

Economics

REVISED EDITION

# THE WORLDLY PHILOSOPHERS

THE LIVES, TIMES & IDEAS OF THE GREAT ECONOMIC THINKERS

BY ROBERT L. HEILBRONER

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# The Worldly Philosophers



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THE GREAT ECONOMIC THINKERS BY

ROBERT L. HEILBRONER



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TO  
ADOLPH LOWE  
WITH DEEPEST RESPECT  
AND TO  
JOAN  
WITH DEEPEST LOVE

## PREFACE TO THE REVISED EDITION

*Revising a book is a frustrating experience, not altogether unlike correcting one's children. One is able to remedy certain faults: bad grammar, tendencies to exaggerate, bits of misinformation which the young are prone to acquire. One can even bring literary children up to date, which is certainly an improvement over the situation with real children. Yet when all is said, with a book as with a child, there are limits as to what can be done: in the end you either disinherit the boy or accept him pretty much as he is.*

*Someone industrious enough to compare the present edition with its predecessor will find relatively little change in the first half of the book—numerous small insertions, deletions, and corrections excepted. The main excuse for revision is concentrated in Chapters VII, X, and XI. The march of events has outpaced in only a few years what I had written about imperialism: this is now hopefully set aright. In addition I have added a section whose omission I regretted in the original—a sketch of the personality and ideas of the most illustrious Victorian economist, Alfred Marshall.*

*More important are the changes in the final chapters. For one thing, the continuing growth of the American economy has obviously necessitated an updating of many figures in Chapter X; for another, I have been slowly led to believe that the treatment of contemporary problems in that chapter required a greater degree of disquiet—or perhaps a lesser degree of complacency—than originally evidenced. Finally, in the last chapter I have indicated, if only in passing, my growing concern for the problems of underdevelopment, of “affluence,” and of the scholastic tendencies which to my mind weaken too much contemporary*

*economic inquiry. Like the first edition, this revised text seeks to expound the views of others rather than to propound my own, but these changes in emphasis serve at least to keep me on friendlier terms with my offspring.\**

ROBERT L. HEILBRONER

*November 1960*

\* Three years later, another look. Times change, and so must the last chapters. There is more emphasis now on unemployment, and still more concern over the trend of economic development. Let us hope that a look three years hence will cause me to throw out these changes.

—R. L. H.

*June 1963*

## ABOUT THE AUTHOR

ROBERT L. HEILBRONER has been studying the great economists ever since he was introduced to them in Harvard University in 1936. He was graduated *summa cum laude* and Phi Beta Kappa and went on to practice economics in government and business and then to complete his graduate studies at the New School for Social Research. *The Worldly Philosophers*, his first book, achieved an immediate success with its publication in 1953 and has, with the publication of this edition, been translated into a dozen languages and become a standard introduction to economics in scores of colleges and universities. Subsequent books—in particular *The Future as History* (1959), *The Making of Economic Society* (1962), and *The Great Ascent* (1963)—have also reached a wide public, both academic and general. Dr. Heilbroner has lectured before the National War College and many business, government and university audiences. He is married and lives in New York City and Martha's Vineyard.

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## Introduction

THIS is a book about a handful of men with a curious claim to fame. By all the rules of schoolboy history books, they were nonentities: they commanded no armies, sent no men to their deaths, ruled no empires, took little part in history-making decisions. A few of them achieved renown, but none was ever a national hero; a few were roundly abused, but none was ever quite a national villain. Yet what they did was more decisive for history than many acts of statesmen who basked in brighter glory, often more profoundly disturbing than the shuttling of armies back and forth across frontiers, more powerful for good and bad than the edicts of kings and legislatures. It was this: they shaped and swayed men's minds.

And because he who enlists a man's mind wields a power even greater than the sword or the scepter, these men shaped and swayed the world. Few of them ever lifted a finger in action; they worked, in the main, as scholars—quietly, inconspicuously, and without much regard for what the world had to say about them. But they left in their train shattered empires and exploded continents, they buttressed and undermined political regimes, they set class against class and even nation against nation—not because they plotted mischief, but because of the extraordinary power of their ideas.

