

THE NEGLECT OF BASTIAT'S SCHOOL
BY ENGLISH-SPEAKING ECONOMISTS:
THE PUZZLE RESOLVED

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1. INTRODUCTION

Frédéric Bastiat was a member of the French liberal school, which thoroughly dominated economics in France from the beginning of the nineteenth century until the 1880's and continued to exert a strong intellectual influence right up to the eve of World War One. He was neither the school's founder, nor its most profound theorist, nor even the most consistent defender of the *laissez-faire* implications of its economic theories. He was however the most gifted expositor of its politico-economic doctrines, and as such, is the economist associated with this school whose name evokes greatest recognition among contemporary Anglo-American economists. Thus I refer to "Bastiat's school"

In an earlier article, I detailed the profound influence that the French liberal school had on the development of nineteenth-century economic theory not only in France and other Continental countries, particularly Italy, Germany and Austria, but also in the United States, Great Britain and Australia. (Salerno 1988, pp. 113-56). In this article, I also criticized the attempts of a number of economists who were conversant with, if not sympathetic to, the French liberal school, including Joseph Schumpeter, Karl Pribram, and Peter Groenewegen, to explain its almost complete neglect by Anglo-American economists and historians of thought after World War One. Their explanations boiled down to three main claims. First, the leaders of the school succeeding its founder J.-B.

Say produced brilliant expositions of received doctrine but were incapable of either initiating or absorbing analytical innovations. Second, as a result of its analytical sterility, the school failed to participate in the development and dissemination of marginalist ideas during the three decades of doctrinal ferment leading up to World War One. Finally the school's intransigent and thoroughgoing opposition not only to socialism but to almost any form of government intervention into the economy led critics to dismiss the school as little more than apologists for extreme *laissez-faire* liberalism. This reinforced the image of liberal economists as mere expositors and pamphleteers who were irrelevant to any account of the development of pure economic theory in the nineteenth century.

As I argued in my earlier article, however, these earlier explanations utterly failed to recognize and address the extent of the French liberal school's influence on important economic theorists throughout the nineteenth century, including eminent Continental marginalists like Böhm-Bawerkian, Cassel, Wicksell, and Pareto. I concluded my article by noting that once its contributions to the development of economic theory are recognized,

“. . . then the attempt of Schumpeter and other scholars to explain the Anglo-American neglect of the liberal school in terms of the latter's analytical sterility or indifference immediately founders. While an alternative explanation has not been provided, considerable progress has been made by radically shifting the focus of research from alleged analytical shortcomings of the liberal school to the identification of the institutional factors that have impeded recognition by

(most) English-speaking economists of the substantive theoretical content of liberal economics (Salerno 1988, p. 143).

In the present paper, I pick up this research thread where I left it in the earlier article. I argue that the Anglo-American tendency to diminish or entirely disregard the liberal school's contributions to technical economic theory stemmed from peculiar institutional developments accompanying the professionalization of economics in France, Great Britain, and the United States.

Most significantly, the peculiar nonacademic milieu in which the French liberal school flourished during the first three quarters of the nineteenth century was revolutionized almost overnight by radical institutional changes engineered by the French government in the late 1870's. In one fell swoop, these changes ensconced a rival school in newly created and highly prestigious university chairs throughout France, professionalizing French economics and stripping the mainly nonacademic liberal school of its unrivaled intellectual authority. This engendered an intense and bitter doctrinal conflict between the liberal school and the self-proclaimed "new school" led by Charles Gide. Ironically, the latter school was not "new" at all and never made any original contribution to economic theory. Rather, it cobbled together an *ad hoc* blend of moderate German historicism and British classicism that it used as a theoretical weapon to attack the *laissez-faire* program of the liberal economists and to defend, if not outright socialization of the means of production, thoroughgoing governmental intervention into the market economy. The true nature of the controversy, however, was deliberately misrepresented by adherents of the new school, especially Gide, in their various books

translated into English as well as in the numerous survey articles, notes, book reviews and obituaries that they published in English-language journals from the early 1880's through the 1920's. In these publications the liberal school—or “orthodox” or “optimist” school as it was derisively labeled in this literature—was portrayed as a reactionary and ideological sect of amateur pamphleteers and polemicists who were monomaniacally intent upon suppressing socialism and protectionism and had little regard for the development of technical economic theory. The new school, in contrast, was characterized as a cosmopolitan grouping of value-free theorists who were open to the new trends in economic theory represented by marginalism, historicism, and mathematical economics.

In Section 2 of the paper, I detail the relevant institutional and doctrinal developments in France. Sections 3 and 4 describes the institutional and doctrinal developments in Great Britain and the United States respectively, that inclined Anglo-American economists in this formative period of modern economics to accept at face value the characterization of the liberal school propagated by its bitter doctrinal rivals. Section 5 reviews the important English-language publications of both new-school and liberal economists and shows how they crucially influenced Anglo-American attitudes toward the liberal school.

2. THE SITUATION IN FRANCE

Before 1878, the liberal school controlled what formal economic instruction there was in France as well as the main organs for propagating economic ideas to the public-at-large.¹

Prior to 1878, there was no formal instruction in political economy in the French university system. As they had been reconstructed by Napoleon, French universities comprised only four faculties: Law; Medicine; Science; and Letters. There did however exist chairs of political economy outside the university system. The first and most prestigious of these chairs was instituted in the Collège de France in 1831 and was held successively by Say, Pellegrino Rossi, Michel Chevalier, and the latter's son-in-law Paul Leroy-Beaulieu, all members of the liberal school. The Collège de France, however, was basically a ceremonial institution, consisting of courses of lectures in various disciplines open to the public. It had no regular student body or formal curriculum, held no examinations and conferred no degrees. A chair in the history of economic doctrines was later created at the Collège and was given to Bastiat disciple Henri Baudrillard, who was succeeded in the position by fellow liberal economist Émile Levasseur.

Chairs of political economy also existed in various technical and professional schools. A Chair of Industrial Economics was instituted in 1820 in the Conservatoire des Arts et Métiers, an industrial school initiated during the French Revolution designed to familiarize employers and workers with new techniques and inventions.² The first holder of the chair was once again Say, and he was succeeded by liberal economists Jerome Adolphe Blanqui and, later on, Léon Wolowski (in a renamed Chair of Industrial Legislation). Before he succeeded Say at the Conservatoire, Blanqui held the chair at the École Supérieure de Commerce where, upon his departure, he was succeeded by his brother-in-law, the liberal economist Joseph Garnier. Garnier later received concurrent appointments to teach economics at the École des Ponts et Chaussées and École Commerciale de l'Avenue Trudaine. Economic instruction at all these institutions,

however, tended to be of secondary importance and oriented to practical concerns and, therefore, the ideas and doctrines of the liberal school were disseminated mainly through various nonacademic organizations and publications.

The intellectual hub of the liberal school was located in the Institute de France, the most influential institution in contemporary French intellectual life. The Institute comprised six sections or “academies,” including the French Academy of literary fame. Political economy was a subsection of the Academy of Moral and Political Sciences and consisted of eight members, who to the man were adherents of the liberal school.

Scholarship in liberal economics was directly subsidized and encouraged by the Institute through annual essay competitions that bestowed on the winners not only munificent pecuniary awards but also the prestigious title of Laureate de l’Institute. Laureates were encouraged to further their scholarship by prize money offered in regular essay competitions and by the eventual prospect that a laureate who distinguished himself in these competitions would be granted permission to “communicate” with the members of the Institute. This communication involved an oral presentation by the laureate at a meeting of the Moral and Political Sciences section. The oral presentation was the indispensable first step by which the laureate developed a candidacy for his ultimate goal: admission to life membership in the Institute.

Needless to say, the total domination of the Moral and Political Sciences Academy by liberal economists ensured that the laureates and candidates were favorably disposed toward liberal doctrine. Thus the honor and glory of one day occupying a seat among the “Immortals” of the French Academy, sustained in the interim by a semi-

regular income from essay writing, was a powerful tool in the recruitment and development of scholars in the liberal tradition.

A number of other important institutions helped cultivate and sustain the influence of the liberal school. There was the Société d' Économie Politique, which was founded in 1842 and featured an elected membership of almost exclusively liberal economists and journalists. The liberal school also controlled the *Journal des Économistes*. Founded in 1841, it was the world's first economics journal and the only one in France until 1875. It was edited through the First World War successively by three prominent liberal economists: Garnier, Gustave de Molinari and Yves Guyot. A layman's review of economic issues from a liberal perspective, *Économiste Française*, fashioned after the British periodical, *The Economist*, began publication in 1873 under the long-time editorship of the later liberal school's most renowned theorist, Leroy-Beaulieu.

The Librairie Guillaumin was the largest publisher of economic books in France during this period. It published liberal-oriented works almost exclusively and also served as a training ground and source of income for aspiring liberal economists by employing them as editors. Although nominally operated by two sisters, it appears that the financial affairs of the publishing house were controlled by a silent partnership of leading liberal economists. One of the most influential publications bearing the impress of Librairie Guillaumin was the *Dictionnaire d' Économie Politique*, published in 1852-1853 under the editorship of two liberal economists, Charles Coquelin and Garnier. The revised *Nouveau Dictionnaire d' Économie Politique* was issued by the same publisher in 1890-

1892, and one of its editors was Léon Say, the grandson of J.-B. Say and a recognized liberal economist and prominent financial statesman.

