

**OUTLINE OF LECTURES UPON POLITICAL
ECONOMY: PREPARED FOR THE USE OF
STUDENTS AT JOHNS HOPKINS UNIVERSITY,
BALTIMORE, M.D., AND THE UNIVERSITY OF
MICHIGAN, ANN ARBOR, MICH; PREPARED
FOR THE USE STUDENTS AT THE UNIVERSITY OF
MICHIGAN AND CORNELL UNIVERSITY**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649665648

Outline of Lectures Upon Political Economy: Prepared for the Use of Students at Johns Hopkins University, Baltimore, M.D., and the University of Michigan, Ann Arbor, Mich; Prepared for the Use Students at the University of Michigan and Cornell University by Henry Carter Adams

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

HENRY CARTER ADAMS

**OUTLINE OF LECTURES UPON POLITICAL
ECONOMY: PREPARED FOR THE USE OF
STUDENTS AT JOHNS HOPKINS UNIVERSITY,
BALTIMORE, M.D., AND THE UNIVERSITY OF
MICHIGAN, ANN ARBOR, MICH; PREPARED
FOR THE USE STUDENTS AT THE UNIVERSITY OF
MICHIGAN AND CORNELL UNIVERSITY**

1-1-4
OUTLINE OF LECTURES

UPON

POLITICAL ECONOMY,

PREPARED FOR THE USE OF STUDENTS AT THE JOHNS
HOPKINS UNIVERSITY, BALTIMORE, MD., AND
THE UNIVERSITY OF MICHIGAN,
ANN ARBOR, MICH.

By HENRY CARTER ADAMS, Ph. D.

—
BALTIMORE, 1881.

NOTE.

THIS Outline of Lectures has been prepared for the use of students following the course upon Political Economy. Its purpose is to save time and manual labor, which would otherwise be required in writing dictations during the lecture hour, and to serve as a guide for study. It will be found to be sufficiently extended for an advanced course of instruction, while at the same time, by a proper method of selection, it may be used with advantage in preliminary class work. For the purpose of economizing space, it has been thought best not to insert the complete title of books referred to, but to give the name of the author only; the title of the book being found in the list of authorities cited. In case several books by the same author are used, the letters (a), (b), or (c), attached, will indicate which is intended. It is recommended to those who purpose taking up this study, to provide themselves with the following reference books, given in order of their importance:

- (1.) John Stuart Mill, Principles of Political Economy.
- (2.) J. E. Cairnes, Some Leading Principles of Political Economy Newly Expounded.
- (3.) Chapin-Wayland, Elements of Political Economy.
- (4.) J. E. Cairnes, Logic of Political Economy.
- (5.) Roscher, National Economy. (Translated.)
- (6.) E. P. Smith, Elements of Political Economy.

To obviate the expenditure of too much money on the part of any one student, it is suggested that a number of students club together, each buying one of the above books; or that the Societies, provided with conveniences for reading, procure the set as Society property.

PART I. HISTORICAL.

DEVELOPMENT OF ECONOMIC THOUGHT SINCE 1550.

§ 1. There are certain advantages in beginning the study of Political Economy with a sketch of economic thought. The true nature and spirit of the study are thereby most clearly set forth; its connection with legislation made apparent; and, by tracing the historic development of economic ideas, the continuity of the study will be discerned, even in the hands of conflicting schools. Previous to the sixteenth century, Europe shows little which may be properly termed economic thought. That which did exist is to be found in the Canonical Law, in the maxims accepted by feudal princes for the control of their estates, and in the rules and customs of the Guilds.

This state of things is explained by the supremacy of the Catholic Church; the subordination of the industrial to the political organization; the condition of law respecting persons, property and class rights, and, in consequence, the slight development of the principle of division of labor. For study of this period compare: *History of Political Economy*, by Blanqui; *Geschichte der volkswirtschaftlichen Literatur im Mittelalter*, by Coatzen; *Geschichte der National-Oekonomie in Deutschland*, by Roscher.

A.—THE MERCANTILE SYSTEM.

§ 2. With the sixteenth century, there began a literature upon industrial topics which has continued in unbroken development to the present time. It was at first composed of a series of maxims and laws concerning trade, but these, being formulated through discussion and thrown into logical connection with each other, came to be known under the name of The Mercantile System.