Who were these men? We know them as the Great Economists. But what is strange is how little we know about them. One would think that in a world torn by economic problems, a

world which constantly worries about economic affairs and talks of economic issues, the great economists would be as familiar as the great philosophers or statesmen. Instead they are only shadowy figures of the past, and the matters they so passionately debated are regarded with a kind of distant awe. Economics, it is said, is undeniably important, but it is cold and difficult, and best left to those who are at home in abstruse realms of thought.

Nothing could be further from the truth. A man who thinks that economics is only a matter for professors forgets that this is the science that has sent men to the barricades. A man who has looked into an economics textbook and concluded that economics is boring is like a man who has read a primer on logistics and decided that the study of warfare must be dull.

No, the great economists pursued an inquiry as exciting—and as dangerous—as any the world has ever known. The ideas they dealt with, unlike the ideas of the great philosophers, did not make little difference to our daily working lives; the experiments they urged could not, unlike the scientists', be carried out in the isolation of a laboratory. The notions of the great economists were world-shaking, and their mistakes nothing short of calamitous.

"The ideas of economists and political philosophers," wrote Lord Keynes, himself a great economist, "both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas."

To be sure, not all the economists were such titans. Thousands of them wrote texts, some of them monuments of dullness, and explored minutiae with all the zeal of medieval scholars. If economics today has little glamour, if its sense of great adventure is often lacking, it has no one to blame but its own practitioners. For the Great Economists were no mere intellectual fustians. They took the whole world as their subject, and por-

trayed that world in a dozen bold attitudes: angry, desperate, hopeful. The evolution of their heretical opinions into common sense, and their exposure of common sense as superstition, constitute nothing less than the gradual construction of the architecture of contemporary life.

An odder group of men—one less apparently destined to remake the world—could scarcely be imagined.

There were among them a philosopher and a madman, a parson and a stockbroker, a revolutionary and a nobleman, an aesthete, a skeptic, and a tramp. They were of every nationality, of every walk of life, of every turn of temperament. Some were brilliant, some were bores; some ingratiating, some impossible. At least three made their own fortunes, but as many could never master the elementary economics of their personal finances. Two were eminent businessmen, one was never much more than a traveling salesman, another frittered away his fortune.

Their viewpoints toward the world were as varied as their fortunes—there was never such a quarrelsome group of thinkers. One was a lifelong advocate of women's rights; another insisted that women were demonstrably inferior to men. One held that "gentlemen" were only barbarians, whereas another maintained that non-gentlemen were savages. One of them—who was very rich—urged the abolition of riches; another—quite poor—disapproved of charity. Several of them claimed that with all its shortcomings, this was the best of all possible worlds; several others devoted their lives to proving that it wasn't.

All of them wrote books, but a more varied library was never seen. One or two wrote best sellers and their works reached to the mud huts of Asia; others had to pay to have their obscure works published and never touched an audience beyond the most restricted circles. A few wrote in language which stirred the pulse of millions; others—no less important to the world—wrote in a prose which then, as now, fogs the brain.

It was neither their personalities, their careers, their biases, nor even their ideas which bound them together. Their common denominator was something else: a common curiosity. They were all fascinated by the world about them, by its complexity and its seeming disorder, by the cruelty which it so often masked

in sanctimony and the successes of which it was so often unaware. They were all of them absorbed in the behavior of their fellow man, first as he created worldly wealth, and then as he trod on the toes of his neighbor to gain a share of it.

Hence they can be called the worldly philosophers, for they sought to embrace in a scheme of philosophy the most worldly of all of man's activities—his drive for wealth. It is not, perhaps, the most elegant kind of philosophy, but there is no more intriguing or more important one. Who would think to look for Order and Design in a pauper family and a speculator breathlessly awaiting ruin, or seek Consistent Laws and Principles in a mob marching in a street and a greengrocer smiling at his customers? Yet it was the faith of the great economists that just such seemingly unrelated threads could be woven into a single tapestry, that at a sufficient distance the milling world could be seen as an orderly progression, and the tumult resolved into a chord.