Despite its dominant institutional position in French economics, the liberal school encountered widespread opposition to its doctrines even at the height of its authority. Indeed, the school's vocal and unswerving support of *laissez-faire* policies had always evoked bitter antagonism from a broad spectrum of ideological factions and special interest groups in French society. As Gide, a contemporary observer who was hardly sympathetic to the liberal school, noted: "Religious beliefs, revolutionary unrest, material interests, philosophic speculations—all apparently combined to work against [the liberal school] Since its birth, so to say, the liberal school had been obliged to combat the conservatives of the old regime, the socialists and the protectionists" (Gide 1890, p. 629). Yet such challenges to the school's authority for the most part was confined to the economic policy sphere; in the realm of economic theory the school's preeminence remained unquestioned until the late 1870's. In 1878 there occurred a reform in the French university system that led directly to the usurpation of the school's institutional ascendancy in economic instruction and research. The momentous event was the establishment by the French government of a chair of political economy in each of the Faculties of Law.

Liberal economists had long bewailed the dearth of economic instruction in French universities. For example, in 1859, Chevalier lamented that:

We know that France is of all the countries of Europe, or of Christendom, that in which political economy is the least taught. There are but two

professorships: the one public, that of the College of France, and the other restricted to a special class of functionaries attached to the school of the Board of Works. Everywhere else, whether in Europe or America, each university has at least one chair of political economy; this will be found equally in Russia and in England, in Prussia and in Spain. The little kingdom of Portugal supports three professors of political economy (Chevalier 1859, pp. 10-11 fn.).

Writing from a decidedly anti-liberal perspective, Leon Walras also complained bitterly about the lack of opportunity for economists in French academia: “[T]he scientific context as far as political economy was concerned, was quite wretched. There were [sic] little towards which to aspire, in the whole of France, there were only three coveted professorships and eight seats as members of the Academy, all these posts were firmly in the hands of the orthodox school [i.e., liberal school]” (quoted in Alcouffe 1989, p. 330)

In 1863, representatives of the liberal school petitioned the government in the person of Victor Duruy, Napoleon III’s Minister of Public Instruction, to create chairs of political economy in each of the law faculties in France. In response Duruy, who was a moderate liberal reformer and sympathizer of the liberal school, instituted a chair in the Law Faculty in Paris, but lacked the funds to found chairs in all the law faculties of the French Empire. Moreover, according to one of his biographers, Duruy considered this his most important reform of legal education, because “it introduced an academic discipline that would help inoculate young men against the ‘dangerous utopian dreams’ that had attracted so many in 1848” (Horvath-Peterson 1984, p. 188). Unfortunately for

the liberal school, Duruy's assessment of the ramifications of his reform could not have been farther from the truth. For, as we shall see below, instead of "inoculating" the law profession against the virus of socialism, the reform served to spread the contagion of German historicism to the economics profession and to undermine the very institutional foundations of the liberal economic theory that had thus far operated as a bulwark against socialism. Thus the liberal school which, in blatant contradiction to its own politico-economic principles, had campaigned long and hard for a State solution to a perceived educational problem was hoist with its own petard.

Duruy was dismissed from his office in 1869, but in March 1877 the government decreed that political economy be taught in each of the thirteen law faculties in France and that all students be obliged to take the course. When the implementation of this reform had become imminent, the liberal school began to designate candidates to man the newly created chairs. However, the school had overlooked one important detail that proved to be its undoing: University statutes dictated that any chair in a law faculty could only be filled by an *agrégé en droit*. The degree of *agrégation de droit* was the highest degree conferred by the law faculty and it required two or three years of study beyond the doctorate of law devoted exclusively to Roman and French law in preparation for a series of competitive examinations (*concours de l'agrégation*).

Not one of the liberal candidates was an *agrégé* and only two or three were *docteurs en droit*, who, in rare instances, were permitted to hold chairs in the law faculties. Consequently, most of the new chairs were awarded to lawyers and jurists, generally professors of administrative or commercial law completely untrained in political economy. When it came to familiarizing themselves with economics, these men

were predisposed by their training in the law to reject the methods, theories and policies espoused by the liberal school in favor of those advocated by the German historical school.

The most prominent of these law faculty economists, Gide (1890, p. 631), gave a frank and compelling explanation of this predisposition:

Their legal studies, above all in Roman law, had familiarized them with the German Romanist literature, and especially with the historical school of jurisprudence of which Savigny was the most famous representative. They were therefore naturally inclined to consult the German economic literature and disposed to understand and approve of the same historic method applied to economics. . . . [M]oreover . . . a young man who has studied law seriously for ten years, is naturally led to magnify the offices of the lawmaker. He will be little apt to accept the principle of the liberal school, which maintains the fewer the laws the better, and that to have no laws whatever were best of all. A lawyer will not be apt to relish the doctrine of *laissez faire*. It is necessarily antipathetic to his modes of thought. In all times and in all countries, but perhaps more distinctly in the history of France than elsewhere, the lawyers have been the natural supporters of the government and even, in a certain sense, the founders of the modern state.... The new professors of economics in the faculty of law were thus drawn by their intellectual training and even by their profession, into a path opposite that of the liberal school.

Consequently, in the policy realm, although a few adhered to liberal doctrine, “the majority of the economists in Faculties of Law must be considered as ‘interventionists,’ to about the same degree as the German professors who used to be called socialists of the chair. . . .” (Gide 1907, p. 201)

In sum, in one of the most remarkable episodes in doctrinal history, an alternative school had sprung to life practically fully grown, with its members securely lodged in prestigious university chairs and equipped with a built-in and powerful constituency of five to six thousand law students destined to occupy influential positions in French government and society. The influence of the school was later greatly magnified by the extension of the economics curriculum from an annual course to a full-blown doctoral program on a par with the existing doctorate of law.

Needless to say, almost from the first, relations between the logical-deductivist and *laissez-faire* “Institute economists” and the historicist and interventionist “Law Faculty economists” were openly and acutely hostile. The first shot was fired by Paul Cauwès, the economics professor in the prestigious Paris Law Faculty. In his two volumes of lectures published in 1878-1880, he denied the existence of natural laws in economics and propounded Friedrich List’s system of protectionism. The liberal school responded to the challenge with vehement attacks on the work in the *Journal des Économistes* and reportedly even tried to have its author removed from his chair.

In 1883, Gide, who was to quickly become the internationally recognized leader of and main spokesman for the heterodox group of law faculty economists, published his *Principes d’Économie Politique*, which was to go through more than twenty editions in France.³ While generally sympathetic to the German historical school, which he dubbed

the “realist” school, Gide was an eclectic who also affirmed the legitimacy of the deductive method and of the search for universally valid economic laws. In important areas of policy, however, Gide diverged radically from the prescriptions of the liberal school: he questioned the legitimacy of private property in land, supported an income tax and looked forward to the supersession of competition and the wage system by “solidarism” or a system of cooperative production.⁴ He went on to found the Co-operative Society and the Society of Christian Socialists. Needless to say, liberal economists were aghast at Gide’s politico-economic doctrines and activities and they succeeded in denying him election to the Institute (Rist 1932, p. 337).

Gide struck back by proceeding to found a professional economics journal in 1887, the *Revue d’Économie Politique*, which included among its editors and contributors all the economists of the law faculties. The journal was pointedly described by its founder as “the organ of the professors of economics in the Faculties of Law, with the avowed programme of reaction against the doctrines of the optimist Liberal school, and the propagation of foreign, especially German economic schools” (Gide 1907, p. 201). Understandably, it was this event that “completed the rupture” between the two schools.

To the new school, the founding of the *Revue* and the unprecedented international call for papers that followed represented “a work of hygienic cleansing; dusting energetically moth-eaten economic furniture, opening wide the doors and windows to freshen the musty atmosphere, and introducing a flood of sunshine and pure air from the four corners of the world” (Gide 1890, p. 633). Not surprisingly, the liberal school interpreted the turn of events much differently. From its perspective, the new journal was an ill-considered and dilettantish endeavor to transplant German historicist and

Kathedersocialist ideas in an inhospitable French intellectual environment. Writing in 1893, the German-born Maurice Block, a naturalized French citizen and liberal authority on German historicism, remarked caustically on the founding of the *Revue*:

M. Gide and his colleagues . . . founded their own review, but they had trouble in sustaining it, and called foreign economists to their aid, especially German writers. Do they really imagine that it will suffice to read from time to time a fragment of Schmoller, of Brentano, or of others of that shade of thought, in order to penetrate the spirit of men so different from themselves? Then I pity them; they will labor in vain. (Block 1893, p. 28)

Block chided Gide in particular for dilettantism, referring to the latter's lack of knowledge of German: "M. Gide speaks like a *Kathedersocialist*; and yet one cannot know their doctrines well, if he does not know the language, and the more so, because the doctrines are constantly being modified" (Block 1893, pp. 24-25).

These heated polemics from Gide and Block exemplify the rancorous relations that existed between the two schools from the founding of the dissident journal up until World War I. While the liberal school gave as good as it got polemically, its days as a force to be reckoned with in French economics were numbered due to the radical shift in institutional power to the law faculty economists. By 1907, Gide (1907, p. 199) was able to boast, "The Law Faculties have almost a monopoly of economic teaching. . . . [P]olitical economy or its cognate studies [including finance, rural economy, and labor

legislation] are taught by about forty professors to about 8,000 students, all of them future barristers, magistrates, civil servants, deputies, or professors.”