The humanistic spirit of the Renaissance; the inventions, discoveries, and consequent extension of trade explain the rise of this literature.

The writers of this school are: in Spain — Serra; in France — Melon, Forbonnais; in England—Mun, Child, Petty, North, Stewart. Stewart (1787) systematized the ideas of the school.

The great statesmen of Mercantilism are Cromwell, Colbert, Friedrich Wilhelm I., and Friedrich II.

For a study of this system, see A. Smith, B. IV., ch. I.—Travers Twiss, Lectures I, II, III, IV.—Blanqui, ch. XXVI.—Cossa, Historical Part, ch. III.—Mill, Preliminary Remarks.—McCulloch, (a) Part First.

§ 3. The Fundamental Conception of this system was that the precious metals alone constitute wealth, and that a nation was rich or poor according as it possessed within its territorial boundaries large or small quantities of these metals. Among the reasons for the ready acceptance of this idea may be given the following:—

(a) The nature of the metals themselves and their use among settled peoples as money.

(b) The influence of the discovery of America and the ocean passage to India.

(c) The idea of absolutism in the state.

Compare Stewart, B. II., ch. III. Money "is an adequate equivalent for everything." John Law's banking plan was based upon the idea that industry is limited by the amount of money in a country.

§ 4. Among the Practical Doctrines which found place in this system were the following:—

(a) That it was the height of statesmanship to guard the precious metals.

(b) That colonies containing mines were of all the most to be desired; after these, those producing raw material for manufactures.

The Spanish war of 1740 was in part the result of this doctrine.

(c) That what one nation gains in trade is at the expense of the other trading nation.

Compare Stewart, B. II. ch. V. and XXIX.

(d) That whatever tends to increase the nation's stock of gold must advance the industrial condition of each citizen of the state.

(e) That no money transaction in the country could possibly affect its economic standing.

Illustrate from common ideas respecting public debts.

§ 5. The spirit of this system appears most clearly, in a study of the legislative acts and industrial changes which it effected. Of these practical results six may be mentioned.

(a) Many laws were passed for the purpose of hindering the efflux and encouraging the influx of the precious metals.

Mercantilism passed through two stages. In the first, the exportation of the precious metals was prohibited by law; in the second, the "balance of trade" theory was made the basis of commercial enactments. The

development of these laws may be best studied in the history of the East India Company. The defense of free exportation found in "England's Treasure by Foreign Trade," 1664, by Thomas Mun. Compare Stewart, B. II., ch. XXIII, XXIV, XXV.

(b) The colonial system was the result of accepted commercial doctrines.

Compare A. Smith, B. IV., ch. VII., § III., also, Sheffield's Observations. For England's policy with regard to the American colonies, see "History of Europe in the Eighteenth Century" by Lecky, v. II., p. 7,—with regard to Ireland, the same, p. 206.

(c) Agriculture was almost totally neglected.

A distinction was made between food producing and raw material producing agriculture. Laws of Colbert as touching agriculture. Compare Stewart, B. I., ch. XIV.

(d) Duties were established for other than revenue purposes, and commerce was placed under numberless restrictions.

These laws are the best illustrated in Colbert's system; See Blanqui, ch. XXVI; Travers Twiss, Lecture III. For Cromwell's Navigation Act, see McCulloch's edition of A. Smith, Note XII. Relation of this discriminating policy to modern protection.

(e) It effected a quite universal establishment of the banking system.

(f) Laws were passed encouraging the increase of population.

Compare Roscher, § 255, 256, 257. French and German laws on marriage, birth and migration. English poor laws. Laws for encouragement of population. Population question as treated by Stewart. Compare B. I.

B.—THE PHYSIOCRATS.

§ 6. By the middle of the eighteenth century, the system of political privileges and industrial supervision had reached the full extent of its possible development. The failure of Law's bank, which had been supported for the most part by advocates of Colbert's policy, and the growing wretchedness of the agricultural classes, had produced criticism from many writers in France. These criticisms were, however, at first addressed to particular doctrines and practices, and it was not until 1758, by the appearance of Quesnay's "Tableau économique" that the foundation for a new economic system was laid. The school of liberal writers which looked to Quesnay as their teacher, took the name of Economists or Physiocrats.

