the United States not excepted, are what they were the year before the 'Wealth of Nations' was published and American Independence declared. How, then, can every State contain within confines which are frequently changed the 'providential conditions of independent economic existence?' Carey argues further that great waste in carriage is saved by bringing the farm and the factory into close proximity to each other, and that a return is thereby made to the soil, which is thus not robbed of its constituents as it is by the exportation of its produce. But in the United States the chief iron and coal mines and factories are at one side of the continent; the richest soils and the most productive farms are many hundred miles off at the other side; considerable cost of carriage is incurred, and no return of constituents is made to the land in the west from produce sold in the east.
of that State, as may be gathered from the names of its principal supporters. In other States the 
most popular exposition of economic principles on the protectionist side is Mr. Bowens 'American 
Political Economy, a title assumed on the ground that the system expounded by English writers is 
really the political economy of England alone, while America needs an American political economy 
adapted to what is special in its physical conditions and institutions. Yet Mr. Bowens own system is 
after all, in the main, English political economy, with an incongruous admixture of Pennsylvanian 
doctrine in relation to foreign trade. His treatise contains a clear exposition of principles long 
generally accepted in England, and its protectionism, like an artificial limb, can be detached without 
hurting or altering the rest of the structure. Mr. Bowen, it ought to be added, pronounces 
emphatically in favour of a metallic standard, and advocates a resumption of specie payments; while 
Carey regarded issues of inconvertible paper-money as streams of productive wealth. Careys 
followers, in general, have been charged with adhesion to this doctrine, but it is repudiated by 
Professor Thompson, who advocates convertibility and deprecates an inflation of the currency. Soft 
money seems to have little support now from any school of economists. Protection, however, has 
much deeper roots; a majority of the Republican party still leans to it, and the intelligence of the 
country is to be found chiefly in the ranks of that party. The line between protectionists and free-
traders, it should be observed, does not coincide with that between Republicans and Democrats. In 
Pennsylvania both Republicans and Democrats are protectionists, while in the city of New York 
many of both parties are free-traders. The most able and energetic supporters of both free trade and 
protection are Republicans.

Differing on some fundamental points from the systems that have been described is the theory set 
forth in a work published last year at San Francisco, entitled 'Progress and Poverty, the author of 
which, according to the statement of American newspapers, has lately been appointed Professor of 
Political Economy in the University of California. From a passage in his book it appears that he was 
formerly a working-man in a trade,(11) and if this is to be understood in the ordinary sense, his 
learning and literary power are truly astonishing and admirable. Among other gifts he possesses a 
ferile imagination, supplying him readily with pertinent illustration. Want of imagination is one of the 
causes of the inability of many economists to emancipate themselves from old abstractions, 
generalizations, and formulas. Their minds do not enable them to realize actual phenomena, and to 
test theories on all sides by a multitude of instances. Mr. Georges work, however, calls for notice not 
only on account of its ability, and because it contains internal evidence of being a product of the 
economic history of California, but because also of the magnitude of the problem it propounds, and 
the nature of the solution it proposes. It seeks to discover the cause that makes poverty the constant 
companion of wealth, and to find at the same time the explanation of recurring seasons of industrial 
and commercial paralysis and distress. Its author is opposed to protection, and to various notions 
which, he says, are rapidly gaining ground in the United States, 'that there is a necessary conflict 
between capital and labour; that machinery is an evil, that competition must be restrained and 
interest abolished; that wealth may be created by the issue of money; that it is the duty of 
Government to furnish capital or to furnish work.' He often reasons deductively in the old-fashioned 
'orthodox' way, as confidently as Ricardo or Mr. Senior, from the assumption that every man follows 
his pecuniary interest by the shortest and easiest road. It is surprising to an English reader, 
accordingly, to find that his main theory is, that the cause of the accompaniment of great wealth by 
great poverty, and of the succession of commercial depression to commercial prosperity, is the 
existence of private property in land.