The institutional dissolution of the French liberal school as a result of the “professionalization” of economics in France itself is only one of the components in a full explanation of why the school came to suffer severe neglect at the hands of neoclassical Anglo-American economists. The other elements of the explanation lie in the doctrinal and institutional upheavals that took place in British and American economics in the quarter of a century or so subsequent to the marginalist revolution. Together these elements led to a gross misinterpretation of the matters at issue between the warring French schools by Anglophone economists.

3. THE SITUATION IN GREAT BRITAIN

By the late 1860’s, the stifling Ricardian orthodoxy began to lose its grip on British economics. As John Mahoney (1991, p. 8) summed up the situation: “In the space of five years (1869-1874) economists had to absorb Thornton’s main attack on classical orthodoxy, Mill’s recantation of the wage-fund theory, new heights of invective from the pen of Ruskin, the publication of Jevons’ *Theory of Political Economy*, the launching of Cliff Leslie’s assault on deductive economics and the deaths of Mill and Cairnes.” Likewise, Hutchison (1973, pp. 185-86) noted, “. . . in the space of a few years in the late sixties and early seventies the Ricardo-Mill system of theory underwent a remarkably sudden and rapid collapse of credibility and confidence, considering how long and authoritative had been its dominance in Britain.”

During the classical era, prominent Ricardians such as J. R. McCulloch and J. E. Cairnes had characterized the liberal school's subjective-utility approach to value and price theory as unscientific and even implied that its theoretical endeavors were tainted by its desire to justify *laissez-faire* policy conclusions (Salerno 1988, pp. 114-15). But the decay of Ricardian economics and the ensuing twenty years or so of doctrinal ferment did nothing to enhance appreciation for the contributions of the liberal school in Great Britain, despite Jevons' heroic efforts to rehabilitate the reputation of various liberal economists, including Say and Bastiat, as important forerunners of the marginalist revolution.⁵ .

There were two reasons for Jevons' failure in this regard. First, Jevons' pure version of marginalism was never widely accepted in Great Britain, and marginalist ideas only began to achieve grudging and piecemeal acceptance with the publication of Alfred Marshall's *Principles of Economics* in 1890. During the interregnum between the collapse of classicism in the early 1870's and the emergence of the Marshallian neoclassical orthodoxy, a British historical movement emerged that was influenced by August Comte and the German historical school and whose proponents were highly critical of what they considered to be the exaggerated claims of abstract economic theory.⁶ Thus, according to Lord Robbins (1970, p. 171), the Irish economist Cliffe Leslie, one of the more prominent historicists of this period, "viewed with great suspicion long trains of deductive reasoning. There can be no doubt that this was typical of an important tendency. Some of the liveliest minds of the time were beginning to distrust theory of lose interest in it. . . ."⁷

In fact what the historicists distrusted most about theory was its claim to universal validity, a claim that was made with much greater certainty and less reservation by the French liberal school than by the British classical school. Thus, Mill, for example, conceded that the validity of economic theorems or laws was only hypothetical and dependent upon the concurrent operation of “disturbing causes” and noneconomic motives. Bastiat (1964, p. 27), in contrast, argued that economic laws were deducible from an absolutely evident and indisputable fact of reality, namely, that “*self-interest* is the mainspring of human nature. It must be clearly understood that this word is used here to designate a universal, incontestable fact, resulting from the nature of man, and not an adverse judgment, as would be the word *selfishness*. In other words, for Bastiat (1991, p. 43), the truth of economic theory is derived from the truth of the self-evident proposition that “The perpetual longing of personal interest is to quiet the needs, or more generally the desires, through satisfaction.” According to Bastiat (1964, p. 174), then, economic law operated inexorably and without respect to historical circumstances: “Economic laws act in accordance with the same principle, whether they apply to great masses of men, to two individuals, or even to an isolated individual condemned by circumstances to live in isolation.”

Furthermore, on economic policy, the British historicists, who were in general favorably disposed toward government intervention in the domestic market as well as in foreign trade, once again would have found Mill’s views much more palatable than Bastiat’s.⁸ Whereas Mill upheld the principle of *laissez-faire* “not as a natural law, but as a working rule conforming to experience and expedience and as flexible as these” (Spiegel 1991, p. 392), Bastiat (1964, p. 239) maintained that all legislation and

governmental actions in the economic sphere that went beyond the strict enforcement of property rights “make of the law an instrument of plunder for the benefit of individuals or classes.” For Bastiat, in short, the political-economic alternative to *la propriété* was *la spoliation*.

Given its potential use as the instrument of legalized plunder, Bastiat (1991, pp. 40-41) argued that the State had to be kept within rigid and narrowly circumscribed bounds:

The State will always act through means of force, imposing its services, and determining the services people must pay in return under the form of taxes. The problem then boils down to this: What sorts of things do men have a right to impose on their fellow men by resorting to force? I have no right to compel anybody whatever to be religious, charitable, learned, or industrious. But I have a right to compel him to be just. . . . Precisely because governmental action implies resorting to force such actions must be essentially limited to maintaining order, security, and justice.

The subsequent decline of historicism and the belated acceptance of marginalist ideas in Great Britain, however, still did not afford the subjective-value liberal school a sympathetic hearing among British economists. The reason is that the grand synthesis of marginalist and classical economics promulgated by Marshall served to minimize the subjective value-element that Menger and the Austrians had brought to marginalism and at the same time to restore the tarnished reputation of Ricardian economics. What

Hutchinson (1973, p. 185) calls the “somewhat confused interregnum” involving the Jevonian and historicist uprisings of the 1870’s and 1880’s was followed by “a sort of pious counterrevolutionary restoration” of classical concepts and terminology which was “undertaken by Marshall.”⁹ By the time marginalism of the watered-down Marshallian variety began to take hold among British economists, the staunchly anti-Ricardian Jevons already had passed from the scene leaving no Jevonian school to speak of aside from Philip Wicksteed, who labored in nonacademic obscurity.¹⁰ Another anti-classical economist and subjective-value theorist of note, who wrote prolifically during the pre-Marshallian interregnum, was Henry Dunning MacLeod. MacLeod (1896, p. 135) was heavily influenced by Bastiat and Bastiat’s American disciple, Arthur Latham Perry, describing the former as “the brightest genius who ever adorned the science of economics.” Unfortunately, despite his proto-marginalist insights and perceptive criticisms of classical economics, MacLeod’s highly polemical style, lack of an academic position, and failure to recognize Jevons as a kindred spirit—despite Jevons’ recognition of their affinity—combined to cause contemporary British economists to ignore his contributions (Salerno 1988, pp. 129-32; Maloney 1991, pp. 120-32).

The dismissive and parochial attitude of Ricardo and the later classical masters such as McCulloch and Cairnes toward the French liberal school, therefore, became one of the important doctrinal currents feeding British neoclassicism (Salerno 1988, pp. 114-16). Cairnes’ view of the matter, as summed up by S. G. Checkland (quoted in Hutchison 1973, p. 177, fn. 1) reflected the general British classical attitude: “Cairnes had no doubt that political economy was essentially an English business, and that contemporary French and German ideas were scarcely worthy of notice.” Marshall himself avowed that the

French and German economists, although they had not countenanced the doctrine of a fixed wages-fund, “on the whole . . . had not done nearly so much good work as the English” (quoted in Hutchinson 1973, p. 179-180 fn. 3). Marshall also dismissively characterized Bastiat as “a lucid writer but not a profound thinker” and denigrated the laissez-faire implications of Bastiat’s welfare analysis as “the extravagant doctrine that the natural organization of society under the influence of competition is the best not only that can be practically effected, but even that can be theoretically conceived” (Marshall 1977, p. 631, fn. 1).¹¹ This haughtily dismissive attitude of the Ricardian school toward the liberal school was thus embedded in the Marshallian doctrinal orthodoxy that quickly came to dominate the professional training of British economists after 1890.

4. THE SITUATION IN THE UNITED STATES

The atmosphere would appear to have been more conducive to the appreciation of French liberal economics by the American economics profession after the marginalist revolution. After all, Ricardian ideas never gained a firm foothold in the United States to begin with and the views of Jefferson and the Jeffersonian and Jacksonian political economists were molded by the writings of Say and the French Ideologue and liberal Destutt de Tracy. Moreover the Bastiat-inspired American catallactic tradition led by Amasa Walker and Arthur Latham Perry emerged as the predominant doctrinal trend after the Civil War and dominated the textbook and popular literature and the teaching of college economics in the U.S. during much of the Gilded Age. The textbook of Walker (1969; 1875), first published in 1866, went through eight editions, and four more in a student’s edition, while Perry’s treatise (Perry 1883), also initially published in 1866,

went through twenty two editions by 1891 and in 1876 was ranked third behind Smith's *Wealth of Nations* and Mill's *Principles* on a list of best selling books on political economy. In 1877, Perry (1877, p. 6) brought out a primer on the subject whose "more special aim was to become a text-book for high schools, academies and colleges" and was in its fifth edition in 1891.¹² In 1873, a handbook on economics written especially for workmen by the French novelist and liberal Edmund About (1873) was translated into English under the imprint of a major publishing house and apparently achieved wide circulation judging by the ready availability of the original edition in used bookstores today.

