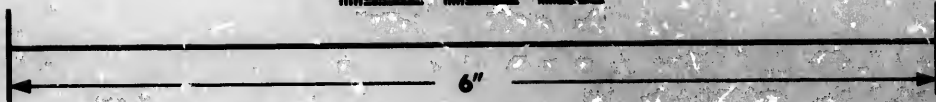
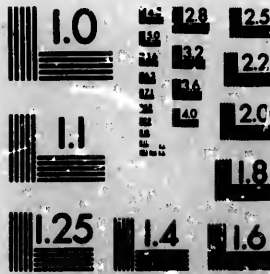
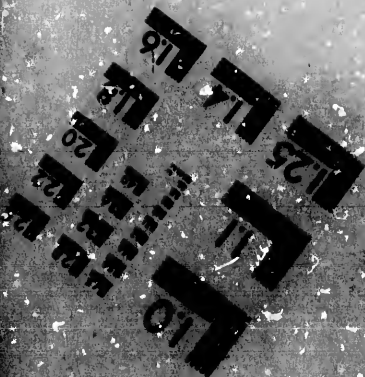


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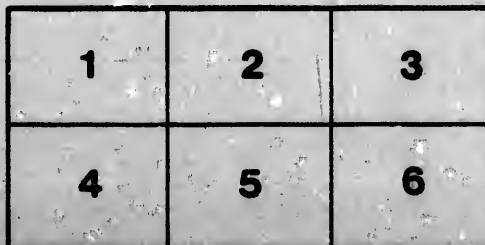
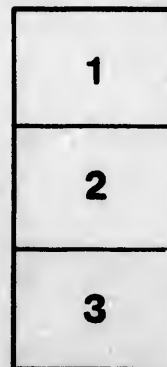
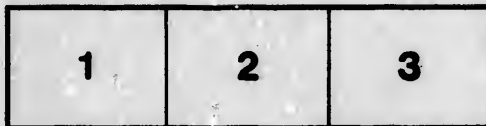
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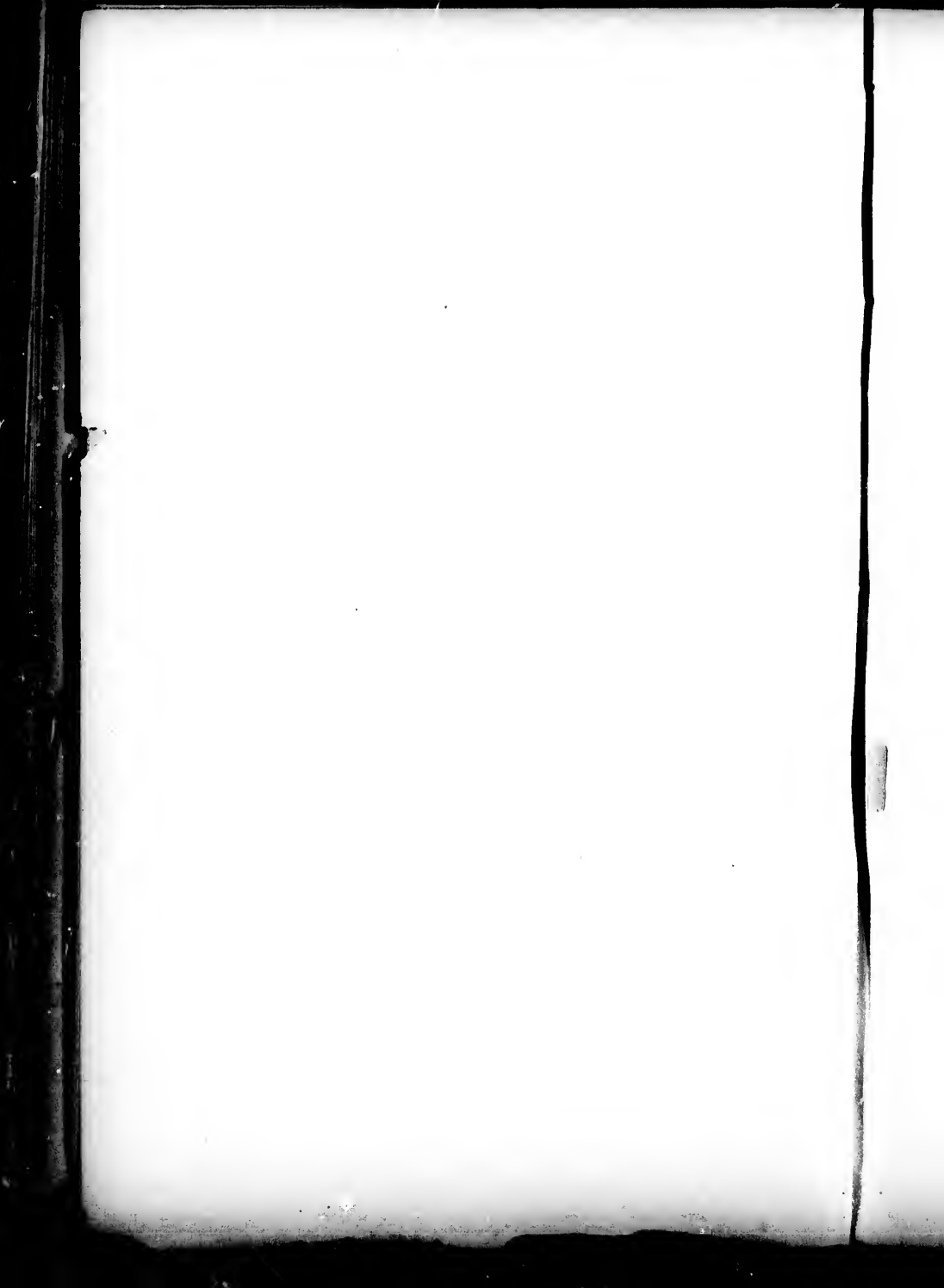
S. Newcomb.