A large order of faith, indeed! And yet, astonishingly enough, it turned out to be justified. For once the economists had unfolded their patterns before the eyes of their generations, the pauper and the speculator, the greengrocer and the mob were no longer incongruous actors inexplicably thrown together on a stage; but each was understood to play a role, happy or otherwise, which was essential for the advancement of the human drama itself. When the economists were done, what had been only a humdrum or a chaotic world became an ordered society with a meaningful life history of its own.

It is this search for the order and meaning of social history which lies at the heart of economics. Hence it is the central theme of this book. We are embarked not on a lecture tour of principles, but on a journey through history-shaping ideas. We will meet not only pedagogues on our way, but many paupers, many speculators both ruined and triumphant, many mobs, even here and there a grocer. We shall be going back to rediscover the roots of our own society in the welter of social patterns which the great economists discerned, and in so doing we shall come to know the great economists themselves—not merely because their personalities were often colorful but because their ideas bore the stamp of their originators.

It would be convenient if we could begin straight off with the first of the great economists—Adam Smith himself. But Adam Smith lived at the time of the American Revolution and we must account for the perplexing fact that six thousand years of recorded history had rolled by and no *worldly* philosopher had yet come to dominate the scene. An odd fact: man had struggled with the economic problem since long before the time of the Pharaohs, and in these centuries he had produced philosophers by the score, scientists, political thinkers, historians, artists by the gross, statesmen by the hundred dozen. Why, then, were there no economists?

It will take us a chapter to find out. Until we have probed the nature of an earlier and far longer-lasting world than our own—a world in which an economist would have been not only unnecessary but impossible—we cannot set the stage on which the great economists may take their places. Our main concern will be with the handful of men who lived in the last two centuries. First, however, we must understand the world which preceded their entrance and we must watch that earlier world give birth to the modern age—the age of the economists—amid all the upheaval and agony of a major revolution.



## The Economic Revolution

SINCE he came down from the trees, man has faced the problem of survival, not as an individual but as a member of a social group. His continued existence is testimony to the fact that he has succeeded in solving the problem; but the continued existence of want and misery, even in the richest of nations, is evidence that his solution has been, at best, a partial one.

Yet man is not to be too severely censured for his failure to achieve a paradise on earth. It is hard to wring a livelihood from the surface of this planet. It staggers the imagination to think of the endless efforts which must have been expended in the first domestication of animals, in the discovery of planting seed, in the first working of surface ores. It is only because man is a socially cooperative creature that he has succeeded in perpetuating himself at all.

But the very fact that he has had to depend on his fellow man has made the problem of survival extraordinarily difficult. Man is not an ant, conveniently equipped with an inborn pattern of social instincts. On the contrary, he is pre-eminently endowed with a fiercely self-centered nature. If his relatively weak physique forces him to seek cooperation, his untamed unconscious drives constantly threaten to disrupt his social working partnerships.

In primitive society, the struggle between aggression and cooperation is taken care of by the environment; when the specter of starvation looks a community in the face every day—as with

the Eskimos or the African hunting tribes—the pure need for self-preservation pushes society to the cooperative completion of its daily tasks. But in an advanced community, this tangible pressure of the environment is lacking. When men no longer work shoulder to shoulder in tasks directly related to survival—indeed when half or more of the population never touches the tilled earth, enters the mines, keeps cattle, or builds with its hands—the perpetuation of the human animal becomes a remarkable social feat.

So remarkable, in fact, that society's existence hangs by a hair. A modern community is at the mercy of a thousand dangers: if its farmers should fail to plant enough crops, if its railroad men should take it into their heads to become bookkeepers or its bookkeepers should decide to become railroad men; if too few should offer their services as miners, puddlers of steel, candidates for engineering degrees—in a word, if any of a thousand intertwined tasks of society should fail to get done—industrial life would soon become hopelessly disorganized. Every day the community faces the possibility of breakdown—not from the forces of nature, but from sheer human unpredictability.

Over the centuries man has found only three ways of guarding against this calamity.