Despite its formative and sustained influence on American economic thinking through the first three quarters of the nineteenth century, the French liberal school confronted potent forces militating against later recognition of its scientific merit. First and foremost was the fact that economics did not become a professionalized discipline in the U.S. until the early 1870's when economics was divorced from moral philosophy and independent chairs of political economy were established at Harvard and Yale (in 1871 and 1872 respectively). Charles F. Dunbar was appointed to the Harvard chair and Francis A. Walker, the son of Amasa, won the appointment at Yale (Ross, p. 77). Also, in 1872, William Graham Sumner was appointed professor of political and social science at Yale and proceeded to devote a substantial part of his writing and teaching to political economy. As the number of academic specialists in economics grew in the U. S., earlier American writers on political economy were increasingly shunned as amateurs and dilettantes. This condescending attitude was summed up in the words of the early marginalist Frank A. Fetter (quoted in Bell 1953, pp. 503-504) who wrote: "In political

economy they were all self-trained amateurs, who, as it were, happened to wander into the field.”

This factor was compounded by the belated development of a Ricardo-Mill school in the U.S. after the Civil War, which attempted to revitalize classical economic theory while adapting it to the American situation by incorporating into it elements of moderate German historicism. This doctrinal movement was initiated by Dunbar, who as noted above, held the first professorship of political economy at Harvard. Dunbar (1876) introduced his program in his article on “Economic Science in America, 1776-1876,” published in the influential *North American Review* in 1876. In the very first paragraph of the article, Dunbar (1876, p. 124) proclaimed his allegiance to the British classical school, writing:

[T]he economist finds the foundations of the science, as it stands today, laid deep and solid for the first time by Adam Smith; the great men who have since carried forward the work have declared themselves his followers, and in developing and extending the science have kept to the lines of discussion which he laid down with such vigor and insight a century ago.

Dunbar (1876, p. 124) went on to reveal his historicist leaning by maintaining that, despite England’s priority in the development of economic science, “the centre of interest in economic discussion . . . is now, probably, in Germany.”

Dunbar’s attitude toward Bastiat was reflected in his rehearsing of Henry Carey’s baseless charge of plagiarism against Bastiat, albeit in more genteel form: “Bastiat not

only borrowed Carey's law of value and presented it in a brilliant paraphrase, but seems to show Carey's influence throughout his eager search for harmonies in the economic world" (1876, p. 138). Regarding earlier American economists, Dunbar (1876, p. 131) began by comparing the French liberal Jefferson unfavorably to the British mercantilist Alexander Hamilton "in his mastery of the subject" of political economy. Dunbar (1876, p. 136) also derided the treatises of Walker and Perry as "manuals" meriting "but little attention as statements of original thought." In contrast, Francis Wayland's textbook, which was first published in 1837, but which was still being widely used in college classrooms during the Gilded Age, comes in for restrained praise by Dunbar (1876, p. 135) as "the only treatise of the [pre-Civil War] period which can fairly be said to have survived to our day; and this, it must be admitted, owes whatever value it has to its manner of presenting for easy comprehension some of the leading English doctrines." In assessing the American contribution to political economy in the century since Smith's *Wealth of Nations*, Dunbar (p. 137, 140) thus concluded:

no recognized contribution to the development of the science can be pointed out in any way comparable to those made by the French writers [i.e., the Physiocrats], or to those which the Germans are now making. . . . The general result then to which, as we believe, a sober examination of the case must lead any candid inquirer, is, that the United States have, thus far, done nothing toward developing the theory of political economy. . . .

Ten years later, and one year after the formation of the American Economic Association by a group of younger and more radical German-trained American economists, Dunbar (1886) published an article on the growing historical movement in economics entitled, "The Reaction in Political Economy." He argued that this historicist reaction against the excesses of abstract theorizing in British classical economics was healthy and represented a natural development of economic science in the direction of greater realism. Wrote Dunbar (1886, pp. 26-27):

The new movement, then, on the whole, although represented by impassioned advocates as a revolution which is to sweep the ground clear and give the world a new political economy, is, in fact, a development of the existing science, under the influence of a strong reaction against tendencies which had prematurely checked its advance. . . . It is to be said, too, that such a movement as the present need not be regarded with a jealous eye, by those of us who still believe that the method of Ricardo and Mill is the best and even the only sure method, for threading the way through the mazes of conflicting motives which underlie economic phenomena.

This attempted synthesis of moderate historicism with Ricardian classicism was also promoted by the other two occupants of America's first chairs in political economy, William G. Sumner and Francis A. Walker. Sumner's interest in economics was first piqued by reading Harriet Martineau's popular Ricardian primer, *Illustrations of Political Economy* and "his views on that subject were strictly of the orthodox variety" (Fine 1976,

p. 80)¹³ As a teacher, Sumner adhered to “the methodology laid down by the last great classical economist, John E. Cairnes” (Dorfman 1969, p. 67). Nonetheless, having trained at Göttingen in philology, he was favorably influenced by the German historical school and “believed that economics had made good progress as a deductive science, but henceforth must adopt the surer if slower method of induction” (Ross 1991, p. 80). Finally, Sumner (1924; [1881] 1992) conceived the Malthusian law of population in conjunction with the Ricardian law of rent as the driving force of social and economic evolution.¹⁴

Walker, it is true, helped prepare his father Amasa’s liberal-oriented treatise on political economy for publication in 1866 and was also personally influenced by his father’s friend and fellow Bastiat disciple Arthur Latham Perry. It is also true that the younger Walker’s later writings on political economy reveal that he absorbed a good deal of French liberal doctrine from these formative influences (Salerno 1988, pp. 138-140). Nonetheless, Walker emerged in the 1880’s as one of the most influential advocates of the movement to breathe new life into Ricardian classicism by integrating it with moderate historicism.

For example, in 1883, Walker published *Land and Its Rent* a large part of which involves a vigorous defense of the Ricardian rent theory against its critics. Indeed, in the book’s Preface, Walker (1883, p. 5) averred that with respect to the theory of rent he himself was “a Ricardian of the Ricardians, holding that the great thinker who has given his name to the economic doctrine of rent left little for those who should follow him to do; and that any wide departure from the lines laid down by him can only result in confusion and error.” Moreover, two of the three critics that Walker chose to rebut were

French liberal economists, namely, Bastiat and Leroy-Beaulieu, the leading theorist of the contemporary liberal school. Bastiat, in particular, came in for extremely harsh and sweeping criticism. Thus Walker (1883, p. v) also announced in the Preface that “it seems full time that the plain truth regarding Bastiat’s theory of value, whether as applied to land or to commercial products, should be spoken out on this side of the water, as it was long ago, in England, by Professor Cairnes. . . . [A]s a constructive economist [Bastiat] made a dead failure, while his views regarding the land are especially erroneous.” Later in his tract, Walker (1883, pp. 60-61) sarcastically referred to “Bastiat’s views on Value and Land, on each of which the witty, subtile [sic], eloquent Frenchman was about as far wrong as it is possible for an eloquent, subtile [sic] and witty Frenchman to be.” Walker (1883, p. 68) also declared “the utter incompetence of this brilliant pamphleteer to deal with questions relating to land and its rent.”

In his treatise *Political Economy*, first published in 1883, Walker (1888, p. 1) began by bluntly stating the classical definition of political economy as “the name of that body of knowledge which relates to wealth.”¹⁵ Walker went on to identify two schools of political economy, which he called the “English school” and the “German school” respectively, while completely ignoring the French liberal school whose doctrines he had been steeped in. According to Walker (1888, pp. 11-12) the difference between economists of the English and German schools was attributable to disagreement about “the proper extent of the premises” that the economist must begin with in elaborating the causes influencing the production and distribution of wealth. Whereas the English economist begins with “a few certain facts of human nature, of human society, and of the physical constitution of the earth,” for the German economist “all human history becomes

his domain” because “nothing that importantly influences the production and distribution of wealth can be neglected by the economist.” Walker contended, however, that the methods of the two schools are complementary and must be used in tandem to yield a fully developed science of political economy. As Walker (1888, pp. 16-17) put it:

The mutual contempt entertained by the two schools is not justified by a large view of the progress of economics in the past, or by a consideration of the history of other social sciences. Political Economy should begin with the Ricardian method. A few simple assumptions being made, the processes of the production, exchange and distribution of wealth should be traced out and be brought together into a complete system, which may be called pure Political Economy, or arbitrary Political Economy, or, *a priori* Political Economy, or by the name of its greatest teacher, Ricardian Political Economy. Such a scheme should constitute the skeleton of all economic reasoning; but upon this ghastly frame-work should be imposed the flesh and blood of an actual, vital Political Economy, which takes account of men or societies as they are, with all their sympathies, apathies, and antipathies; with every organ developed as in life; every nerve of motion or of sensibility in full play.¹⁶

More succinctly, Walker (quoted in Dorfman 1969, p. 107) wrote, “The [historicist] economists of Germany, Italy, Belgium, and France are doing the work which Adam Smith began, in his spirit but with larger opportunities and a wider and ever-widening view.”

Sumner, Dunbar and Walker through their teaching, writing, and professional and editorial activities exercised a predominant influence on the development of American economic theory throughout the last quarter of the nineteenth century. Walker was the leading American economic theorist during this period and the first to gain an international reputation. His general treatise quickly became the most widely used text in the basic college economics course and remained so until the turn of the century (Newton 1968, p. 12). It even challenged Henry Fawcett's *Manual of Political Economy* as the leading text in the classrooms of Oxford University in the 1880's (Mitchell 1969, p. 226, fn. 16). His treatise on *Money*, published in 1878, "along with W. Stanley Jevons's *Money and the Mechanism of Exchange*, became the standard works on money in the English speaking world for at least the next quarter of a century" (Newton 1968, p. 11). Walker also served as the President of the American Statistical Association from 1883 to 1897 and the first President of the American Economic Association from 1885 to 1892 (Newton 1968, p. 13).

