经济学经典名著选粹

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Preface

The Highlights of Economists' Works is intended as an extensive reading for graduate students and the students of our institute who have already passed College English Test Band-6, especially for those who have entered the institute of finance and economics and resolved to pursue master degree but not having a relevent background of basic economics. Others who study the principles of economics and want to learn the economic ideas of the great masters in the past can also use it for reference.

Economics is a dynamic and growing subject. In the past years, many distinguished economists have propounded good ideas and thougts which build today's edifice of economic science. To understand contemporary economic theories better, we should get to know the creative process involved in the development of economic ideas and the background of the evolutionary thought behind it.

Economic thoughts and ideas, on different span, have greatly changed. Early doctrines have been either discarded, modified, refined, or altogether new theories have been developed. To appreciate and understand the dynamic nature of economic science, one needs to have knowledge of economic ideas of great masters. A high degree of sophistication in modern economic analysis has evolved from the great contributions of a large number of distinguished economic thinkers whose thoughts and writings have exerted a profound influence on the evolution and development not only of economic science but also of economic societies, systems and policy-making.

The present selection is confined to the twelve magnificent economists: Adam Smith, David Ricardo, Friedrich List, John Mill, Karl Marx, Alfred Marshall, Bertil Ohlin, Joan Robinson, John Keynes, Joseph Schumpeter, Roy Harrod, Edward Chamberlin, of which the shining stars of all time are Smith, Ricardo, Marx, Marshall, Keynes, Schumpeter.

We begin with the Smithian economics. In the history of economics, no one's name is more frequently invoked than that of Adam Smith as the founder of political economy and father of classical economics. Smith's celebrated work still serves as a source of great inspiration to many of us.

David Ricardo is a perfectionist of classical political economy. Ricardo's scientific pioneering work is a storehouse of supreme wisdom on perfect ideas and a mode of flawless reasoning. He familiarised the technique of analysis which is still used by the modern economists. Indeed, without the Ricardo's theory of rent, comparative cost doctrine and theory of distribution which described the relative shares of the factors of production, modern economics remains incomplete.

Karl Marx is one of the greatest proletarian revolutionists, philosophers, political theorists and economists. He is honoured as the prophet of communism and was actually a great character reader of capitalist system of his time. His matchless work *The Capital: A Critique of Political Economy* has had a direct, deliberate and powerful influence on mankind. Besides, the modern business cycle analysis is highly indebted to the Marxian economics. Harrod-Domar's growth model owes much to the Marxian methodology.

Alfred Marshall is the neo-classical founder of modern value theory. He also began the "Cambridge Tradition". It was Marshall who saved the grace of economics from being abused as a dismal science by the puritans. Marshall honoured economics as a welfare-oriented science by saying that "Economics is a study of mankind in the ordinary business of life. It examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus, on the one side, it is a study of wealth and on the other and more important side, a part of the study of man." Modern micro-economic analysis and welfare economics owe a great deal to the Marshallian method.

In the West, no thinker in the twentieth century, has so far carried such a revolutionary impact on economic ideas and mode of thinking as Maynard Keynes. His *General Theory* is not simply a masterpiece but has also produced a profound influence on the development of economics today. The foundation of modern economics rests on the economics of Keynes. He was the propounder of managed or regulated capitalism to save it from collapse. In the celebrated work Keynes refuted Say's Law of Markets and discarded the classical assumption of full employment as a rare phenomenon. In his policy-making approach, he suggested a significant role of fiscal policy under unbalanced budget criterion as against the classical sound finance norm of the balanced budget. He considered that monetary policy should be subordinate of fiscal policy as stabilization device.

Schumpeter is a famous economic innovator in modern West. His fundamental theory was "Innovation Theory" which caused a sensation throughout the Western economic would. His ideas are of specific interest in understanding development or growth economics. He has shown that the innovators-entrepreneurs are the key to accelerate the process of economic growth in a market economy.