THE PROBLEM OF ECONOMIC
EDUCATION

BY
SIMON NEWCOMB

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THE PROBLEM OF ECONOMIC EDUCATION.

THE fact that there is a wide divergence between many of the practical conclusions of economic science, as laid down by its professional exponents, and the thought of the public at large, as reflected in current discussion and in legislation, is one with which all are familiar. In some of its aspects this divergence has become so trite a subject that it might seem doubtful whether anything new and useful could now be said about it. There is, however, one aspect of the case well worthy the consideration of all interested in educational and social progress. What it is will be made clear by first differentiating it from another which has attracted much more attention.

The current view of the questions at issue between the contending parties is that the leading economists of the past, especially those of England, constructed an abstract science which recent experience and thought have shown to be inapplicable to the actual state of industrial society. These writers were too eager to make their conclusions the sole guiding principles in economic legislation, ignoring the difficulties growing out of the complex conditions of the social organism as it actually existed. Their system has, however, been taught and enforced with such persistence that the result is a general rebellion which now threatens to overturn the whole fabric of economic science. From this point of view the divergence is between a coherent but somewhat antiquated system mostly belonging to the past and a body of new ideas introduced by a younger generation of thinkers.

This may be true so far as it goes; and, were it the whole truth, there would be nothing abnormal or surprising in the situation. All science, properly so called, is,

from the nature of the case, more or less abstract. Whenever abstract science is applied to human affairs, due account must be taken of all modifying circumstances, else we shall be led to erroneous conclusions. Each of its doctrines is constantly open to challenge, holding its place only on the same terms that a champion holds the belt: whenever another appears powerful enough to take its place, it must give way. The changes in the industrial world since Ricardo, we might almost say since Mill, have been so revolutionary that it would be wonderful if applied economics at least did not need reconstruction. Economists may admit, without detracting from the dignity or the value of their science, not only that due regard must be had to all modifying circumstances in applying its abstract principles, but that economic considerations cannot be the sole guide of the legislator in matters of public policy. So far as the battle is being fought on the lines thus indicated, it is an intelligent one in which economists of opposing views are themselves the leading combatants. Its consideration is not, however, the object of the present paper.

The divergence to which the attention both of economists and the thinking public is now invited runs on lines essentially different from those just marked out. The disagreement in question is not between different classes of economic students or different schools of thought, but between well-established economic conclusions on the one hand and the ideas of the public on the other. These ideas do not spring from a study of the contrast between the present state of industry and that of a century ago, but are as old as our commercial system. Their fault is precisely that with which many moderns taunt the school of Ricardo: they are based on a few abstract principles or hasty and superficial deductions from assumed principles, with little regard to the actual facts of industry. If they were consistent enough to constitute a system, that system

might be called the popular political economy. What I first propose to show is that we have to deal with ideas centuries old, on which the thought of professional economists has never made any permanent impression except, perhaps, in Great Britain, and that in the every-day applications of purely economic theory our public thought, our legislation, and even our popular economic nomenclature are what they would have been if Smith, Ricardo, and Mill had never lived, and if such a term as political economy had never been known.

One of the most marked points of antagonism between the ideas of the economists since Adam Smith and those which governed the commercial policy of nations before his time is found in the case of foreign trade. Before such a thing as economic science was known arose the theory of the "balance of trade." The fundamental doctrine of this theory was that trade was advantageous or disadvantageous to a nation according as the value of its exports exceeded or fell short of the value of its imports. Accordingly, in the nomenclature of the time, an unfavorable balance of trade or state of credit meant one in which the imports were supposed to exceed the exports, and a favorable balance the contrary. An immediate corollary from this view was that trade between two nations could not be advantageous to both, because the values which each exported to the other could not both be greater than those received from the other. •

