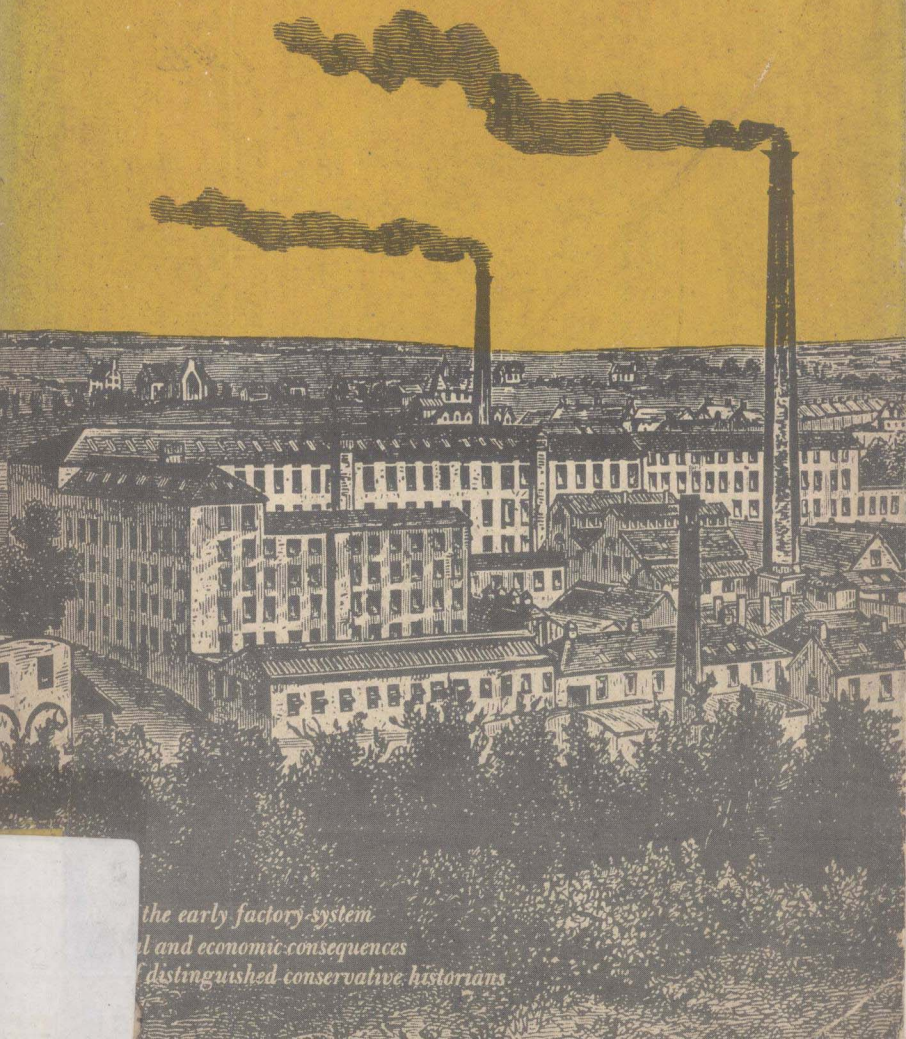


Capitalism and the Historians

T.S.ASHTON · LOUIS HACKER · F.A.HAYEK · W.H.HUTT
BERTRAND DE JOUVENEL · EDITED BY F.A.HAYEK



*the early factory-system
and economic consequences
of distinguished conservative historians*

CAPITALISM AND THE HISTORIANS

Edited and with an Introduction by

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CAPITALISM
AND THE
HISTORIANS

Preface

The first three papers in this volume were originally presented to a gathering of an international group of economists, historians, and social philosophers who for some years have been meeting regularly to discuss the problems of the preservation of a free society against the totalitarian threat. One of the topics of discussion at the meeting of this Mont Pélérin Society held at Beauvalon in France in September, 1951, was the treatment of capitalism by the historians. Of the four papers which served as the basis for the discussion, one, by Professor M. Silberschmidt of Zürich, is unfortunately not available in writing; nor is there a transcript of the lively discussion which ensued. It was felt by the participants in the discussion that the three written papers ought to be published, and it was suggested that this might be usefully combined with reprinting some earlier papers by members of the Society dealing with closely connected topics. Charged with the execution of this plan, I have tried, in an Introduction which draws heavily on what I have learned in the discussion, to explain the wider significance of the problem discussed in the following pages.