Poverty, Mr. George argues first of all, is never the consequence of either a deficiency of capital or 
an excess of labourers. The labourer produces his own wages, and is not paid out of pre-existing 
capital, although the fact is concealed by the separation of employments and the complexity of the 
process of exchange. When a division of labour first takes place in early society, and, instead of 
every man as before supplying his own wants, one hunts, another fishes, a third gathers fruit, a 
fourth makes weapons or tools, a fifth clothing; each really produces his own maintenance, though 
he exchanges the produce of his own labour for other things. So, in a more advanced stage, an 
exchange is really going on between the producers in different occupations, and the labourer gets 
his subsistence in exchange for his own productive work, and does not derive it from capital, though 
the capitalist conducts the exchange. And an increase in the number of labourers causes a more 
than proportionate increase instead of a diminution in the rate of production. Twenty men working 
together where nature is niggardly will produce more than twenty times the wealth one can produce 
where nature is most bountiful. The denser the population, the more minute becomes the 
subdivision of labour, the better the economy of work. It is true the growth of numbers necessitates 
recourse to inferior soils and other natural agents, but the increase of the power of the human factor
more than compensates for the decline in power of the natural factor. The richest countries are not those where nature is most prolific, but where labour is most efficient, not Mexico but Massachusetts, not Brazil but Great Britain. The cause, then, of the depression of both the wages of labour and the interest on capital, and of the growth of poverty, as society advances, is not the increase of population, and does not lie in the conditions of production. It must, therefore, lie in distribution. The rise of rent is the real cause of the fall of both wages and interest, while the productive powers of society, so far from declining, are improving. Where the value of land is low, there may be a small production of wealth, and yet a high rate of both wages and interest, as we see in new countries. In California, where wages were higher than anywhere else in the world, so also was interest higher; but rent was non-existent; wages and interest have since gone down together, while rent has risen with startling rapidity. Where land is free, wages will consist of the whole produce, less the part necessary to induce the storing up of labour as capital. Where land, on the contrary, is all monopolized, wages may be forced down to a minimum. Three parties divide the produce, the labourer, the capitalist, and the landowner. If, with an increase of production, the labourer gets no more, the capitalist no more, but even less, the inference is that the landowner gets the whole increment. It is not the total produce, but the net produce after rent has been deducted, that determines what can be divided as wages and interest. Free trade has enormously increased the total wealth of Great Britain without lessening pauperism, because it has simply raised rent. To extirpate poverty, to make wages what justice commands they should be, the full earnings of the labourer, we must substitute for the individual ownership of land a common ownership: we must make land common property. For this purpose it is only necessary for the State to appropriate rent, not to dispossess the holders of land of its occupation.

Such, in brief, is the substance of Mr. George's argument. And so far as the proposition is concerned, that the labourer produces his own wages, it is true, as an American economist has shown in a work of great ability,(12) that in new countries labourers are often paid after the harvest, or by the year, and therefore out of the produce of their labour. Even in that case, however, the fund out of which the labourer is maintained while his wages are being earned, though his own, is the produce of past labour, not of the labour he is actually performing. In old countries the majority of the labourers engaged in long operations have not wherewithal to maintain themselves until the product is sold; but if they had, this fund would be a product of previous labour; it would be pre-existing wealth productively employed; that is to say, capital in the sense intended by Mr. Mill in his proposition that industry is limited by capital, a proposition which Mr. George confounds with the doctrine of the wages fund, now rejected by almost all English economists. Piers the Plowman, in Langland's poem, had barely enough food saved from the previous produce of his little farm to keep soul and body together until harvest time, while hired labourers beside him had strong ale and fresh meat and fish, hot and hot, twice a-day, because they were paid out of the savings of their employers. Piers himself could have fared equally well if, instead of waiting on his own crops to sight his dinner as he liked best, he had gone into the labour market for a share of the last year's corn, and of beef and mutton which had taken years to grow. In the England of our own day labourers not only get wages from capitalists long before their own work is finished and sold, but are many of them dead and gone before then. Sometimes the product is destroyed by an accident after the workmen have been paid wages in full, but before the employer has made anything by it. In the agricultural districts of California there was, as Mr. George says, a total failure of crops in 1877; and of millions of sheep, nothing remained but their bones. The farmers, nevertheless, hired labourers for the next crop, and he argues that they could not have done so out of past produce which was lost. The case really tells at both ends against Mr. George's conclusion; for it is clear that the labourers who helped to produce the crops that perished were not paid for that year's work, or maintained during it out of its produce; and the funds which the farmers borrowed to resume their operations must have been the produce of previous work, not of work the fruits of which were not yet forthcoming.