To complete this book means painstaking work for us. It took us more than one year to collect materials both in English and Chinese from all round the country. It is also great work we never did before. It is hoped that the selection will be of great use in understanding of the historical revolution of economics, as a social science and its relevance to the modern political economy and knowing the dynamism of economic system of the real world today.

I world like to express my sincere appreciation to Professor Duan Wenyan and Professor Hu Huaibang who gave instructive suggestions and comments. Also, I would like to express our appreciation to the Dept. of Graduate Students and the Dept. of Scientific Research as well as Shaanxi People's Press which have given our work great support.

Comments, suggestions and criticisms concerning this selection are surely welcome.

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Part One

The Absurdity of the Principle of the Commercial System

Adam Smith

——Excerpted from An *Inquiry into the Nature and Causes of the Wealth of Nations*, Chapters Ⅰ, Ⅱ.

A Brief Introduction to the Author

Adam Smith (1723—1790), LL. D[1]. and F. R. S[2]. of London and Edinburgh, famous Scottish economist, and founder of the theoretical system of the classical political economy.

His works include *Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776).

Adam Smith's An *Inquiry into the Nature and Causes of the wealth of Nations* was the first full scale treatise in economics, covering production and distribution theory, reviewing the past in the light of these principles and concluding with policy applications. His main preoccupation was with economic growth, and the engine of growth he found in the division of labour, which leads to increased output, technical progress and even capital accumulation. Division of labour implies the need to exchange and is limited by the extent of the market. Exchange takes place bacause each man is prompted by self-interest in his desire for the goods of others. The other element promoting growth is capital accumulation, for which Smith makes parsimony the basis. For growth to succeed the social, institutional and legal framework must be correct and Smith argues for the obvious and simple system of natural liberty, where each man, in promoting his own interest is led by an invisible hand(through a harmony of interests)to promote those of society, though he does not intend this. Smith is in fact relying upon a system of free competition, which has its own powers of regulation and which economists have recognized can lead to an optimal allocation of resources. Smith has shown himself aware of this principle in his description of an optimal investment pattern for a country.

Smith also examined labour value which is at the core of his economics. As an originator, Smith developed this doctrine that labor is the sole source of value in commodities clumsily. It remained for Marx to refine it, convert it into an instrument of analysis, extract from it the revolutionary implications that were inherent in it from the start.

As the founder of the classical economy school, Smith's attitude to economic organization was determined to a large extent by his belief in natural law, that there existed order in natural phenomena, which could be observed by observation or moral sense, and that social organization and positive legislation should conform to rather than run counter to this order. He argued for laissez-faire[3], while recognized the need for state intervention, e.g. a tariff for infant industries and for the three functions of the state-security, justice and certain public works.

Smity's *An Inquiry into the Nature and Causes of the wealth of Nations* is a two-volumed masterwork, including five books.

The passage we select is excerpted from book four which deals with two different systems of political economy: the system of commerce , and the system of agriculture[4]. The passage we choose from chapter one and chapter two shows the absurdity of the principle of the commercial or mercantile system[5], that wealth is dependent on the balance of trade. Here Smith attacked mercantilists and made a strong case for foreign trade. He pointed out that it's as foolish for a nation as for an individual to make what can be bought cheaper .

A reading of Adam Smith's work and a studying of his economic thought should give us a general outline of his basic principles: First, Smith assumes that the prime psychological drive in man as an economic being is the drive of self -interest. Secondly , he assumes the existence of a natural order in the universe which makes all the individual strivings for self-interest adds up to the social good. Finally, he concludes that the best program is to leave the economic process severely alone —— what has come to be known as laissez-faire, economic liberalism, or non-interventionism.

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Political economy, considered as branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.

The different progress of opulence in different ages and nations, has given occasion to two different systems of political economy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as I can, and shall begin with the system of commerce. It is the modern system, and is best understood in our own country and in our own times.

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That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money, When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first enquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk sent ambassador from the king of France to one of the sons of the famous Gengis Khan[6] says that the Tartars[7] used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France? "Their enquiry had the same object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Mr Locke[8] remarks a distinction between money and other moveable goods. All other moveable goods, he says, are of so consumable a nature that the wealth which consists in them cannot be much depended on, and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the moveable wealth of a nation, and to multiply those metals ought, he thinks, upon that account, to be the great object of its political economy.