Preface

The second paper by Professor Ashton contained in the volume originally appeared in the *Journal of Economic History*, Supplement IX, 1949, and the paper by Professor Hutt in *Economica* for March, 1926. I have to thank the editors and publishers of both journals for the permission to reprint these articles.

F. A. HAYEK

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INTRODUCTION

History and Politics

F. A. HAYEK

Political opinion and views about historical events ever have been and always must be closely connected. Past experience is the foundation on which our beliefs about the desirability of different policies and institutions are mainly based, and our present political views inevitably affect and color our interpretation of the past. Yet, if it is too pessimistic a view that man learns nothing from history, it may well be questioned whether he always learns the truth. While the events of the past are the source of the experience of the human race, their opinions are determined not by the objective facts but by the records and interpretations to which they have access. Few men will deny that our views about the goodness or badness of different institutions are largely determined by what we believe to have been their effects in the past. There is scarcely a political ideal or concept which does not involve opinions about a whole series of past events, and there are few historical memories which do not serve as a symbol of some political aim. Yet the historical beliefs which guide us in the present are not always in accord with the facts; some-

times they are even the effects rather than the cause of political beliefs. Historical myths have perhaps played nearly as great a role in shaping opinion as historical facts. Yet we can hardly hope to profit from past experience unless the facts from which we draw our conclusions are correct.

The influence which the writers of history thus exercise on public opinion is probably more immediate and extensive than that of the political theorists who launch new ideas. It seems as though even such new ideas reach wider circles usually not in their abstract form but as the interpretations of particular events. The historian is in this respect at least one step nearer to direct power over public opinion than is the theorist. And long before the professional historian takes up his pen, current controversy about recent events will have created a definite picture, or perhaps several different pictures, of these events which will affect contemporary discussion as much as any division on the merits of new issues.

This profound influence which current views about history have on political opinion is today perhaps less understood than it was in the past. One reason for this probably is the pretension of many modern historians to be purely scientific and completely free from all political prejudice. There can be no question, of course, that this is an imperative duty of the scholar in so far as historical research, that is, the ascertainment of the facts,

is concerned. There is indeed no legitimate reason why, in answering questions of fact, historians of different political opinions should not be able to agree. But at the very beginning, in deciding which questions are worth asking, individual value judgments are bound to come in. And it is more than doubtful whether a connected history of a period or of a set of events could be written without interpreting these in the light, not only of theories about the interconnection of social processes, but also of definite values—or at least whether such a history would be worth reading. Historiography, as distinguished from historical research, is not only at least as much an art as a science; the writer who attempts it without being aware that his task is one of interpretation in the light of definite values also will succeed merely in deceiving himself and will become the victim of his unconscious prejudices.

There is perhaps no better illustration of the manner in which for more than a century the whole political ethos of a nation, and for a shorter time of most of the Western world, was shaped by the writings of a group of historians than the influence exercised by the English “Whig interpretation of history.” It is probably no exaggeration to say that, for every person who had first-hand acquaintance with the writings of the political philosophers who founded the liberal tradition, there were fifty or a hundred who had absorbed it from the writings of men like Hallam and Macaulay or Grote and

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Lord Acton. It is significant that the modern English historian who more than any other has endeavored to discredit this Whig tradition later came to write that "those who, perhaps in the misguided austerity of youth, wish to drive out that Whig interpretation . . . are sweeping a room which humanly speaking cannot long remain empty. They are opening the doors for seven devils which, precisely because they are newcomers, are bound to be worse than this first."¹ And, although he still suggests that "Whig history" was "wrong" history, he emphasizes that it "was one of our assets" and that "it had a wonderful effect on English politics."²

Whether in any relevant sense "Whig history" really was wrong history is a matter on which the last word has probably not yet been said but which we cannot discuss here. Its beneficial effect in creating the essentially liberal atmosphere of the nineteenth century is beyond doubt and was certainly not due to any misrepresentation of facts. It was mainly political history, and the chief facts on which it was based were known beyond question. It may not stand up in all respects to modern standards of historical research, but it certainly gave the generations brought up on it a true sense of the value of the political liberty which their ancestors had achieved

1. Herbert Butterfield, *The Englishman and His History* (Cambridge: Cambridge University Press, 1944), p. 3.

2. *Ibid.*, p. 7.

for them, and it served them as a guide in preserving that achievement.