Dunbar founded the department of political economy at Harvard, was the founding editor of the *Quarterly Journal of Economics*, and his book on *The Theory and History of Banking* "was influential in England as well as in the United States" (Mitchell 1969, pp. 227, 229). Not only was Sumner one of the most renowned American social theorists of the Gilded Age, he was also an outstanding teacher and, in the estimate of historian Harry Elmer Barnes (quoted in Fine 1976, p. 80), "probably the most inspiring and popular teacher that Yale University or American social science has produced."

Perhaps the greatest influence of this first generation of professional economists in shaping theoretical developments in American economics, however, was through their

teaching. For they reared up a brilliant second generation of American theorists who leavened their synthesis of classical and historical economics with a dash of marginalism and it was this alternative and peculiarly American brand of neoclassicism that was to dominate textbooks into the 1930's. These "younger traditionalists," as they were called by Joseph Dorfman, included most prominently, Frank W. Taussig, Arthur T. Hadley, and J. Laurence Laughlin, and "all three were perhaps among the greatest builders in America of a new foundation for further economic study" (Dorfman 1969, p. 258). After taking their advanced degrees from Dunbar at Harvard and Sumner at Yale respectively, Taussig and Hadley both traveled to Germany for postgraduate training (Dorfman 1969, pp. 258, 264). Laughlin received a doctorate in history under Henry Adams at Harvard, but soon became an instructor in economics under Dunbar there.

Hadley was an eminent economist in the quarter of a century leading up to the First World War. In 1896 he wrote *Economics: An Account of the Relations between Private Property and Public Welfare* (Hadley 1896), which succeeded Walker's as the most widely used economics textbook in American colleges (Dorfman 1969, p. 259). Three years later, he became President of Yale University. Hadley intended his textbook as an updating of Mill's *Principles of Political Economics* to include both the Darwinian idea of natural selection as the force driving the development of socioeconomic ideas and institutions and the theory of marginal utility as an explanation of the individual's pursuit of his interests under given ideas and institutions. Nonetheless, with respect to the latter he believed that "those economists [particularly the Austrian school] who were devoting their energies to analyzing and developing the intricacies of the marginal utility theory were engaged in useless or irrelevant activities" (Dorfman 1969, p. 259). Moreover, the

classical concept of the long-run “normal price” played a central role in Hadley’s exposition of price theory (Hadley 1896, pp. 64-96). Hadley (1896, pp. 23-25) also maintained that the deductive and historical schools offered complementary rather than antagonistic methods for investigating complex economic reality. Finally, Hadley (1896, p. 12), while sympathetic to economic individualism, took the British classical view that “*laissez faire, laissez passer*” is “only a practical maxim of political wisdom, subject to all limitations which experience may afford.” He therefore was led to criticize Bastiat as an example of the type of “individualist” who “is prone to assume that private property would necessarily be managed in the public interest, and is in danger of treating the increase of such property as a good in itself, instead of a means to the public good” (Hadley 1896, p. 15). Hadley (1896, p. 15) also marginalized Bastiat as “the brilliant French economist . . . whose ‘economic harmonies’ are sometimes as overstrained as the ‘economic antinomies’ of socialists like Proudhon.”

Taussig, the second of the triad of founders of American neoclassicism, was enormously influential as a writer, teacher, and editor. He edited the *Quarterly Journal of Economics* from 1896 to 1935 and he taught at Harvard where his Ph.D. students included James W. Angell, Jacob Viner, and Frank D. Graham. Doctrinally he was described by Dorfman (1969, p. 265) as “first and last a follower of the classical tradition of Ricardo and John Stuart Mill.” Taussig even rated Marshall’s *Principles of Economics* inferior to Mill’s book for pedagogical purposes and continued to use the latter in his classes (Dorfman 1969, p. 265). In an attempt to modernize Mill, Taussig published his own *Principles of Economics* in 1911, which was a two-volume treatise that attained widespread success in both the United States and England. In Taussig’s book, just as in

Hadley's text, the theory of marginal utility is introduced merely as a means of clarifying the relationship between utility, demand and market price in a basically classical framework whose analytical focal point is the long-run price (Taussig 1911, 1: pp. 120-58). As Schumpeter (1969, p. 220) points out "Like Marshall, whose path was different but fundamentally parallel, he did not take kindly to the utility analysis—only still less so." However, despite his close adherence to the British classical theoretical tradition, Taussig was very sympathetic to the German historical school. Thus he wrote that "I am not a follower through thick and thin of the German [historical] school, but there is much truth in the qualifications which they suggest to accepted economic principles" (Taussig quoted in Dorfman 1969, p. 265). He also spearheaded efforts to have German and British historicist works published in the United States and favorably reviewed the major treatise of Gustav Schmoller, the leader of the "younger," and more radical, German historical school (Dorfman 1969, pp. xxxvi-xxxvii, n. 10).

Laughlin was the founder and first head of the University of Chicago's economics department and the founding editor of the *Journal of Political Economy*, which he continued to edit until 1933. Dorfman (1969, p. 271) has described him as "the most dogmatically classical" of the three founders of American neoclassicism. He was a follower of Mill and edited a popular abridgement of Mill's treatise for American audiences, but considered the later classical John E. Cairnes as the soundest theoretical guide. Accordingly, he had no use for marginal utility theory and believed that its proponents were "primarily engaged in metaphysical nonsense" (Dorfman 1969, p. 272). Needless to say, the theory received no treatment in Laughlin's primer on economics, *Elements of Political Economy* (Laughlin 1896), which was published in 1887 and widely

used in both colleges and high schools. Although Laughlin displayed an unremitting hostility to the Austrian school, he saw no obstacle to a rapprochement between the research methods of the classical and moderate historical schools. He expounded on this topic in the lead article of the first issue of *The Journal of Political Economy*, concluding that “it has become apparent that in reality there is not so much divergence of opinion as at first appeared regarding the two methods of investigation under examination” (Laughlin 1892, p. 8).

A second trend of thought developed in the U.S. during this crucial period which, although opposed to the dominant American classical school had even less use for French liberal economics.¹⁷ The leaders of this movement included Richard T. Ely, E. R. A. Seligman, Simon N. Patten, Henry Carter Adams, John Bates Clark, and Edmund J. James, all of whom had received their graduate training in German universities during the 1870’s and early 1880’s under historicists like Adolph Wagner and Johannes Conrad. Upon their return to the U.S., these young economists styled themselves a “new school” and challenged the prevailing classical orthodoxy. However they were also disposed to dismiss the older American political economists, who were steeped in the French liberal tradition, because the new economists had imbibed the historicist, interventionist and socialist biases of their German professors against “abstract speculative economics” and *laissez-faire* policies.

The new school reached the zenith of its influence in 1885 when, enlisting the support of Francis A. Walker, it founded the American Economic Association at Saratoga, New York. The AEA’s original statement of principles explicitly invoked the principles of German historicism, and Sumner was deliberately not invited to join. As a

result Dunbar and the younger classicists, Taussig, Laughlin and Hadley refused to join. Doctrinal controversy between the two sides raged during the mid-1880's, but a rapprochement was soon achieved and, in 1887, there began a slow influx of classical economists into the organization.

The new school's influence, however, soon started to wane. In 1886, Clark, the most intellectually astute member of the group, began to question the methodological assumptions and socialist policy prescriptions of German historicism and, by the early 1890's, he had completely immersed himself in the task of formulating an abstract and systematic theory of the market economy based on the concept of marginal utility. Other moderate members of the school, such as Seligman, followed suit and, in 1888, the AEA's exclusionist statement of principles was dropped. The abandonment of historicist principles also became evident in the textbook literature. Thus, for example, in a popular elementary text published in 1888, new-school economist E. Benjamin Andrews employed "the traditional Mill sequence of production, distribution" and, while recommending the works of marginalist, historicist, and classical writers, "implied that they all fitted easily within a grand tradition" (Goodwin 1973, p. 296). By 1892, the classical school established firm control of the AEA when Ely, the prime mover behind the new school and its most radical member, was forced to resign as secretary of the association. Even Ely, however, whose *Outlines of Economics* was the most widely used textbook in college classrooms for forty years after its initial publication in 1893 appears to have eventually accommodated himself to the emerging neoclassical synthesis. Despite four early chapters dealing with the economic evolution of society and the

economic development of the United States, the book's two core chapters on "Value and Price" drew heavily on Mill, Taussig and Marshall (Ely et. al 1928, pp. 143-79).

It should be noted that marginalist ideas appear to have played a very small role in the American neoclassical synthesis before World War One. In particular, there was no recognition that the theory of subjective value and the concept of marginal utility offered a radically new starting point for elaborating a comprehensive system of economic analysis. Schumpeter (1965, p. 242), for example, remarked that in the 1890's in the U.S., "the new theoretical organon was easily disposed of as 'marginalism' or 'neoclassicism,' and the dry-as-dust textbook—more or less shaped on the Millian model—triumphed to drive more active minds into 'institutionalist' revolt." More recently, Goodwin (1973, p. 295) has drawn attention to "the second phase in the transfer of marginalism to North America" between the 1870's and 1900. According to Goodwin (1973, pp. 295-96): "This period witnessed an attempt by economists trained in classical political economy to absorb marginal ideas within the corpus of their thought without making fundamental modifications in their own practices, without acknowledging revolutionary content in the new ideas and without proclaiming the need to follow the paths of inquiry which the marginalists pointed out."