The writers of this school are Quesnay, ("Tableau économique," 1758, and "Physiocratie, ou constitution naturelle du gouvernement le plus avantageux au genre humain," 1768), Gournay, Mercier de la Rivière, (translated by Jefferson.) For full list of bibliography see Cossa, Historical Part, ch. IV. Turgot was the statesman advocate, and Neckar the statesman opponent of

this school. For a study of their doctrines, comp. Blanqui, ch. XXXII and XXXIII. A. Smith, B. IV., ch. IX. Twiss, Lecture V. Encyclopædia Britannica — Article, "Economists." Turgot, *Philosophe Economiste et Administrateur*, by Batlle, Paris, 1861.

The points of contrast between this system and Mercantilism are the following:

- First, Theory precedes practice; the system is aggressive, not defensive.
- Second, Agriculture is estimated more highly than manufactures.
- Third, Industrial freedom is preferred to state guardianship. Many expressions in favor of industrial freedom may be found in Steuart.

§ 7. The Fundamental Conception of this system is, "The soil is the source of all wealth," from which it follows that the products of the soil alone constitute wealth.

Two reasons may be assigned for the ready acceptance of this idea in France.

- (a) Landed values alone were observed to remain stable in the midst of the universal ruin, which followed the failure of Law's banking scheme. Compare Blanqui, ch. XXXII.
- (b) This idea and all that flowed from it, were in harmony with the French philosophy of Nature.

§ 8. The Economic Doctrines of this school may be reduced to the five following:

- (a) Agriculture is the only productive industry.

The classes of society recognized were: landed proprietors; farmers and land laborers; manufacturers and merchants. This latter class was considered unproductive. Compare A. Smith, B. IV., ch. IX.

- (b) The entire revenue of the state ought to be raised by means of a single tax upon the net product of land.
- (c) Regulations by the state, respecting trade and industry, can only be detrimental.

This was a direct attack upon the laws of Colbert.

- (d) The presence of money in a country was the effect, not the cause of industry.

Buoisgillebert emphasized this doctrine, which was a direct attack upon the economic basis of John Law's banking scheme.

- (e) The true criterion of the riches of a state is the riches of the citizens.

"Pauvres paysans, pauvre royaume; pauvre royaume, pauvre roi," was Quesnay's motto. The practical effect of these doctrines was slight; owing, in part, to the character of the men who advocated them, but explained more fully by the advent of the Revolution and the rise of English economy. Whatever practical effect the doctrines had, is found in Turgot's administration. The great work of the Physiocrats was to prepare the way for English Economy.

C.—ENGLISH ECONOMY.

§ 8. There was, during the eighteenth century, the same occasion for a revolt against the Mercantile System in England as in France. That it did not come so quickly may be explained, partly by the character of the English people and their customs of thought, but more satisfactorily by the fact that the commercial interests of England were much greater than those of France. The founder of English political economy is Adam Smith, who published, in 1776, a work entitled "An Inquiry into the Nature and Causes of the Wealth of Nations."

For a sketch of the life of Adam Smith compare introduction to Rogers' or McCulloch's edition of his works.

The relation of his great work to his previous works, to the system of economy which has been built upon it, and to the civilization of the nineteenth century, may be found treated in Bagehot, (a) pp. 95-134,—Buckle, *History of Civilization*, v. III., pp. 304-322.

§ 10. The Fundamental Conceptions upon which Adam Smith's Economy is based, are two, the one of which is purely economic, the other governmental, in its character.

(a) Labor is the real source of wealth, the "ultimate price which is paid for everything." From this conception there flow certain important doctrines.

(1) All labor which effects an increased value of commodities, is productive.

Smith's doctrine of productive labor is found B. II., ch. III. This was opposed to the Physiocrats.

(2) Labor is the measure of value.

Relation of this doctrine to Socialism. For the denial of this doctrine, it is not necessary to deny that labor is the real source of wealth.

(3) Whatever increases the efficiency of labor increases the producing power of a people.

(b) Individual effort is entirely sufficient for the organization and maintenance of all desirable industrial enterprises. This idea of individual sufficiency led to those doctrines of individual liberty in industries, which characterize English Political Economy. These doctrines are:

(1) The Functions of the State should be confined to the providing of protection for all citizens.

Origin of the adage, "Laissez faire et laissez passer"; its meaning, and the propositions of which it is the conclusion.