

Economic Thought and Policy in Less Developed Europe

The nineteenth century

Edited by

Michalis Psalidopoulos

Maria Eugénia Mata

Routledge Studies in the History of Economics



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Economic Thought and Policy in Less Developed Europe

The essays in this volume explore and discuss the process of dissemination of economic ideas among Europe's less developed countries and regions, as well as the interaction between economic thought and economic policy in different times and places during the nineteenth century.

The comparative approach adopted sheds new light on the course of economic development in Europe's less developed countries in the nineteenth century and the role played by political economy.

Topics covered include: economic policy in Denmark; monetary and trade policy in Norway; the influence of the German Historical School in Finland; land Reform and the abolition of serfdom in Russia and in Poland; protectionist, populist and Marxist reactions to liberalism in Rumania; the evolution of economic thought in the Ottoman Empire; monetary thought and policy in Greece; eclectic economic thought in Serbia; the economic theory of civil society in Italy; liberal and protectionist economic policy recommendations in Portugal; agriculture and political economy before and after the Famine in Ireland.

With contributions that disclose important insights into national traditions in economic thought and policy, and the diffusion of ideas in Europe, this work will be essential reading for all scholars of the history of economic thought.

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Michalis Psalidopoulos and Maria Eugénia Mata
Athens and Lisbon
2001

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1 Economic thought and policy in nineteenth-century less developed Europe

Issues and aspects of their interaction

Michalis Psalidopoulos and Maria Eugénia Mata

Introduction

The renaissance of the history of political economy in the last decades of the twentieth century has not only witnessed the multiplication of journals devoted to research on the subject, the establishment of scientific societies, at the national and international levels, and a growing number of dissertations, monographs and edited volumes of symposia and conferences. It has also stimulated a series of comparative research projects, international in scope and multidisciplinary in character. Historians of economics are familiar with the so-called 'institutionalization project' that led to six important separate publications (Le Van-Lemesle, 1986; Augello *et al.*, 1988; Barber, 1988; Waszek, 1988; Sugiyama and Mizuta, 1988; Kadish and Tribe, 1993) and the 'internationalization project' initiated by Bob Coats (Coats, 1996; Coats, 2000) that extended his former inquiries (Coats, 1981; Coats, 1986). The authors in Steedman (1995) have addressed the evolution of socialism and marginalism in seven, whereas those in Albertone and Masoero (1994) have explored aspects of the interaction between political economy and national realities in ten European countries. Furthermore, a series of national histories of economic thought have appeared (Morris-Suzuki, 1989; Groenewegen and McFarlane, 1990; Sandelin, 1991; Neill, 1991; Boylan and Foley, 1992; Almodovar and Cardoso, 1998).¹ Economic historians, for their part, are known to have followed a similar path of enquiry, as well (see Porter and Teich, 1988; Teich and Porter, 1996; among their many joint ventures of a similar kind).

The purpose of the present volume is to keep this tradition alive by contributing to a better understanding of the relationship between economic thought and economic policy in nineteenth-century less developed Europe. Before explaining in greater detail the contents of this book, however, let us examine the reasons that led us into this project.

In order to conform to publishers' limits regarding number of words,

history of economics textbooks are usually short on information about the adaptation and incorporation of certain doctrines in economic discourse at a national level. Histories specifically committed to a rational reconstruction of economic theory do not even address that sort of enquiry (see, for example, Niehans, 1990). They argue that since the triumph of marginalism in economics is evident after 1870 in the international economy, why linger on the issue of how it came to dominate academia in specific countries, and the actions of economic policy-makers?

On the other hand, books espousing a historical reconstruction of economic theories (Screpanti and Zamagni, 1993) seem to use history simply to aid the reader in understanding the historical background of certain controversies in economics – for example the Napoleonic Wars as a background to the Malthus–Ricardo controversy – rather than focus on a more complex discussion of the processes involving economic theory and society, as the one suggested by Goodwin (Goodwin, 1972).

Admittedly, the clarification of the influence of events upon ideas (Eagly, 1968)² or of theory upon policy and vice versa is a very difficult endeavour and calls for scholarship comparable to that of Schumpeter, in his *History of Economic Analysis*, which described this history as it evolved within the general history of the social sciences both on a national and international level (Schumpeter, 1953).

Our task in this book is far more humble. We first examine what the state of economic thought was in a series of countries. We follow with an investigation of major economic policy issues which, either at a certain moment or over a longer period, alerted intellectuals and stimulated them to write pamphlets, books or articles, to initiate debates and hence to influence policy-makers. Our focus is on academics, businessmen and public-spirited citizens, who took a stand towards their countries' problems. We aim to discover whether economic thought influenced economic policy, or whether economic policy was conducted with its own specific priorities, without economics significantly affecting this process. The agenda of the governing class and the structure of state–society relations in the nineteenth century point to some very important leads in answering the question concerning the relation of economic thought and policy. Of course, the path of the economy, or what we usually refer to as the economic history of a specific time period, as it is crystallized in certain data, generates its own pressures on economic policy.