This doctrine was denied by the Physiocrats, and shown to be wholly fallacious by Adam Smith. For a century and a half the doctrine entertained and taught by economists is that there can be no trade between two nations which is not advantageous to both; that men do not buy or sell unless what they receive is to them more valuable than what they give in exchange; and that what is true of the individual man is, in this respect, true of the nation. And yet the combined arguments of economists

for a hundred years have not sufficed to change the nomenclature or modify the ideas of commercial nations upon the subject. One who should read that chapter of Smith's work in which he attempts to refute the old doctrine would almost suppose that he was reading a discussion before a committee of Congress at the present time. The only points in which the arguments refuted by Smith differ from those which we hear to-day is that the principles which he enunciates in order to refute them are now regarded as so axiomatic that no statement of them is necessary. We accept them as so much a matter of course that we are not struck even by their antagonism to our own humane sentiments. That no nation is so advanced as our own in treating all nations and peoples as kindred is abundantly shown by the liberality of our contributions, and the activity of our authorities whenever distress is to be relieved in any part of the world. And yet within a year the distress which many industrious workmen in England and elsewhere were said to be suffering in consequence of our legislation, and their consequent execration of many of our leading statesmen, not to say of our nation at large, were portrayed everywhere among us in glowing colors, not to make us recede from our position, but as a proof that our policy was well calculated to promote our own interests, and should therefore be persisted in. It has been assumed as an axiom which needs no proof, because none would be so hardy as to deny it, that foreign nations cannot honestly be in favor of any trade with us that is not to our disadvantage; that the very fact that they want to trade with us is a good reason for receiving their overtures with suspicion and obstructing their wishes by restrictive legislation. We find this opinion reflected not only in public addresses of statesmen, but in documents of the highest official dignity.

It may be replied that these were the conclusions of only one political party, and not of the majority. But

this ground will scarcely bear examination. The views in question were not embodied in the platform of any party; and any political leader who had proclaimed that we wished to injure the industries of foreign nations would have been repudiated by both parties. The fact was that one party wanted to gain votes, and sagacious leaders believed the nation to be so strongly imbued with the notion that the distress of another nation meant the gain of our own that they could gain votes by setting it forth.

It must be confessed that this contention was not met by the opposite party in the way that would have been most acceptable to economists. Indeed, we fear that, had an orator for the other side been instructed to teach the people that the alleged distress was rather a proof that we also suffer, and that trade would be as advantageous to us as to those we traded with, he would have been a little afraid of prejudicing his hearers against his doctrine. Probably he would have thought it wiser to say nothing on the subject, or, if he could do so with truth, to proclaim that the distress painted by the opposite party had been greatly exaggerated. If evidence could have been adduced to show that the tin manufacturers of Wales were more prosperous under our McKinley tariff than they had ever been before, one cannot but suspect that the Democratic orator would have considered that fact more telling against the tariff than any argument based on the opposite allegation.

It can hardly be claimed that the apparent change in public sentiment within the last two or three years is really so radical that the doctrines in question have been wholly rejected. It is more a reaction against the excesses to which principles in themselves popular were carried by the Fifty-first Congress than a permanent revolution. Great changes in public sentiment do not occur suddenly, and economists must expect many years of hard

work before the doctrines which they oppose are wholly rejected. In this connection the unaltered nomenclature of the subject is worthy of attention. The terms "favorable" and "unfavorable," as applied to the supposed balance of trade, still mean what they did before Adam Smith was born. We might well tremble for the political fate of any statesman who should publicly maintain that our exports would, in the long run, substantially balance our imports, no matter what policy we adopted; and that, if this equality could be disturbed, the advantage would be on the side of the nation which imported the greater values.

The divergence between the economist and the public is by no means confined to foreign trade. We find a direct antagonism between them on nearly every question involving the employment of labor and the relation of industry to the welfare of the community. The idea that the utility and importance of an industry are to be measured by the employment which it gives to labor is so deeply rooted in human nature that economists can scarcely claim to have taken the first step towards its eradication. From the economic point of view, the value of an industry is measured by the utility and cheapness of its product. From the popular point of view, utility is nearly lost sight of, and cheapness is apt to be considered as much an evil on one side as it is a good on the other. The benefit is supposed to be measured by the number of laborers and the sum total of wages which can be gained by pursuing the industry. We see this in the importance constantly attached by our legislators to the establishment of new industries and the employment of men in them. Here legislation only reflects the sentiment of a large majority of the active business community. A man's economic usefulness to society is supposed to be measured by his expenditure of money and consumption of goods. He who spends freely is pointed out as a benefactor; while the miser, who invests

his income, is looked upon as a selfish being, mindful only of his own aggrandizement.

A few years ago, during the Congressional debate upon the proposed tax on artificial butter, it was claimed on one side that, if the free manufacture of this article were permitted, there was every prospect that within a few years butter would cost only ten cents a pound. One accepting the views of the economists would naturally suppose that this claim was made by an opponent of the bill, who desired to portray the good effects of free competition in the manufacture. Really, however, it was put forth as an argument against permitting the manufacture. The most curious feature of the debate, and the one which has led me to cite it in this connection, is that there seems to have been no one present bold enough to join issue on the conclusion, and to claim that, if there was a prospect that the community at large would soon be able to obtain butter at ten cents a pound, it would be a good thing for us all. And yet there is no proposition on which we find a more general agreement among those who professionally study the subject than that modern economic progress consists very largely in cheapening processes, and that whatever evil may arise from cheapened production is only a transient one, which is compensated many-fold by placing an increased supply of the necessities of life within reach of the masses.

