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SIMON N. PATTEN

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INTRODUCTION.

There are two possible starting points for economic investigation—man or nature. If we begin with man the fundamental premises lie in the subjective differences in men. If we begin with nature, the objective differences in nature form the first premises. The physiocrats to whom the classical system owes its origin began with the environment of man, and created a science out of the conditions that limit the actions of men. As they lived in an age when the physical sciences engrossed the attention of scholars, it is not strange that they should model the science of economics after the physical sciences cultivated at that time. This radically wrong, although highly necessary, beginning of the science brought with it a train of evils which have not yet been eliminated. It has led its investigators to esteem too highly some of those laws which rest directly upon a physical background. Men who look upon physical laws and physical standards as more exact and more definite than those laws of a subjective nature state them in a form which tends to hide their real character. They regard the physical and objective as fundamental, while the subjective and mental are brought in only as modifying conditions. The ideas of the physiocrats did not die with them; their successors continued to imitate the methods of the physical sciences, and tried to measure economic forces by objective standards.

Adam Smith was the first to make a conscious and important use of subjective premises. English investigators in morals had shown that the actions of men are independent phenomena, having laws of their own. Adam Smith thus came by inheritance and early education into the possession of a body of knowledge, and a way of looking at social and industrial affairs which was out of the

reach of his predecessors in France. He had only to obtain the results of their investigations to be placed in a position to reconstruct the science. He was, however, too much influenced by them to avoid their leading errors, and hence his theories are in many respects in harmony with, if not, the direct outcome of their general point of view.

These tendencies towards a greater use of subjective laws in economics were checked by Ricardo. The law of rent vitalized and co-ordinated all the physical elements of the science. By uniting in an organic whole certain objective features of the economic world Ricardo gave a vivid picture of the structure of society which has ever since been the charm of those who delight in deductive reasoning. While he makes differences in the objective world the basis of his reasoning he overlooks the importance of those of a subjective nature. They remain in an inductive form without any definite arrangement. He was thus enabled to make a free use of subjective facts and at the same time to harmonize them with the objective premises that lie at the basis of his system.

The stability of the classical system can be disturbed from two directions—either by those who distrusted the deductive method and hence valued the deductive part of their work less highly than the classical economists did, or by those who had greater confidence in subjective laws, and hence sought to change the subjective elements of political economy into a deductive form. Destructive criticism and constructive efforts would have the same general effect. They would both lead to the formation of a new political economy in which man would be the center point. The progress of civilization has become so great that any fair application of the inductive method must show the supremacy of man over nature. And if any unbiased, deductive thinker should seek for differences upon which to base his deductions he could not but see that differences in men were of greater importance in explaining economic phenomena than differences in nature.

It was natural that the first reaction against the classical economists should be inductive in form. The better knowledge of the laws of agricultural production which his

residence in a new country gave him, enabled Carey to cast a doubt upon those physical laws which the classical school used as the basis of their reasoning. It was no longer possible to defend a system of political economy that determined the productive power of a society, and the income of its members, solely by making deductions from the laws of rent, and of diminishing returns. The inductive and historical work of the German economists was of far greater importance, because it brought to light a mass of facts relating to the progress of society, and the evolution of man. The result of these inductive and historical studies changed the character of political economy and reversed the order in which it is studied. It became less physical and more subjective in its character, and instead of proceeding from nature to man, it became evident that economists must begin with the study of man and end with a study of the relation of man to nature.

While inductive thinkers could escape from the dominion of the classical school in the way discovered by Carey and the German economists, this road was not open to those who were deductive in their thinking. They could not consistently contest deductive conclusions with a mere appeal to inductive facts. They were compelled to take up the subjective elements of the science which the classical school had not properly utilized, and change them into a deductive form. Those who were not satisfied with deductions from differences in physical nature, must use differences in man as the basis of their reasoning. From these differences in men they must construct a subjective economy that will bind together in a harmonious whole all our knowledge of the influence of men upon economic phenomena. What the old economists did for the physical laws of the science they seek to do for the mental laws. Such economists must be more deductive than their predecessors because they are extending the use of deduction over a vast field to which the deductive method had never been applied. They must at the same time be more inductive because the premises they seek cannot be obtained by simple inspection. Only a care-

ful investigation of history and facts will give the basis upon which they must build.

It is not my purpose to present a complete system of economics, based upon subjective phenomena. Much of the work leading to that end has been too well done to need a repetition. I shall, however, use my studies to furnish fresh illustrations of the importance of such a system, and of the possibility of applying its principles to other fields than those in which they are already in use.* I am interested in the problems of the consumption of wealth, and have tried to develop a theory of this subject. My main endeavor will be to show that the theory of consumption furnishes a better basis for the theories of value and of distribution than the accepted theory of cost of production. If this change is made the theory of production becomes independent of the theory of distribution, and can be presented in a way more capable of showing the causes of progress and prosperity. An especial emphasis will also be given to the causes determining the standard of life. It will, however, be necessary to direct attention, first of all, to the history of economic theory, since many of the difficulties in the reconstruction of these theories lie in the interpretation of their history.

*See the writer's *Premises of Political Economy and Consumption of Wealth*.