This project, then, is about economic thought in a – restricted – number of European countries, over time. It seeks to bring out how economic thought got transformed and adapted and how it responded to economic policy issues and its subsequent development. It also throws light on the dissemination of economic ideas, as the leading economies like Britain, France, Germany and the Low Countries, the countries that 'produced' economic theory, are excluded from our enquiry since we focus on the industrial latecomers.

A typology of countries

The time span covered in the following essays starts with the triumph of Adam Smith's ideas in Britain, from the Battle of Waterloo, and reaches to the end of the gold standard era, the advent of the First World War (1815–1914). This encompasses developments such as the evolution from classical to neo-classical economics, the historical and institutional school response, Marxism and socialism in general and various political movements including the land reform and cooperative movements and their popular advocates.

The typology of the countries under study is interesting and may even create the impression that unequals are being compared. Some less developed countries had a sizeable population (Russia, Spain – the latter not covered in this book), while others boasted a small number of inhabitants (Ireland, Greece and Portugal). Some of them struggled to get their national independence (Greece, Poland), while others were politically independent or autonomous under foreign jurisdiction (Norway, Finland). Some countries were members of Empires (Italy, Greece before 1821, Poland, Rumania), others such as Portugal were colonial powers, whereas still others were dependent states torn between many expansive neighbours (Poland). Such strife between neighbouring countries and tensions between rising nationalisms left their marks in political and economic developments, as well. And Russia, despite its economic backwardness, was an influential political power of the day.

Political issues

In broad terms the nineteenth century saw the transition from more authoritarian to more democratic political systems and the introduction and strengthening – albeit at a slow, but nevertheless irreversible pace – of institutions of liberal democracy. In most of the countries considered, absolute monarchs conceded power to a landed aristocracy³ and in due course embraced merchant, commercial and industrial classes in power sharing that totally transformed the absolutist political order. On the other hand, with market relations progressing, an industrial labour class was added to the free peasants, thus bringing to the fore demands for freedom of combination and for universal suffrage. In some cases, these developments evolved after national independence (Greece), whereas in others, important intellectual preparations were achieved before national unification (Italy). Industrialization and the Industrial Revolution in particular were major stimuli for these political developments. The emergence of industrial society created discrepancies in existing institutions and in social structure that led to the destruction of the governing social, economic and political order. The less developed European countries, of course, developed industry neither simultaneously nor at the same pace.

According to one estimate, per capita industrial production in Europe in 1900 (with Europe as an average at 100) was 254 for Britain, 177 for Germany, 140 for France, but only 85 for Denmark, 48 for Greece, 46 for Portugal, 39 for Serbia, 33 for Rumania and 32 for Finland (Bairoch, 1977: 137–8).⁴

As the starting positions at the beginning of our enquiry were different, so too were the political and economic developments in every country a century later. Leading societal groups have consolidated their power and initiated direct action against backwardness at different times. In some environments, classes which were threatened by the new order endeavoured to block this change, and preserve their interests, through various means. A third variant came as an outcome of the need of the developed nations to import food and raw materials from the less developed countries and regions. Foreign trade and, later, the export of capital,⁵ promoted power and societal structures that led to polymorphic curiosities. In some countries, banking and insurance systems were developed before industry; in others, labour legislation and social reforms were introduced before the working class became numerous. As industry progressed – however unevenly – political transformations in the above-mentioned pattern took place.⁶

Economic policy issues

In the wake of changes instigated by the spread of the Industrial Revolution, certain economic policy issues confronted all the governments in less developed Europe. Some of them bore a more general character. The extension of the franchise, for example, meant better care of the population, the raising of health standards, better education and the elimination of illiteracy – activities once left to charity or chance. These changes were brought about gradually and at rates dictated by state finances.

Other problems were of a more immediate character, especially those connected with the agricultural sector. The following is a broad categorization.

First of all, there was pressure from the peasantry, to abolish serfdom and declare an end to feudal land tenure. This was not always easy in view of the political strength of the landed aristocracy. Property rights in agriculture had to be introduced and land reforms implemented, for many unpropertied peasants found themselves worse off as feudal relations ceased to exist.

Second came the encouragement of industry and the creation of means of transport (roads and railroads) and other infrastructural activities. After the German Zollverein the protection of infant industry became a major economic policy issue in almost all of the less developed European countries. Industrial growth, on the other hand, brought a fear of social unrest and legislative measures were sought on many fronts: measures to