

THE BASIC TEACHINGS OF THE Great Economists

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Introduction



THE BASIC TEACHINGS OF THE GREAT ECONOMISTS is a straightforward discussion of economic ideas for the general reader with an interest in economics. Today, more than in any other period in human history everyone needs to know how our economic system works and why. We live in a world dominated by economic forces and economic ideas. To live in such a world intelligently men and women need to know something about it. The events of the past few decades have borne home to us two important facts: first, that most of the world's real difficulties are essentially economic difficulties; and, second, that the economic well-being of one person or nation is inextricably bound up with that of every other person or nation. The workman, the farmer, the businessman, the housewife, in fact all who produce, exchange, or consume goods, are active members of a vast, inter-related economic society. An enlightened citizenry such as America boasts can ill afford to be without some definite knowledge of the underlying principles upon which that society rests.

The basic principles of modern economic society are not new.

They are truly the product of the past. For that reason, in this book the views of economists of the past are included, as well as those of the present. We often delude ourselves into thinking that our problems are unique; but there are few features of modern economy which the great economists of earlier days did not face in their own times. Many of these outstanding scholars were practical men of affairs, businessmen and political leaders, as well as students, consequently their ideas and programs are pertinent to modern life. I do not mean to suggest that all modern economic issues can be clarified by a study of the past. Nevertheless, the confusion and complexity of our problems makes it more necessary than ever to seek whatever insight and understanding the teachings of the great economists can give us.

In organizing the material of the book I have assigned to each of the eleven chapters a topic which is an answer to the question, "What are the most important economic ideas that concern men and women today?" There seemed to be no doubt that chapters should be devoted to such topics as wealth, capital, wages, profit, labor and labor organization, money, credit, taxes, foreign trade, and planning. Each chapter presents the thoughts of economists of the past and present on one of these major topics. The result is a picture of the growth of ideas, in different centuries, under different circumstances, in the minds of different men up to and including the time when they appear as powerful forces shaping the activities of people everywhere.

In any one part of the book the focus of attention is upon a problem, an idea, an institution, a practice, considered in terms of the thought of individual economists. For example, in the discussion of wealth, I have tried to summarize briefly how different economists defined wealth, how they thought it was obtained most effectively, how they thought it should be used, and what the government ought to do about wealth getting, if anything.

The book may also be read in such a way as to make the economists, rather than the problems, occupy the center of the

stage. Thus the reader may obtain a complete picture of the economic views of Adam Smith, for example, by turning to the section devoted to his thought in each of the chapters—the index has been planned with this use in mind. What a man thinks is a consequence in part of the environment in which he lives; therefore, in the course of the discussion I have taken occasion to mention the important facts associated with the life and times of many of the economists. In addition, a brief biographical sketch of each of them with dates appears in the Biographical Notes at the end of the book.

The great need today is not alone for more adequate information, but also for a more intelligent use by more people of our present knowledge. The aim of this book, therefore, is the enlightenment of the layman, not the contribution of new data or new ideas to the history of economic thought—a field in which the works of Professors Haney, Whittaker, Roll, Cannan, Spann, Gide and Rist, and Viner are already landmarks. I hope that men and women who want to have an acquaintance with economics as part of their general background will find here an open door to one of the most challenging subjects of modern society.

JOHN W. McCONNELL

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CHAPTER I

The Nature of Wealth and Value

PLATO ARISTOTLE AQUINAS
QUESNAY TURGOT MUN CANTILLON
ADAM SMITH LAUDERDALE RAE LIST SAY
RICARDO SENIOR JEVONS VON BÖHM-BAWERK
KARL MARX WALRAS MARSHALL

Economics is sometimes called the science of wealth; but what is wealth? What gives things value? Are things valuable because they are useful? Because they are scarce? Because they require labor to produce them? Because someone is willing to pay money for them? What conceptions of wealth exist under a system of intense nationalism? Do religious or ethical principles influence our ideas of wealth and the methods by which it is obtained?

AS FAR BACK as research into the life and habits of mankind can take us, there is ample evidence that every society has spent much of its time and not a little of its thought upon securing those material things which support life and increase its satisfactions. To describe this activity and to define the general principles underlying and controlling it is the subject matter of economics.

To be sure, the lines of separation between what is economic behavior and what is not are often blurred and indistinct. In one

direction economics fades off into the field of philosophy and psychology. What do men really want in life? What are the basic needs which men feel compelled to satisfy? How do men in general arrive at evaluations of the objects surrounding them? What is the highest good for which men should strive? Plato, Aristotle, Xenophon, Augustine, and Thomas Aquinas were concerned with an investigation of economic matters only as they were important to—and shed light upon—such basic questions as these, or as economic activity needed to be brought into line with a general principle of life already established.

In another direction we find economics influencing and being influenced by social institutions. The activities of the family, the state, the church, the systems of law, all are inextricably interwoven with the processes of production, exchange, and consumption of material goods. Any attempt therefore, either now or in the past, to describe economic matters as though they were confined to a separate and distinct area of life results in an exceedingly artificial discussion.

Economic problems are paramount in our age. Indeed, few people are satisfied unless they can find an economic explanation for everything that occurs. But other ages were different. Concern with the material was frequently subordinated to more important and more respectable pursuits. At the very utmost, economic activity was considered as a means to an end. It remained for our modern industrial civilization to turn things around so that those actions which directly or indirectly result in economic gain are considered as the most worth while.