He has ensured his continuity by organizing his society around tradition, by handing down the varied and necessary tasks from generation to generation according to custom and usage: son follows father and a pattern is preserved. In ancient Egypt, says Adam Smith, "every man was bound by a principle of religion to follow the occupation of his father, and was supposed to commit the most horrible sacrilege if he changed it for another." Similarly, in India, until recently, certain occupations were traditionally assigned by caste; in fact, in much of the unindustrialized world, one is still born to one's *métier*.

Or society can solve the problem differently. It can use the whip of central authoritarian rule to see that its tasks get done. The pyramids of ancient Egypt did not get built because some enterprising contractor took it into his head to build them, nor do the Five Year Plans of the Soviet Union get carried out because they happen to accord with hand-me-down custom or

individual self-interest. Both Russia and Egypt are authoritarian societies; politics aside, they have ensured their *economic survival* by the edict of one authority and by the penalties that supreme authority sees fit to issue.

For countless centuries man dealt with the problem of survival according to one or the other of these solutions. And as long as the problem of survival was handled by tradition or command, the economic problem never gave rise to that special field of study called economics. Although the societies of history have shown the most astonishing economic diversity, although they have exalted kings and commissars, used dried codfish and immovable stones for money, distributed their goods in the simplest communistic patterns or in the most highly ritualistic fashion, so long as they ran by custom or command, they needed no economists to make them comprehensible. Theologians, political theorists, statesmen, philosophers, historians, yes—but, strange as it may seem, economists, no.

For the economists waited upon the invention of a third solution to the problem of survival. They waited upon the development of an astonishing game in which society assured its own continuance by allowing each individual to do exactly as he saw fit—provided he followed a central guiding rule. The game was called the “market system,” and the rule was deceptively simple: each should do what was to his best monetary advantage. In the market system the lure of gain, not the pull of tradition or the whip of authority, steered each man to his task. And yet, although each was free to go wherever his acquisitive nose directed him, the interplay of one man against another resulted in the necessary tasks of society getting done.

It was this paradoxical, subtle, and difficult solution to the problem of survival which called forth the economist. For unlike the simplicity of custom and command, it was not at all obvious that with each man out only for his own gain, society could in fact endure. It was by no means clear that all the jobs of society—the dirty ones as well as the plush ones—would be done if custom and command no longer ran the world. When society no longer obeyed one man’s dictates, who was to say where it would end?

It was the economists who undertook to explain this puzzle.



But until the idea of the market system itself had gained acceptance, there was no puzzle to explain. And until a very few centuries ago, men were not at all sure that the market system was not to be viewed with suspicion, distaste, and distrust. The world had gotten along for centuries in the comfortable rut of tradition and command; to abandon this security for the dubious and perplexing security of the market system, nothing short of a revolution was required.

It was the most important revolution, from the point of view of shaping modern society, that ever took place—fundamentally more disturbing by far than the French, American, or even the Russian Revolutions. To appreciate its magnitude, to understand the wrenching which it gave society, we must immerse ourselves in that earlier and long-forgotten world from which our own society finally sprang. Only then will it be clear why the economists had so long to wait.

First stop: France. The year, 1305.

It is a fair we visit. The traveling merchants have arrived that morning with their armed guard, have set up their gaily striped tents, and are trading among themselves and with the local population. A variety of exotic goods is for sale: silks and taffetas, spices and perfumes, hides and furs. Some have been transported from the Levant, some from Scandinavia, some from only a few hundred miles away. Local lords and ladies frequent the stalls, eager to relieve the tedium of their boring, draughty, manorial lives; along with the strange goods from Araby they are eagerly acquiring new words from that incredibly distant land: *divan*, *syrup*, *tariff*, *artichoke*, *spinach*, *jar*.

But inside the tents we meet with a strange sight. Books of business, open on the table, are barely more than notebooks of transactions; a sample extract from one merchant reads: "Owed ten gulden by a man since Whitsuntide. I forgot his name." Calculations are made largely in Roman numerals and sums are often wrong; long division is reckoned as something of a mystery and the use of zero is not clearly understood. And for all the gaudiness of the display and the excitement of the people, the fair is a small thing. The total amount of goods which comes into France in a year over the Saint Gothard pass (on the first sus-