The Whig interpretation of history has gone out of fashion with the decline of liberalism. But it is more than doubtful whether, because history now claims to be more scientific, it has become a more reliable or trustworthy guide in those fields where it has exercised most influence on political views. Political history indeed has lost much of the power and fascination it had in the nineteenth century; and it is doubtful whether any historical work of our time has had a circulation or direct influence comparable with, say, Macaulay's *History of England*. Yet the extent to which our present political views are colored by historical beliefs has certainly not diminished. As interest has shifted from the constitutional to the social and economic field, so the historical beliefs which act as driving forces are now mainly beliefs about economic history. It is probably justifiable to speak of a socialist interpretation of history which has governed political thinking for the last two or three generations and which consists mainly of a particular view of economic history. The remarkable thing about this view is that most of the assertions to which it has given the status of "facts which everybody knows" have long been proved not to have been facts at all; yet they still continue, outside the circle of professional economic historians, to be almost universally accepted as the basis for the estimate of the existing economic order.

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Most people, when being told that their political convictions have been affected by particular views on economic history, will answer that they never have been interested in it and never have read a book on the subject. This, however, does not mean that they do not, with the rest, regard as established facts many of the legends which at one time or another have been given currency by writers on economic history. Although in the indirect and circuitous process by which new political ideas reach the general public the historian holds a key position, even he operates chiefly through many further relays. It is only at several removes that the picture which he provides becomes general property; it is via the novel and the newspaper, the cinema and political speeches, and ultimately the school and common talk that the ordinary person acquires his conceptions of history. But in the end even those who never read a book and probably have never heard the names of the historians whose views have influenced them come to see the past through their spectacles. Certain beliefs, for instance, about the evolution and effects of trade-unions, the alleged progressive growth of monopoly, the deliberate destruction of commodity stock as the result of competition (an event which, in fact, whenever it happened, was always the result of monopoly and usually of government-organized monopoly), about the suppression of beneficial inventions, the causes and effects of "imperialism," and the role of the armament industries or of "capitalists"

in general in causing war, have become part of the folklore of our time. Most people would be greatly surprised to learn that most of what they believe about these subjects are not safely established facts but myths, launched from political motifs and then spread by people of good will into whose general beliefs they fitted. It would require several books like the present one to show how most of what is commonly believed on these questions, not merely by radicals but also by many conservatives, is not history but political legend. All we can do here with regard to these topics is to refer the reader to a few works from which he can inform himself about the present state of knowledge on the more important of them.³

There is, however, one supreme myth which more than any other has served to discredit the economic sys-

3. Cf. M. Dorothy George, "The Combination Laws Reconsidered," *Economic History* (supplement to the *Economic Journal*), I (May, 1927), 214-28; W. H. Hutt, *The Theory of Collective Bargaining* (London: P. S. King & Son, 1930) and *The Economists and the Public* (London: J. Cape, 1936); L. C. Robbins, *The Economic Basis of Class Conflict* (London: Macmillan & Co., 1939) and *The Economic Causes of War* (London: J. Cape, 1939); Walter Sulzbach, "Capitalistic Warmongers": *A Modern Superstition* ("Public Policy Pamphlets," No. 35 [Chicago: University of Chicago Press, 1942]); G. J. Stigler, "Competition in the United States," in *Five Lectures on Economic Problems* (London and New York: Longmans, Green & Co., 1949); G. Warren Nutter, *The Extent of Enterprise Monopoly in the United States, 1899-1939* (Chicago: University of Chicago Press, 1951); and, on most of these problems, the writings of Ludwig von Mises, especially his *Socialism* (London: J. Cape, 1936).

tem to which we owe our present-day civilization and to the examination of which the present volume is devoted. It is the legend of the deterioration of the position of the working classes in consequence of the rise of "capitalism" (or of the "manufacturing" or the "industrial system"). Who has not heard of the "horrors of early capitalism" and gained the impression that the advent of this system brought untold new suffering to large classes who before were tolerably content and comfortable? We might justly hold in disrepute a system to which the blame attached that even for a time it worsened the position of the poorest and most numerous class of the population. The widespread emotional aversion to "capitalism" is closely connected with this belief that the undeniable growth of wealth which the competitive order has produced was purchased at the price of depressing the standard of life of the weakest elements of society.

That this was the case was at one time indeed widely taught by economic historians. A more careful examination of the facts has, however, led to a thorough refutation of this belief. Yet, a generation after the controversy has been decided, popular opinion still continues as though the older belief had been true. How this belief should ever have arisen and why it should continue to determine the general view long after it has been disproved are both problems which deserve serious examination.