The neoclassical movement that emerged at the end of the nineteenth century in the U.S. thus had coalesced from doctrinal trends that embodied a distinct antipathy to the methods and doctrines of the French liberal school. Both the historicist new school and the recrudescing Ricardo-Mill school rejected as unscientific and amateurish the American tradition of political economy that had developed in the first three-quarters of the nineteenth century and whose primary influences were Say, Destutt de Tracy and

Bastiat. But the neoclassical school did not achieve total dominance in American economic theory until the 1920's. Beginning in 1890 or so, there grew up a thriving alternative theoretical movement based on the pure subjective-value marginalism of the Austrian school. This movement, initiated by Clark, developed into what was called the American psychological school under the leadership of Frank Fetter and Herbert J. Davenport. It fundamentally rejected both German historical and British classical economics, as well as the contemporary American and Marshallian variations on classical economics. Not coincidentally, American marginalists enthusiastically embraced the liberal subjective-value tradition in earlier American political economy as the theoretical forerunner of marginalist economics. Jevons, Böhm-Bawerk and other European marginalists likewise had held the French liberal economist in high esteem (Salerno 1988, pp. 120-21, 124-25).

Fetter, the leading American Mengerian before the First World War, advanced a devastating refutation of the claim originated by Dunbar that the American economic literature was marked by "sterility." He argued that Dunbar was unacquainted with many, if not most, of the original works he commented on and, "as a representative of the classical school," even for those he had actually read, Dunbar "was not qualified to render a just estimate of the theories in question" (Fetter 1921, p. vii). The main reason for the neglect of the earlier American liberal tradition, Fetter (1921, p. ix) contended, was the pernicious influence of Mill's work: "But after J.S. Mill had won for Ricardian economics its predominating place in American thought, that system, with all its unrecognized limitations of time, place, and logic, became the standard of economic science with which any independent thought upon our peculiar problems was measured

and found wanting.” Moreover, according to Fetter (1921, p. xii), from the 1870’s, the English classical system “was taking its dominating place in American collegiate instruction. There it continued for half a century—and still in some measure continues [in 1921]—to exert its benumbing effects upon American economic thought.” Fetter (1977, p. 123) bemoaned the fact that even the young anticlassical economists “who in the seventies and early eighties brought a new spirit into American economic studies, did not develop the indigenous traditions, but unfortunately neglected them and turned to Germany for the new sources of their inspiration.” Moreover, these German-trained economists did not challenge the classical orthodoxy in a meaningful way because “in most cases, their historical training was hardly more than a veneer over the groundwork of their Ricardian opinions earlier acquired at home” (Fetter 1921, p. x). Even the maverick Francis A. Walker who rejected certain aspects of classical distribution theory “did not develop his father Amasa’s more original American treatment” which was based on Bastiat (Fetter 1977, p. 123). Fetter (1921, p. xi) went as far as to claim that for the theoretical contributions of the earlier American economic literature to be fully comprehended and appreciated required “as instruments of analysis, certain concepts and terms found in the recent psychological [i.e., marginalist] economics”

A deep appreciation for the theoretical acumen of writers in the French liberal tradition can also be found in Davenport’s works. For example, Davenport (1964, pp. 116, 118) wrote in 1907, “Say’s doctrine of rent also reads like some chapter out of the latest of modern thought”; he also commented with regard to the same topic, “Verily Say was a modern of the moderns.” In his classroom text, *Outlines Of Economic Theory* published in 1896, Davenport (1968, pp. 10-12, 26, 33-34, 59-60, 155-56, 170, 185-87

provided three pages of end-of chapter quotations from Bastiat, three from fellow French liberal Courcelle-Seneuil, and none from either Ricardo or Mill. Finally, one of the earliest formulations of the concept of opportunity cost in the Anglo-American literature appeared in an article by Davenport (1894, pp. 567-568). Davenport (1894, p. 564) explicitly derived this formula from the liberal Courcelle-Seneuil 's statement of the economic problem.

John R. Turner (1921, p. xv), a Ph.D. student of Fetter, wrote a monograph rehabilitating the non-Ricardian distribution theories of early American theorists that he hoped “may serve to reveal their merit to public attention.” Countering the Ricardian smear that the American proponents of liberal economics were amateurish pamphleteers biased toward *laissez-faire* and unacquainted with technical economic theory, Turner (1921, p. 179) lauded Perry, the leader of the Bastiat school in the U.S., as an open-minded man” and “without prejudice” as well as “one of the best equipped economists that has appeared on this side of the Atlantic.”

Unfortunately for the reputation of the French liberal school, Fetter and Davenport stopped contributing to economic theory by the early 1920's and, for various reasons, never inspired a second generation of theorists to follow in their footsteps.¹⁸ By the mid-1920's, the pure Austro-marginalist tradition had begun to fade from the scene in the U.S. and the classical view of Bastiat and the liberal school, embodied in the American variant of neoclassical orthodoxy, became the unchallenged view among professional economists in the U.S.

5. THE REPRESENTATION OF THE FRENCH LIBERAL SCHOOL IN THE ENGLISH-LANGUAGE LITERATURE

As noted, the doctrinal ferment and professionalization that transformed American and British economics during the last quarter of the nineteenth century coincided with a newfound cosmopolitanism among economists in both countries. The ongoing neoclassical reconstruction of economic theory that sought to incorporate historicist and marginalist insights was widely viewed as an international enterprise. Anglo-American economists were eager to keep abreast of the latest scientific developments and innovations emanating from the Continent, where the German historical and Austrian schools represented the cutting edge of the new movement. Since many Anglophone economists lacked fluency in foreign languages,¹⁹ this necessitated the translation of important foreign books as well as the publication in professional journals of survey articles and other communications by Continental economists reporting on current developments in their respective countries.

In France, the publicity generated by the bitter struggle of the historicist-oriented new school against the reigning liberal orthodoxy caused Gide and the Law Faculty economists to be embraced by their Anglo-American counterparts as enlightened allies in the international crusade to renew economic theory. Additionally, as members of a newly professionalized discipline, American economists were understandably wont to give a more sympathetic hearing to the occupants of prestigious Law School chairs than to their mainly nonacademic opponents. It was therefore the English-language publications of the new school—and, especially, its leader Gide—that exercised the preponderant influence on Anglo-American economists in the thirty-five years or so

leading up to the First World War. Naturally, it was an extremely distorted and unflattering view of the liberal school that was propagated by these publications and that came to be accepted by Anglophone economists in this crucially formative period of modern economics. Moreover the tone and content of the few contributions of the besieged liberal school that did find their way into print in the U. S and Great Britain during this period succeeded, in many cases, only in reinforcing the caricature of the school deliberately fostered by its rivals.

A good idea of how Anglo-American attitudes toward the liberal school were molded by the ongoing doctrinal and institutional conflict in France (and to some extent, in Italy also) can be obtained from a survey of the more important works of Continental economists that appeared in English between the 1870's and 1920's, particularly where these works contain references to or accounts of the struggle

An early work that exercised a particularly heavy influence on Anglo-American opinion of Continental economics in general was the Italian Luigi Cossa's *An Introduction to the Study of Political Economy* (1893). Originally published in Italian in 1876 and first translated into English in 1880, it is, despite its title, actually an original treatise on the development of economic doctrine in Europe and the U.S.²⁰ This work was brought to the attention of English-speaking economists by Jevons (1970, p. 66), who recommended it highly in the Preface to the second edition of his own *Theory of Political Economy* published in 1879. Jevons later contributed a Preface to the original English translation of Cossa's work in 1880. A new English translation of the revised and enlarged Italian edition (1892) of the book appeared in 1893.

Cossa himself was one of the leaders of the revival of scientific economics in Italy in the nineteenth century and was “the first modern Italian economist to win wide international recognition” (Haney 1949, p. 834). He did so as the leader of an eclectic movement among Italian economists who attempted to blend selected doctrines of the older German historical school with British classical economics (Haney 1949, pp. 839-40). Cossa had studied under the founder of the German historical movement, Wilhelm Roscher, whom he referred to as “one of the most illustrious economists of the century” (Cossa 1893, p. 412).²¹ In Cossa’s estimation, Roscher’s “substantial and undeniable claim to unqualified praise” was attributable not to his explication and application of the historical method but to the “light and leadership given in those of his works where the deepest and most exceptional erudition does not prevent him from being quite in touch with those theories of the classical school, which he not only understands but substantially accepts” (Cossa 1893, p. 413).