Another excellent test case was afforded by the much-condemned proviso on which we accepted international copyright. The requirement that no book should enjoy the benefit of the law unless it was printed from type set within the United States was founded on a belief that American industry was thus benefited. Yet, if the principles of economics are well founded, no benefit resulted to society at large within the United States, since the only ultimate effect would be to cause people to leave other employments in order to engage in printing.

Another striking example is afforded by the popular feeling against the employment of convict labor. From the point of view of the economist, no policy can be more rational, and no principle more obvious, than that the powers and faculties of the criminal classes should, during a term of imprisonment, be made as useful as possible to the community, and that these classes should be trained into habits of regularity and industry. And yet laws have been passed in the State of New York, and seem to have a good prospect of passage in many other States, prohibiting the employment of convicts in making articles useful to the public. Moreover, this movement derives all its vitality from the purely economic consideration that the goods manufactured by these convicts are sold in competition with things manufactured by honest producers.

The inconsistency of this policy with the theory of socialism is very instructive. If in a Shaker community it were proposed that offenders should be supported at the public expense, and not allowed to perform any labor in return, the sanity of the mover of the proposal would be gravely doubted. Yet such is the influence of the commercial system upon our ways of thinking that an equivalent measure, taken by society at large, is earnestly supported by the very class that is most injured by it. The goods manufactured by convicts are for the most part just those of which the poor laborer stands most in need; and, if the management of our prisons were conducted on philanthropic principles, convicts could advantageously be employed in making shoes and coarse clothing for free distribution, or sale at a nominal price, to the poorest classes. Yet such a measure has never been seriously proposed. It may, indeed, be feared that a mover of this proposal would be received in labor circles much as the mover of the opposite one would have been in the Shaker community.

The wide prevalence of usury laws among us affords another example of the persistence of the ideas of a former age long after they have been shown fallacious, not only by thoughtful investigation, but by general business experience. It is not necessary that we should condemn every attempt to regulate the rate of interest, any more than to regulate other contracts in exceptional cases. The point to which we ask attention is the general belief throughout the community that the rate of interest can practically be regulated by law. Not dissimilar from this is the wide general belief that laws making it difficult to collect rents and enforce the payment of debts are for the benefit of the poorer classes. They are undoubtedly for the benefit of those classes who do not expect to pay. But the fact, so obvious to the business economist, that everything gained in this way comes out of the pockets of the poor, who are going to pay in the form of insurance, is something which the law-making public have not yet apprehended.

The spirit in which economic doctrines are often received is also worthy of consideration. A single instance of this spirit will suffice. Probably no phrase ever used by Carlyle has met with wider currency than the epithet "dismal science" which he applied to political economy. And yet a little consideration will show that political economy is dismal only in the sense that every conclusion as to what man cannot do may be called dismal. A stormy voyage across the Atlantic is very dismal; but no one from that premise ever drew the conclusion that boys ought not to learn anything about the Atlantic Ocean, or censured the meteorologist who tells us that the ocean is rough in winter, and will make the landsman seasick. That you cannot eat your cake and have it, too, is a maxim taught the school-boy from earliest infancy. But, when the economist applies the same maxim to the nation, he is met with objections and arguments, not only on the

part of the thoughtless masses, but of influential and intelligent men.

An apology may seem requisite for devoting attention to a phrase so puerile. Certainly, there is no other branch of human thought in which such an epithet would be considered worthy of consideration. I allude to it because the satisfaction with which it is received, the unctious with which it is quoted by those opposed to the conclusions of the economists, and the wide currency given to it, show that it has been received as a valid reason why the conclusions of economists should be ignored.

Before we can reach a final judgment on this conflict of doctrine there are several points to be examined. The first question which may arise is whether, after all, the actual divergence of views may not be less than it appears, and may not arise from a consciousness on the part of the public that economic considerations should not alone direct our public policy.

It must be admitted that economists have not always remembered that the statesman must take into account considerations of political expediency, education, development, and even sentiment, as well as economic ones. Diversification of industries, independence of foreign nations, and the education of the people in the mechanic arts are all legitimate objects to be taken account of in regulating foreign trade. Even a pleasure so purely sentimental as that supposed to arise from the possession of metallic wealth drawn wholly from American mines need not be wholly despised, were it really felt by the masses. Economists who are said to have opposed the laws regulating child's labor in factories were perhaps right from a merely economic standpoint; yet a higher order of considerations, looking to the development of the rising generation, justly turned the scale.

But an examination of public utterances on the tariff

show conclusively that these are not the controlling factors which have led the public to favor what we call the system of protection. If the farmers and the public were told that many of the necessaries of life actually cost them more in consequence of the tariff, but that this is only the price they pay for the benefits of a wider diversification of industries, and a general diffusion of skill in the mechanic arts, they would soon rebel. The real popular strength of the system is founded on purely economic considerations,—on the doctrine that foreign competition is injurious to American industry; that more employment is given to every class of American producers when they are compelled to produce anything at home instead of allowing foreigners to make it for us; and that a real danger may exist of our economic condition being impaired by the excessive import of foreign goods, to which we might be tempted under a *régime* of free trade. These doctrines are not peculiar to our time or country: they are a part of the heritage of the race, which a century of teaching has not sufficed to eradicate.