Others admit that if a nation could be separated from all the world, it would be of no consequence how much, or how little money circulated in it. The consumable goods which were circulated by means of this money, would only be exchanged for a greater or smaller number of pieces; but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

In consequence of these popular notions, all the different nations of Europe have studied, though to little purpose, every possible means of accumulating gold and silver in their respecative countries. Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals, have either prohibited their exportation under the severest penalties, or subjected it to a considerable duty. The like prohibition seems anciently to have made a part of the policy of most other European nations. It is even to be found, where we should least of all expect to find it, in some old Scotch acts of parliament, which forbid under heavy penalties the carrying gold or silver forth of the kingdom. The like policy anciently took place both in France and England.

When those countries became commercial, the merchants found this prohibition, upon many occasions, extremely inconvenient. They could frequently buy more advantageously with gold and silver than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to some other foreign country. They remonstrated, therefore, against this prohibition as hurtful to trade.

They represented, first, that the exportation of gold and silver in order to purchase foreign goods, did not always diminish the quantity of those metals in the kingdom. That, on the contrary, it might frequently increase that quantity; because, if the consumption of foreign goods was not thereby increased in the country, those goods might be re-exported to foreign countries, and, being there sold for a large profit, might bring back much more treasure than was originally sent out to purchase them. Mr. Mun[9] compares this operation of foreign trade to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."

They represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled abroad. That this exportation could only be prevented by a proper attention to, what they called, the balance of trade. That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity. That in this case to prohibit the exportation of those metals could not prevent it, but only by making it more dangerous, render it more expensive. That the exchange was thereby turned more against the country which owed the balance, than it otherwise might have been; the merchant who purchased a bill upon the foreign country being obliged to pay the banker who sold it, not only for the natural risk, trouble and expence of sending the money thither, but for the extraordinary risk arising from the prohibition. But that the more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming necessarily of the much less value, in comparison with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent, against England, it would require a hundred and five ounces of silver in England to purchase a bill for a hundred ounces of silver in Holland: that a hundred and five ounces of silver in England therefore, would be worth only a hundred ounces of silver in Holland, and would purchase only a proportionable quantity of Dutch goods: but that a hundred ounces of silver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchase a proportionable quantity of English goods; that the English goods which were sold to Holland would be sold so much cheaper; and the Dutch goods which were sold to England, so much dearer, by the difference of the exchange; that the one would draw so much less Dutch money to England, and the other so much more English money to Holland, as this difference amounted to: and that the balance of trade, therefore, would necessarily be so much more against England, and would require a greater balance of gold and silver to be exported to Holland.

Those arguments were partly solid and partly sophistical. They were solid so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid too, in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical in supposing that either to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity. They were sophistical too, perhaps, in asserting that the high price of exchange necessarily increased, what they called, the unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver. That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay in foreign countries. They paid so much dearer for the bills which their bankers granted them upon those countries. But though the risk arising from the prohibition might occasion some extraordinary expence to the bankers, it would not necessarily carry any more money out of the country. This expence would generally be all laid out in the country, in smuggling the money out of it, and could seldom occasion the exportation of a single six-pence beyond the precise sum drawn for. The high price of exchange too would naturally dispose the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as small a sum as possible. The high price of exchange, besides, must necessarily have operated as a tax, in raising the price of foreign goods, and thereby diminishing their consumption. It would tend therefore, not to increase, but to diminish, what they called, the unfavourable balance of trade, and consequently the exportation of gold and silver.

Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly in what manner it enriched themselves. It was their business to know it. But to know in what manner it enriched the country, was no part of their business. This subject never came into their consideration, but when they had occasion to apply to their country of some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments therefore produced the wished-for effect. The prohibition of exporting gold and silver was in France and England confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free. In Holland, and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, *England's Treasure in Foreign Trade*, became a fundamental maxim in the political economy, not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the