Given Cossa’s strong sympathies for both the German historical and British classical schools, it was only natural that he should take a strongly negative view of their liberal opponents. Cossa’s antipathy for the liberal school was reinforced by the fact that the growth of his eclectic new school in Italy was vehemently opposed by the established Italian liberal school under the leadership of Bastiat’s preeminent Italian follower, Francesco Ferrara. According to Cossa (1893, p. 494), Ferrara, in his earlier writings, had “exalted” the French economists J.-B. Say, Charles Dunoyer, and Michel Chevalier, while he had “denied” Ricardo’s merits and “belittled” Mill’s. However, the real rift between the schools was created in the 1870’s when Ferrara harshly attacked the importation of historicist ideas into Italy, charging those Italian economists responsible,

including Cossa, with the crimes of “Germanism” and “liberticide” (Cossa 1893, pp. 505-506).²²

In examining the development of political economy in France, Cossa noted a growing tendency to ignore the teachings of the science on the part of the public. He cited as one of the factors contributing to this condition “the uncompromising optimism of the official school, with its individualism that knows no limits.” He lamented that, under the domination of the liberal school, “French economic science has . . . departed from sound English scientific traditions. . . . It has no use for Malthus, none for Ricardo.... It accepts *laissez faire*, not as the rule of art that it is, but as a rational principle. Thus has science been transformed into an interested guardian of the economic *status quo*” (Cossa 1893, p. 368). For similar reasons, the leading contemporary French liberal economist, Leroy-Beaulieu, stood indicted by Cossa (1893, p. 382) as a “partisan of economic quietism.”

Cossa (1893, p. 370) went further and divided the liberal school into “classical” and “optimist” branches. The former comprised those French economists, including Say, Rossi, Garnier, Courcelle-Seneuil, and Block, “who have departed but little, if at all, from methods current in England. . . .” Cossa (1893, p. 373-75, 395) affirmed that the works of these economists had scientific merit and, in some cases, lavished high praise on them. In contrast, what Cossa called “the optimist line of argument” was first enunciated by Dunoyer and widely propagated by Bastiat. Its later adherents among French economists included Molinari, Leroy-Beaulieu, Levasseur, Frédéric Passy and Baudrillart. While Cossa (1893, p.376) admitted that the optimists were “by no means in open hostility” to the classical branch of the liberal school he nowhere rigorously stated

the scientific basis for distinguishing between the two subgroups. Actually, this lack of terminological clarity apparently served Cossa's rhetorical purposes as "the optimist school" became an elastic and consummate term of derision in his lexicon. For example, in criticizing the younger historical school of Schmoller, Cossa (1893, pp. 419-20) concluded that the school "... stands plainly convicted of a narrowness of view which is not less flagrant than that of the French optimistic school but only in the opposite extreme." In defense of the old historical school, Cossa declared: "Roscher and Knies were not capable of the grotesque confusion between Bastiat and Ricardo, which has led latter-day Germans of the new historical school to see no difference between the typical English views and those of optimism and individualism."

Thus today's long-standing and widely-accepted characterization of the French liberal school as promoting unscientifically "optimistic" economic theories and policies arose out of a polemical canard that was perpetrated by one of its early opponents. This was almost immediately challenged and debunked by liberal economists on both sides of the putative divide, but to no avail. In 1893, the "disguised classical" Block (1893, pp. 3-4) noted the fact that "some German and Italian writers, the one echoing the other, have occasionally divided the school and distinguished in its ranks an 'optimistic school.'" He dismissed the reasoning behind this portrayal as "mere caviling" and did not "give serious consideration to the name." While he believed that "the term 'classical' is fairly suitable" to designate the entire school, he concluded that he "prefers" and "advocates" the term "liberal."

Similarly, the supposed "optimist" Leroy-Beaulieu (1910, p. xxii, fn. 1) rejected suggestions that he belonged to the classical school ("l'École économique classique"),

which he considered to be that of Ricardo, Malthus, and Stuart Mill. He also denied the aptness of the designations “orthodox school,” “optimist school,” and “logical-deductive school” to describe his views on economics (Leroy-Beaulieu 1910, p. 83). Speaking on behalf of the Institute economists, he emphatically proclaimed: “We protest against such appellations as ‘Orthodox School’ and ‘Classical School.’ We claim only the honor of calling ourselves ‘the Liberal School’” (Leroy-Beaulieu quoted in Gide 1907, p.193, fn. 1). Leroy-Beaulieu’s fellow “optimist” Levasseur (1900, p. xvii) likewise classed himself with the liberal school, regarding as “unfortunate” labels such as “classical” and “orthodox.”

The Belgian Emile de Laveleye’s primer on economics was translated into English in 1884 as *The Elements of Political Economy* and featured both an Introduction and supplementary chapter by Frank Taussig (1884, pp. xi-xviii, 275-88). Although himself not a law faculty economist, Laveleye was one of the earliest exponents of the historicist and *Kathedersozialist* ideas writing in French and therefore was an influential forerunner of the French new school.²³

In his Introduction, Taussig (1884, p. xiii) portrayed Laveleye as a “moderate” whose “economic views are in strong sympathy with those who declare themselves to have broken loose from what may be called the classic system. . . . At the same time, he by no means goes as far as those writers, chiefly German, who declare that the classic system is entirely superseded. His position is rather that of the more moderate German writers who protest against the hard and fast lines of Ricardo’s system which has been common with some of his followers. . . .” Taussig (1884, p. xiv) also referred to the school of which Laveleye was a representative as the “moderate school,” adding that

Laveleye, “like most German writers, and unlike most French writers, is not a decided adherent of the *laissez faire* principle.” Although Taussig (1884, p. xvii) did express reservations about Laveleye’s treatment of several points of theory and policy, he concluded that, “In the main, the principles laid down are those accepted by all economists of weight,” recommending the book as “especially valuable for those who wish to obtain an elementary knowledge of political economy.” Given Taussig’s position as an emerging leader of the neoclassical synthesis in American economics, his favorable Introduction served as a scientific *imprimatur* on the book and on the burgeoning French new school.

A French textbook that even more powerfully shaped Anglo-American attitudes toward the liberal school was Charles Gide’s *Principes d’Économie Politique*. J. B. Clark, still somewhat under the influence of the German historical school, drew attention to the work in a review of the second French edition in 1889. Clark (1889, p. 548) lavished unreserved praise on the book, characterizing it as “a comprehensive expression of that liberal movement in French economic thought” that led to the founding of the dissident new school journal, *Revue d’Économie Politique*. Pointing out a kinship between Gide’s and Jevons’ theories of value and the “affiliation” of Gide’s theory of production with Böhm-Bawerk’s theory, Clark (1889, p. 549) declared that Gide “shows a kinship with progressive minds in Europe and in America in his entire treatment of capital, exchange and distribution.” The review ended with an emphasis on the moderate and non-dogmatic approach of the work: “The treatise as a whole will be especially welcomed by those readers who feel that truth cannot lie at the extremes of doctrinal controversy. . . .” (Clark 1889, p. 549).

The third French edition of Gide's book was translated into English as *Principles of Political Economy* in 1891. The translation was introduced by the influential British doctrinal scholar James Bonar (1900, p. iii) who lauded Gide's "emphasis on the need of impartiality and freedom from prejudice." The American Introduction was written by Clark (1900, p. vii), who saw the translation as marking "the re-establishment of an intellectual commerce [between France and the U.S.] that has been partly under an embargo" due to the "orthodoxy of many French economists" and the contrary tendency among American economists to "enlist under new school or historical standards." Clark (1900, p. vii) also remarked upon the "progressive spirit" of the treatise as well as "its appreciative attitude toward the older schools of thought," summarizing the merits of the book in the following terms: "It carefully retains the best fruits of early work; the 'new departure' that it represents is one that does not break with the past. Its conspicuous quality is a wisdom that is not often combined with so much brilliancy."

This recommendation of the book by an economist of Clark's stature can hardly have failed to endow Gide's treatise with a weighty authority among American readers. And indeed Gide's work went on to enjoy great success, according to Schumpeter (1968, p. 843, fn. 6) becoming "one of the most successful textbooks of the period." So popular was the work in Great Britain and the United States that two later French editions of the book were newly translated into English in 1905 and again in 1924 (Gide 1905; Gide 1924).

The popularity of Gide's book ensured that its bitingly negative portrayal of the "orthodox" economists of the French liberal school would be accepted at face value. In explaining his supposed "excess of impartiality," Gide (1900, p. vi) asserted that it is the

means by which he sought to break with a “tradition which was beginning to assume the shape of a law.” This alleged “law” prescribed that treatises on political economy published in France present their subject “in only one light,—the point of view of the ‘Liberal’ school.” In the text itself, Gide (1900, p. 16) devoted a section to the liberal school in which he alleged that liberal economists deny, “with some *hauteur*,” that they constitute a school and “claim to represent the science itself.” Gide (1900, p. 16) summed up the “very simple” doctrine of the liberal school as follows:

Human societies are governed by natural laws which *we could not alter one jot, even if we wished*, since they are not of our own making. Moreover, *we have not the least interest in modifying them, even if we could*; for they are good, or, at any rate, the best possible. [Emphases are in the original]

Without any attempt to acquaint the reader with the substantial body of liberal economic theory that underlay the first part of this claim,²⁴ Gide (1900, p. 18) proceeded to declare that “The most serious complaint that can be made against this body of teaching is a very marked tendency to *optimism*, which appears to be inspired far less by a truly scientific spirit than by a desire to justify the existing order of things.” In the 1905 English edition of the book, Gide (1905, p. 12) linked the liberal school with J.-B. Say, whose *Treatise on Political Economy* he dismissed for lacking “depth of thought.” Also, in this edition, Gide (1905, p. 23 fn. 1) extended the liberal school to include non-Gallic economists such as Ferrara and F. A. Walker. He also identified J. R. McCulloch, Nassau Senior, and Cairnes “as belonging to the liberal school, except that they are not

quite so optimistic as the French liberals, but even more dogmatic.” By strategically misrepresenting the liberal school in this way, Gide was able to trivialize the school as an inconsequential offshoot of the British classical school whose economic theory was tainted with a streak of unscientific optimism and was little more than a shallow apology for preconceived *laissez-faire* doctrines. Moreover, since Gide nowhere actually gives an account of liberal economic theory, the reader is unable to challenge his evaluation.