The unique character of this state of things is still further emphasized when we inquire whether there is not an evident prospect that with the advance of intelligence the views of the economists will meet with a better reception. It seems to the writer that during the last thirty years the prospects of this reception have distinctly retrograded, even after making due allowance for the recent reaction in our own country. Not for fifty years has the idea that every nation does well for itself in restricting foreign trade been so strongly upheld as it is to-day. Garfield could scarcely say now what he said in Congress twenty years ago, that the intelligence of the world was on the side of free trade. At no epoch in our history has the idea of preventing competition with organized labor been so strong as it is among us now. It is not even true that the line of division can be drawn by education. It

cannot be said that even that small percentage of the male population who have received a college education is largely on the side of the economists; but it is said, I do not know whether with good foundation, that the majority of students who have been trained in economic theories reject those theories when they enter the active business of life.

Of the nature of the situation as we have depicted it there can, we conceive, be no doubt. Admitting that professed economists have in several instances erred in the applications of their doctrine, either through not making sufficient allowance for its modification by circumstances or through applying it to questions not purely economic, the fact remains that the practical maxims which their science inculcates are unheeded by the great mass of the public, and have little or no influence in guiding legislation. It must also be conceded that we see in recent times a growing disposition among economists to abandon this particular field of conflict, with the expressed or implied admission that, after all, the wisdom of the public and the common sense of the masses may be a better guide than the theories of students and philosophers.

It would be quite foreign to our present purpose to argue the question which side of the controversy is in the right, or to repeat the reasonings by which economists reach their conclusions. Yet there are certain positions taken by those who are more or less inclined to abandon the field, or who conceive economists to be in the wrong, which should by no means be ignored. The proposition that the common sense of the masses is better than the wisdom of the learned is one that should not be either wholly accepted or wholly rejected. The fact is that there are some cases in which the proposition is true, and others in which it is not true. Perhaps we may make a contribution to the discussion by seeking to define certain cases in which it may be true, and contrasting them with others in which it is

undoubtedly false. The political history of the nineteenth century seems to show that public opinion, founded on the natural instincts and tendencies of men at large, has guided the great political and social movements which have made our age what it is. The success which has hitherto been won by liberal institutions may suffice to prove the sufficiency of this guide in the great field of public policy. At first sight, all the questions at issue between the economists and the public appear to pertain to public policy. Reasoning in a broad way from the analogy of the case, the conclusion might seem quite natural that we have here a contest in which the public must win, because there is no other criterion of soundness than success in shaping public thought and guiding the course of events, and that the economist would therefore do better to abandon the field. But before accepting this conclusion we must point out another class of questions, in which public opinion and the instincts of the masses have proved so insufficient that progress has been possible only by completely ignoring them. These questions include all that can in any way be called scientific. The question has frequently been asked, and discussed with all the resources of learning, why the ancients made no advances in physical science, and why it was left to the moderns to learn such elementary facts as the expansive power of steam and the laws of force and motion, and to apply these facts to the daily needs of life. The really difficult question might be stated as the converse of this. We should rather ask, Why is it that we moderns have been able to study and apply the expansive power of steam and to formulate the laws of force and motion, when the history of the whole human race would seem to show its incapacity for such achievements? Only those who make a special study of the subject have any conception of how unnatural and how foreign to all ordinary modes of thought were the mental processes by which these discoveries were made. For thou-

sands of years mankind universally accepted the opinion that every object in motion had an inherent tendency to come speedily to a state of rest. The experiments and reasonings which would have shown the falsity of this law were within the power of every one to make: no expensive apparatus was needed; nothing but a little study of the phenomena going on around us, and a few experiments suggested by this study. And yet, up to three or four centuries ago, no one ever thought of making the experiments and observations necessary to decide the question; and we might almost say that after the truth was established more than a century was required to make it evident even to the learned.

Coming to our own times, we may take, as an instance out of hundreds, those developments of electrical and mechanical science which have made the steamship, the railway and the telegraph what they are. To these developments public opinion and the instincts of the masses have contributed absolutely nothing. As guides or judges, they would have been worthless until the results were reached. Any one who should have proposed to submit the question of the double expansion of steam, or that of quadruplex telegraphy, to a popular vote, in order that the common sense of the masses might be brought to bear on the subject, would have been classed as a wag.