The accumulation of capital is, then, necessary for the maintenance of labourers, though it may be accumulated by themselves; and in a country like France, where land is to a large extent held by the productive classes, including labourers, capital is in good part accumulated out of rent. In France, too, rent in the case of a majority of families is an addition to, not a deduction from, wages and interest or profit, and were any government to seek to abolish private property in land, there are several million Frenchmen would 'know the reason why.' Nor is it true that wages and interest uniformly decline as rent advances. All three have been higher during the last thirty years in England than they were a hundred and thirty years ago a fact which overthrows Mr. George's whole theory. In Holland all three have considerably risen in our own time; and although it is cited by one economist
The prospects of political economy in the United States should be augured rather from the capacity shown than from what has been actually done, and in that sense the works of both the writers just referred to afford favourable indications. Speaking generally, however, the men best qualified to stand in the front rank of American economists are not the authors of systems or general theories, or text-books of principles, but writers on special subjects. David Wells, William M. Grosvenor, Albert
S. Belles, Francis A. Walker, Edward Atkinson, William G. Sumner, C. F. Dunbar, and Simon Newcomb. Only since the Civil War has America begun seriously to apply its mind to economic questions, and the number of powerful intellects it has brought to bear on them is a remarkable phenomenon in the history of philosophy. Many of the best economic essays the last decade has produced will be found in the pages of American periodicals—the 'North American Review,' the 'International Review,' the 'Atlantic Monthly,' the 'Penn Monthly,' the 'Princeton Review,' 'Scribner's Magazine.' Journals like the 'Nation' and the 'Public' discuss economic questions with consummate skill. In the translation of Roscher and Blanqui work has been done by America which England ought not to have left it to do. Two considerable contributions to economic history were made last year in the 'Industrial History of the United States,' and the 'Financial History of the United States, 1774-1789,' by Mr. Bolles. In the perfection of its economic statistics America leaves England behind.

Were we surveying the entire field of political economy, so far as it has been cultivated in both the old and the new world, the question would arise: How much, beneath what can claim only a local or a temporary importance, possesses universal and permanent value? What problems have been solved for all time? What universal truths have been discovered? How much of the work of Adam Smith, Malthus, John Stuart Mill, Roscher, Knies, Bastiat, Chevalier, Wayland, Walker, Perry, Carey, will remain standing and solid a hundred years hence? The subject of this Essay raises a still more important question: What new economic problems remain? Among them are some, it may confidently be affirmed, which the chief economists of both worlds have never yet raised, and of which they have not dreamt. There is reason to believe that America will take an active part both in bringing them to light and in their solution.

NOTES:

1. De Tocqueville, De la Démocratie en Amérique, iii. 208-11.

2. Mr. Bowen is in error in asserting, in a recent article in the North American Review on 'Malthusianism, Darwinism, and Pessimism,' that for the last thirty years English economists have abandoned the Malthusian theory.


6. Ibid., i. 346.

7. De la Démocratie en Amérique, iii. 10, ii.

8. For instances in the cases of Adam Smith, Quesnay, 'Gournay, and J. S. Mill, my essay entitled, The Political Economy of Adam Smith, pp. 30-34, and also pp. 6556.


10. Ibid. Of the fervour of Carey's utterances Dr. Elder says: 'He sometimes clinched his deliverances with expletives and epithets something out of fashion in society.' An English writer who visited him, after favourably describing him on the whole to the Writer of this essay, added: 'He is a man of plain speech, and swears like a bargeman whenever Mill's name is mentioned,'


The economy of the United States is that of a highly developed country with a mixed economy. It is the world's largest economy by nominal GDP and net wealth and the second-largest by purchasing power parity (PPP). It has the world's eighth-highest per capita GDP (nominal) and the tenth-highest per capita GDP (PPP) in 2019. The United States has the most technologically powerful economy in the world and its firms are at or near the forefront in technological advances, especially in computers. The economic history of the United States is about characteristics of and important developments in the U.S. economy from colonial times to the present. The emphasis is on economic performance and how it was affected by new technologies, especially those that improved productivity, the main cause of economic growth. Also covered are the change of size in economic sectors and the effects of legislation and government policy. Specialized business history is covered in American business history.