The subordination of economic activity to other interests is responsible in part for the paucity of systematically developed economic doctrines in early civilizations. To be sure, most of the great writers of the past at times dwelt upon economic questions, and many of them were far in advance of their age in the understanding of certain economic principles. But such space as they gave to economics in their writings tended to subordinate it to

discussions of the state, of ethics, or of justice. Further, the absence of economic literature in the past may be due in part to the fact that production and exchange were carried on by the less respected members of the community. In the highly stratified societies of ancient Greece and Rome or the Middle Ages only those of inferior status engaged directly in manufacture and trade, and most writers accordingly considered the affairs of such people beneath their dignity. To write about them would have been unwarranted effort. And then again, knowledge of economic matters was scant. Aside from those facts of common observation, little was known of the basic characteristics of production, exchange, and consumption. It would have been impossible in the absence of such knowledge to treat economics systematically. Thus an intensive investigation into the fundamentals awaited the opening of the commercial era of the later Middle Ages and the appearance of the great mercantile states upon the world scene in the 15th century.

The Beginnings of Economic Thought

A few of the greatest men of early times gave consideration to economic problems, and sought principles which might explain them. Of all the ancients the early Greek thinkers contributed most to economic theory. Confined as their ideas were to a superficial treatment of domestic management, the revenue of the city state, and the regulation of occupations, they nevertheless dealt with the basic concepts of modern economic knowledge. PLATO (427-347 B. C.) made his chief contributions in his discussions of the division of labor. He noted the variety of men's needs and the variation in men's abilities and came to the logical conclusion that if everyone did the thing most natural to him greater production would result with a smaller expenditure of effort. Furthermore, specialization presupposed merchants to carry on exchange and a system of currency to facilitate the process.

Plato's ideal state as described in the *Republic* is a strange mixture of the real and the imaginary, of current practises interwoven with what ought to be. It would be difficult to look upon these general outlines of the ideal state as basic economic concepts; although such proposals as the subordination of the individual to the state, the specialization of labor, the rule of the wise, communism in wives and property, rules for the family, inheritance, limitation of population—all these certainly presuppose an acquaintance with economic matters. The *Laws* written some years later is a more realistic appraisal of the practical methods necessary to hold a city state together.

ARISTOTLE (384–322 B. C.) probed deeper into the character of economic activity and expressed himself more directly on these matters. Wealth, he believed, was of two kinds; true or genuine wealth which was limited in supply, and wealth gained through unnatural acquisition which was unlimited. The former was derived from specialized productive activity such as agriculture and mining, in which labor was applied to raw materials. The latter was acquired through the exchange of things having different values. This emphasis upon natural wealth forecasts the thought of the school of French economists of later years known as the Physiocrats. The tendency of modern economists to consider productive activity as only that which produces wealth in a material sense, would find little kinship with Aristotle, for he is emphatic in saying that pursuits which produce non-material values are far more important since the essence of a man, as of a city, is non-material.

Of all the forms of unnatural wealth, that acquired through usury was looked upon as the most objectionable. Aristotle could not conceive of money having a productive use, consequently usury was really appropriating unjustly the natural wealth earned by another. Money was merely an arbitrary, not a natural, form of wealth. Its value was, as he saw it, determined by man for his own convenience. The need for money was great, however, since

it was the means whereby values were made comparable in the process of exchange; it performed a certain service also in enabling persons to defer the consumption of goods for a time, since the value of money tended to remain constant. In determining values, Aristotle emphasized the usefulness of the article as fundamental. His acknowledgment of the distinction between value in exchange and value in use placed him into the company of any one of the most modern schools of economic thought. Although he did not formulate anything which remotely resembled a system of economic thought, the relatively few comments which Aristotle did make summarized the current ideas of his time and laid foundation stones for the future schools of thought.

Centuries passed before another figure of the stature of Aristotle paid any attention to economic ideas. Then came THOMAS AQUINAS, a southern Italian cleric who lived from approximately 1225 to 1274. As with Plato and Aristotle, for whom economic matters were incidental to the conduct of the state and the development of certain abstract ideas, so with Aquinas. The society in which he lived was largely dominated by the Church and Christian philosophy on the one hand, and the philosophical ideas of Aristotle on the other. Economic activity of course went on. Since Aquinas was a native of southern Italy he certainly knew the importance of trade to the Italian cities. His contribution, as his work adequately demonstrates, was in making the Christian teachings practical for his time, and in finding a common ground upon which ethical and moral principles might exist side by side with buying and selling.

Early Christian doctrine had looked askance at wealth, and the character of the early Christian communities led many followers to think of Christianity as a type of communism although no direct admonition in that vein can be found. Aquinas took the attitude that wealth and private property were not in themselves either good or bad; it was the use to which they were put which determined their moral status. Property was a trust, placed in

private hands to be used for social good. He believed it just as possible for wealth to serve as a means of greater virtue to the individual as to accomplish his moral degradation.

The other economic issues with which Thomas Aquinas concerned himself were the just price and the prohibition of usury. Both were practical applications of the principle of justice which was considered the abiding rule of human relationship in medieval Christian communities. The theories of Thomas Aquinas, which will be discussed more appropriately in later chapters, were essentially revelations of the mental uncertainties occurring under the stress of economic change which went with the growing commercialization of the 13th century. To harmonize both religious and secular knowledge with the practises of the time and with each other was no small task. The completeness with which the work was done gives Aquinas a permanent place among the great intellects of history in spite of the fact that of all the writers on economics, his ideas seem farthest from the trends of current thought. It is not unlikely, however, that some of his theories will again receive prominence as automatic processes in competition give place to forms of public regulation.

The Nature of Wealth

The search for those things which support life and give it meaning has ever been the quest of mankind. Not every age has considered the same things important in this respect, however. Consequently, each age may differ as to the focus of its greatest efforts and the center of its attention. Yet, in spite of the differences, wealth in one form or another has held a more or less prominent place in the history of every civilization. It has brought ease of life, prestige among one's fellows, and power. Naturally it has been much sought after, and such an important factor in social life has received great attention from philosophers, religious leaders, and rulers of the people, as well as economists.