From the point of view which we are now taking, the whole question must turn on the category to which we shall assign the matters at issue between the economist and the public. That these matters belong rather to the scientific than the political class ought to be quite clear to all who fully comprehend them. True, they are in a certain sense political, in that they involve questions of public policy; yet they are essentially scientific in their nature. The scientific character of all the questions involved in constructing and operating gas-works to supply a city would not be altered by the fact that the works were

to be operated by a municipality. Public opinion is no better qualified to pass upon the questions growing out of the relations between imports and exports than it is to decide upon the best form of locomotive. The question whether restrictions upon the freedom of labor operate favorably or adversely to the general welfare cannot possibly be decided except by those who possess the faculty of analyzing the effects of such a policy. We may, from a philosophic point of view, consider all the measures taken by labor unions as a part of the movement of the age; but the ultimate effects of those movements upon the production and distribution of wealth can be determined only by trained thinkers. The vague impressions entertained by the public as to the effects of options and corners on the prices of the necessaries of life are more akin to the mediæval theories of witchcraft than they are to any of the ideas on which the successful movements of our own times are based.

In all the points of antagonism thus far discussed I have endeavored carefully to confine myself to those essentially scientific in their nature. Touching these we must concede that, judging from the analogies of history, the economists of the past and present are more likely to be right than the public. But there is yet another point of view from which the subject may be considered. If the arguments of the public are partly founded on facts and considerations to which the economists do not give due attention, we should here have a strong point in favor of the former. But a careful study of the subject shows that this is not the case. The conclusions of the public are based on a superficial view of the subject, which may be true so far as it goes, and yet leads to no conclusive result. Being superficial, the economist sees in it everything that the public sees. He reaches a different conclusion from the public because he sees farther than the public does. He fully understands and weighs all the

reasonings and arguments of the laborer who fears competition, and yet assures this laborer that the evil of competition is only temporary, to be replaced, so far as it exists, by a greater good to the class which he represents.

Before entering upon the consideration of the causes and the remedy of this abnormal state of things, there are certain misapprehensions to be guarded against. One of these is that we have to deal with a movement which may be described as a rebellion of the people against certain doctrines preached by the older school of economists. The latter are supposed to have offended the practical good sense of the public by preaching certain abstract doctrines, — *laissez-faire*, for example. They have carried this doctrine so far that they have only themselves to blame if the popular uprising against it endangers the whole of economic science. It is also supposed that the abstract character of the reasonings used by them has helped in this rebellion.

It does not seem to the writer that this view will stand examination. A comparison of the legislation of our country with that of others will show that no people are more wedded to *laissez-faire* than our own. Among no other people is the habit of depending upon private initiative in great public works so strong. No people are less given than are our own to guarding against corporate abuses by intelligent and carefully considered legislation. One illustrative example should suffice to make good this claim. It is now nearly twenty-five years since Great Britain, in whose soil *laissez-faire* is supposed to have taken deepest root, followed the lead of most other nations in nationalizing the telegraph. In adopting the same policy, we should not only be taking a measure suggested by the good sense of nearly all Christendom, but one demanded by our own interests. We have to-day the dearest and the worst telegraph service of any enlightened nation which has a well-organized public ser-

vice. In England, France, Germany, or Switzerland a despatch can be sent for about half the price and with much greater expedition than in this country. With all the improvements in duplex and quadruplex telegraphy, and all the advantages gained by increased density of population and increased use of the telegraph, it costs almost as much to send a despatch now as it did twenty-five years ago. We have paid, in the high cost of our service, for all the scandals which the manipulation of telegraph stocks has produced in the money market. Yet there is not the slightest prospect of even a strong movement towards the nationalization of the telegraph. Should it be claimed that the state of public feeling thus indicated is the work of the economists, it must be admitted that they have, in this direction, been remarkably successful in implanting their ideas in the public mind. But it is not claimed that the policy in question has grown out of any well-founded and abstract belief in *laissez-faire*. The real cause it is not necessary to discuss in the present connection. It is here alluded to only to refute the claim that the unsatisfactory relations between the economists and the public are very largely due to the preaching of *laissez-faire* by the former.

A careful examination of the case will also, we conceive, show that the use of abstract reasoning, to the exclusion of a due consideration of facts, is a vice in which the public far outdo any school of economists that ever existed. This vice, if vice it be, is a much more popular one than is commonly supposed. To show how far the consequences of this form of reasoning are made to outweigh practical facts, we have only to cite the system of taxing personal property, which is still almost universal among us. The idea on which it is founded is natural and simple: every man should contribute to the support of the government in the proportion of his accumulated possessions. In the face of this abstract statement, the

notorious fact that he does not so contribute, that every effort to make him do so has failed, and that from the very nature of things he cannot be made to do it, counts for nothing. Our State legislators rarely make even an intelligent effort to inquire into or cure the evil. They are satisfied with legislating in accordance with the abstract principle, leaving the facts to take care of themselves.

It must also be remembered that the rebellion against the older system of political economy, especially that of Ricardo, is not the outcome of any popular movement whatever, but is wholly the work of a younger school of economists. Its first advocates were found in the universities, and not among the people. I freely admit that this is not true of the labor movement, and that in this movement we have what may be called a rebellion against the older economic principles, which did not come from universities or economists, but from the masses. But, in so far as this movement is directed against the principles of the older political economy, there is, as we have already shown, nothing modern in it. So far as principles are concerned, it is simply a new outburst of ideas which are centuries old. In so far as the later economic movement has been opposed to the school of Ricardo, there is of course a certain sympathy between it and the labor movement; but this sympathy does not result in any wide interest among the laboring classes in economic principles, new or old.

But there is one feature of the case as I have described it which may seem discouraging, and the cause of which is worth inquiring into. I refer to the fact that the popular political economy seems to have taken a greater hold on the public mind, in opposition to the views of the professional economists, during our time, than it ever did before. Perhaps this circumstance, more than any other, might make us doubt whether the principles which we advocate are not farther than ever from general acceptance. Para-

doxical though it may seem, it can, we conceive, be shown that the reaction in question is due to the diffusion of popular education. A certain amount of education and knowledge of the world is necessary to the reception even of those principles which I have collectively described under the term "the popular political economy." When this stage is attained, they are as natural as the belief in witchcraft is at a certain stage of the evolution of thought. Education by newspaper is eminently adapted to their promotion. The press has diffused such a degree of intelligence among the masses that hundreds have now a wide knowledge of the world where one had it a few generations ago. But the press has done nothing to promote careful analysis, continuous thought, or the study of facts. By these alone, and not through mere intelligence, can fallacies be made evident. Thus increased intelligence and knowledge of the world have only served to lay a wider base for crude thinking and fallacious conclusions. In the fact that the masses have been educated to a certain point where a system looks plausible, but not to a point where they can see its fallacy, we have the key to the whole situation, and an indication of the only remedy.

What makes this state of things especially deplorable is that public opinion, acting through the agencies of government, is playing a part in our economic activity of which the importance is consequently increasing. It is every year becoming more necessary that legislation should be guided by correct conceptions of the ultimate consequences of all proposed measures upon the welfare of the community. The intelligent socialist might well deplore the fact that, when such great improvements in our industrial education and activity through State agency are ideally possible, the one great requisite of thorough understanding of the forces brought into play when such improvements are attempted should be wanting. He

should not fail to see that the first condition towards an enlargement of the economic functions of the State is the acceptance by the State of those laws which govern the production and distribution of wealth, as they have been developed by the economic investigators of the past and present.

It is frequently held that popular government, especially when based on universal suffrage, necessarily reflects the ideas of the masses rather than those of the thinking and educated classes. Were this the case, our study could scarcely lead us to any practically useful result. But we should not accept this conclusion without testing it by other cases than those now before us. The abnormal character of the divergence between public opinion and economic doctrine will be made clear when we contrast it with the reception by the public of the results of thought in other fields. When the chemist learns the properties of new compounds, when the pathologist discovers that certain agents exercise an injurious influence upon the human system, when the entomologist finds how noxious insects may be destroyed, they have no difficulty in persuading the public of the correctness of their conclusions. When the astronomer maps out the path of an eclipse over the earth's surface a hundred years before its occurrence, all his intelligent fellow-citizens believe implicitly that posterity will see the eclipse exactly as he has predicted it. The general rule has been that the thinking few impress their ideas upon the masses, and thus guide the policy of the community, even when there is a direct antagonism between their ideas and those which the masses would naturally be led to adopt. To the natural man no doctrines could appear more repugnant to reason and experience than those of the earth's rotundity and of its diurnal rotation on its axis. Yet the former was never contested by any one who had occasion to apply it; and the latter is now universally accepted, not

because the masses see its truth, but because they accept the conclusions of those who do see it.

The fact is that a large body, perhaps a majority of the educated few, are almost at one with the public at large in unwittingly accepting the doctrines of the popular political economy. The question is not between intelligence on the one side and ignorance on the other, but between the handful of men who have made a special study of economics and the intelligence of the country at large. When that intelligence is won over to the side of the economists, we may expect with entire confidence that the ideas of the masses will soon follow.

We must therefore recognize three classes of thinkers, — the professional teachers and students who necessarily number only a few hundreds or thousands, the educated classes, and the public at large. So far as the professional teacher is concerned, every one who comes within the range of his effective instruction — every one, I mean, whom he really has a chance to train in methods of systematic thought — may be considered as belonging to the educated class. The practical question before us is, therefore, how economic science should be taught to the mass of students in our colleges and schools. This is a question on which the writer touches with great diffidence, for the reason that his conclusions are not those of a professional teacher or student of the subject, but only those of one who has always taken an interest in the study of popular habits of thought. Hence, even should his ideas of the disease be well founded, those of the remedy will necessarily lack the basis of positive experience. Still, for the sake of opening a discussion which he hopes will be continued by abler and more experienced pens, he will venture a few suggestions.

First of all, he would submit the question whether the recent reaction against the teaching of abstract principles, and the substitution of wide instruction in history, admin-

istration, and the general facts of the social organism for a study of those principles, has not served to lessen the influence of economic thinking upon the educated public. The popular political economy, not being based upon wide study of any sort, but upon a few simple principles, can best be met on its own ground by showing the fallacies on which those principles are based. In the very fact that education and intelligence do not seem to have weakened the hold of the popular political economy on the public mind we have good evidence that mere increase of intelligence will not suffice to eradicate it. What we want is better training in the art of right thinking. This training cannot be given by the mere teaching of facts. A person can no more be trained to a thinker by lecturing to him than he can into a gymnast. A student may know the whole history of money and banking, and be acquainted with the laws of the leading nations relating to these subjects, without being able to trace the effect of free coinage of silver upon trade and industry. He may be able to repeat the arguments for and against bimetallism without being able to judge which should prevail in a given case. He may be profoundly acquainted with the economic policies of all the great nations, and yet be unable to refute the fallacies into which the farmer's boy falls in talking of trade and industry. The one thing needful is a thorough drill in following mentally the operations of production, exchange, transportation, distribution, and consumption. The current popular reasoning on economic subjects is often sound so far as it goes: it fails from considering only a part of the case. The student should be able to point out to the plain man just where this fault begins, and what the result will be when indirect as well as direct effects are considered.

It is also desirable that the student be taught not only to think rightly and reach correct conclusions, but to analyze and expose popular fallacies. He should be able to

point out to the intelligent but not specially trained man wherein the latter reasons wrongly when he reaches such conclusions as that the law requiring all copyright books to be wholly manufactured in this country is a benefit to our industry, and that the employment of the cheap labor of industrious foreigners, like the Chinese, will reduce the standard of living of our own laboring classes.

It is a remarkable fact that Bastiat seems to have been almost the only well-known writer who has thus attempted to attack popular fallacies on their own ground, and make them evident by modes of reasoning of the same kind which the public habitually employ. Probably these writings were better known to the students of the last generation than they are to those of the present time. If this is so, and if, as the writer supposes, they are the only writings of their kind extant, we have a very good explanation of the reaction of our own generation against the fundamental principles of economic science. The direction which the present writer believes that elementary economic teaching should take may be made more evident by some examples of the propositions which he holds should be taught to or discussed by students. Such propositions are:—

That the exports of a country will, in the long run, approximately balance the imports, no matter what restrictions may be placed upon the latter.

That the ultimate effect of such restrictions is to make exports less profitable: hence that the so-called balance of trade needs no regulation, and that there is no danger of our interests suffering from an excess of imports.

That no raising of wages is of permanent benefit to the masses unless accompanied by an increase in the production of things for the masses to eat, drink, and wear.

That every increase in the production of those necessaries of life which the masses find it hard to obtain makes their command easier to some, and places them within the reach of others; while every cause which has the effect of diminishing such production will compel some class to go with less of them than they would otherwise enjoy.

That the value of every industry is to be measured, not by the

employment it gives to labor, but by the usefulness of its product; in fact, that the employment shows the cost of the industry, not its utility.

That the employment of the unemployed at the public expense would be of no permanent benefit, unless the result of their labor could be sold for at least its cost.

That there is plenty of employment for everybody, if men only had the wages to pay them, so that what is called want of work really means want of money to pay for the work.

That the lower the wages demanded in any employment, the greater the number of people who can find employment at those wages; and the higher the wages demanded, the less the number.

That the supposed beneficial effects of an increase of currency upon business would only prove temporary, and would be followed by a depression corresponding to the stimulus which business had received.

That prices are determined, in the general average and the long run, by the quantity of any article produced and the demand of the public for it; that any attempt to artificially raise the price of any service whatever above the limit thus fixed will result in a diminished consumption, and hence in a diminished production,—in other words, that you cannot get the public to accept more than a certain quantity of service or goods at any definite price, which quantity diminishes with the price.

That there is no possibility of a general increase in the demand for labor except by measures which would speedily neutralize their own effects, and that attempts to promote or encourage one branch of industry by making it more necessary only result in an equal discouragement to other branches.

That a commercial marine is of no benefit to us except through bringing to our shores the products of other nations which we wish to enjoy.

In general, that industry is of no use to us except by producing things that we need; and that, if we can get those things without the industry, so much the better, because we shall then have more time to produce yet other things which we had not previously enjoyed.

That a Chinaman who should work for nothing would therefore be a benefactor to us all, being, in fact, so far as we are concerned, a sort of labor-saving machine.

In fine, that the great improvements which the present generation has witnessed in the condition of the laborer are due to cheapened production, whereby everything we need is gained with less industry than was formerly necessary.

It is not claimed that such propositions should be taught dogmatically, as if they were theorems of geometry. Not only should their limitations be pointed out, when necessary, but the student should be encouraged to find or even to imagine conditions under which the maxims would fail. In doing this, the vice he should be taught to avoid is that of concluding that because he can imagine a state of things under which a maxim would fail, therefore it is worthless. It is also suggested that all branches of economic learning are not equally valuable for the special end in view. Much that is said of such subjects as laws of distribution, utility, disutility, profits, and cost of production, however interesting and valuable to the teacher and professional student, can be of little use to the general student because he has not time to master and digest it. Of still less use to him is the history of economic theory, except so far as it may bear upon the problems of our own time. On the other hand, the study of the life and condition of various classes of men, both past and present, afford valuable lessons which are too much neglected. But, as in the case of all other facts, those of history are valuable only as they afford a means of understanding the present and inferring the future.