Even more damaging to the reputation of the French liberal school in Anglophone countries was the history of thought textbook co-authored by Gide and his fellow Law Faculty economist Charles Rist. The work was first published in French in 1909 and the second French edition of 1913 was translated into English in 1915 as *A History of Economic Doctrines: From the Time of the Physiocrats to the Present Day* (Gide and Rist 1948). An enormously popular college textbook in the U.S., the seventh French edition appeared in 1947 and a second English edition, including newly translated material from the sixth and seventh French editions, was brought out in 1948. The book was used in some American universities as late as the 1960's.²⁵

In this work, Gide and Rist continued and elaborated upon the deliberate distortion of the doctrinal relationship between the French liberal and British classical schools initially contrived by Gide in his treatise. Completely ignoring the roots of Bastiat and the later liberal school in the divergent Cantillon-Turgot-Say tradition, they claimed that British and French economists were originally united in their adherence to the teachings of Ricardo, Malthus and Say. This doctrinal unity was supposedly shattered by the growing, post-Ricardian criticism of classical economics by socialist and other dissident writers in Great Britain and France. In the face of this ferocious criticism,

British economics regrouped behind J. S. Mill and critically reassessed their science, while the French school “with Bastiat as its chief, struggled against all innovation, and reaffirmed its faith in the ‘natural order’ and *laissez-faire* (Gide and Rist 1948, p. 329). It was the influence of Bastiat that allegedly seduced French economists into “defending the optimistic doctrines which they so easily mistook for the science itself (Gide and Rist 1948, pp. 330-31).

According to Gide and Rist (1948, pp. 361-62 fn. 3), moreover, the “optimistic” school soon abandoned the task of scientific investigation and developed a propensity to use economic discourse to rationalize the ethical postulate that “social interest is simply the sum of the individual interests, all of which converge in a harmonious whole.” Members of the British classical school, in contrast, “have remained faithful to the principles enunciated by the earlier masters of economic science. An attempt has been made to improve, to develop, and even to correct the older theories, but no attempt has been made to change their essential aspects. Individualistic and liberal by tradition, this school has never been optimistic. It . . . simply confines itself to pure science.”

Unlike Cossa, Gide and Rist do not draw a spurious distinction between French liberal economists on the basis of classical versus optimistic orientation. Indeed, they imply that members of the liberal school are without exception “admirers of Bastiat” and “optimists” and, as such, “second-grade disciples” of the British classical school (Gide and Rist 1948, p. 439). This view conveniently allows Gide and Rist (1948, pp. 329-54) to restrict their coverage of liberal economic theory to a lengthy review and critique of Bastiat’s system and to dispense with any treatment of the significant liberal theoretical developments after 1850. Thus later contributors to liberal theory, such as Michel

Chevaliez, Cherbuliez, Courcelle-Seneuil, and Block are disingenuously grouped with Cairnes and given brief notice in a short section entitled “Mill’s Successors” (Gide and Rist 1948, pp. 378-80).

The later liberal school is again alluded to in a discussion of the critics of “hedonistic” doctrines. Here, the liberal economists, particularly Leroy-Beaulieu, are portrayed as rigidly opposed to both mathematical and marginalist economics. Blame is also laid at the feet of the liberal school for the fact that Walras was “forced to leave France to find in foreign lands a more congenial environment for the promulgation of his ideas. . . .” (Gide and Rist 1948, pp. 506-508).

The book by Gide and Rist was not the only French work on doctrinal history to help mold Anglo-American perceptions of the liberal school. During this period, in fact, there appeared a rich crop of treatises on economic thought published by French authors, which, although never translated, were considered authoritative and were consulted by British and American doctrinal researchers. These included books by A. Espinas (1892), J. Rambaud (1898), M. Dubois (1903), R. Gonnard (1921), Gaetan Pirou 1925, and G. H. Bousquet (1927).²⁶ There was an institutional factor operating to ensure that the authors of these books were almost all law faculty economists and therefore were inclined to present a strongly antipathetic view of the liberal school. This was the circumstance that every Faculty of Law contained a chair and a course devoted exclusively to the history of economic doctrine, while, as late as 1907, France still lacked a university-level course in pure economics (Gide and Rist 1948, p. 7). The result, as Gide (1907, p. 203) notes was that, in the universities, “the courses of historical doctrines are among those most eagerly taken up by the young professors, and most keenly relished

by students. And the latter select the subject for their doctor's theses mainly from this historical field."

The liberal school also had a number of works translated into English during this period but they were mainly either polemical works in Bastiat's vein attacking socialism or protectionism, such as Guyot's *Socialistic Fallacies* (Guyot 1910b) and *Economic Prejudices* (Guyot 1910a); monographs on applied topics like Levasseur's highly-acclaimed *The American Workman* (Levasseur 1900); or politico-economic studies including Leroy-Beaulieu's *The Modern State in Relation to Society and the Individual* (Leroy-Beaulieu 1892) and *Collectivism: A Study of Some of the Leading Social Questions of the Day* (Leroy-Beaulieu 1908). The few English-language translations dealing with pure economic theory from a liberal point of view were outdated primers intended for popular audiences and written by lesser liberal theoreticians or journalists. These works tended to reinforce the stereotype of the liberal school as analytically shallow and rigidly resistant to change that was deliberately promoted by Gide and the new school.

One of the earliest liberal works on general economics to be translated into English was a *Handbook on Social Economy: Or, the Worker's ABC* written by the French novelist Edmund About (1873) and published in 1873. It was originally written sometime before 1870 to instruct Parisian workmen contemplating the formation of trade unions in the laws of economics. About was a skilled writer and gave an excellent popular exposition of the economic doctrines of the liberal school with an emphasis on Say and Bastiat, but understandably the book is hardly characterized by analytical profundity.

Another liberal primer, *Elements of Political Economy*, authored by Émile Levasseur (1905) appeared in English in 1905. Levasseur was a distinguished applied economist and statistician who was known to English-speaking economists for his study of *The American Workman* published five years earlier. Although temperate and scholarly in tone, the work was addressed to a popular audience. Moreover, despite the fact that parts of the work were rewritten by the author expressly for the translation, it had been first published in French in 1867 (Cossa 1893, p. 383). Thus what little systematic theory there was in the book harked back to Say and Bastiat, and almost no notice was given to postmarginalist developments in the science. Even Levasseur's theory of wage determination emphasizing the importance of the productivity of labor, which was a pathbreaking achievement when he first advanced it in the 1870's, appeared hopelessly outmoded in light of the contemporary emergence of the marginal productivity theory of factor pricing.

The only full-blown treatise on general economics from a liberal viewpoint that was translated into English was *Principles of Social Economy* by Yves Guyot (1892), which was originally published in English in 1884. Guyot was more an activist, political reformer and pamphleteer than he was an academician and scholar. He held no academic position and was the only prominent liberal economist who remained outside of the Institute. He had a successful political career that included membership on the Paris Municipal Council, service in the French Chamber of Deputies and a three-year stint as Minister of Public Works. His devotion to the *laissez-faire* doctrine in both economic and social affairs was breathtakingly radical and thoroughgoing, a fact which made him especially anathema to his new school opponents and the favored target of their anti-

liberal barbs. His obituarist in the *Economic Journal* was none other than Charles Gide (1928, p. 333) who could not resist cheap sarcasm in describing Guyot's radical liberalism:

He fought against every form of State intervention, such as compulsory vaccination, the regulation of prostitution, the prohibition of alcohol, the limitation in the number of drinking houses, the closing of gambling places, penalties against the adulteration of foods or against speculation. He was the foremost lieutenant of Josephine Butler in her heroic campaign in France [against anti-prostitution laws], and even paid by six months in prison for the violence of his attacks against the Paris police.

The arguments which interventionists are wont to advance did not move him in the least, even when they were in support of morals. Yes, indeed! Rather drunkenness, prostitution, ruin under the regime of liberty, than temperance, virtue, sobriety, respectability under the regime of State regulation. As for morals, he would not admit that they could exist except as the natural product of liberty.

As a free-trade activist and political reformer, Guyot was more interested in expounding basic economic principles and demonstrating their immediate application to current policy issues than in elaborating and refining the latest developments in pure theory. There is therefore evident in his treatise a pronounced tendency to ignore or belittle contemporary developments in methodology and value theory. For instance,

Guyot (1892, pp. 1-5) began his treatise by strongly endorsing the methodology of Say and then followed this by nearly four pages of uninterrupted quotation from the latter's work. Concluding that Say had "answered beforehand some of the questions lately raised in England and Germany," Guyot (1892, pp. 5-9) went on to attack the British historicists and the older and younger German historical school including its representatives—especially Laveleye—in France and Belgium. In the area of value theory, the concept of marginal utility and the Austrians was not mentioned, although Jevons and Walras are briefly noticed in connection with "a vain attempt to substitute in economic science the mathematical for the inductive method [i.e., the method of Say]" (Guyot 1892, p. 6). Guyot (1892, pp. 19-20) concisely expressed his general attitude toward contemporary innovations in economic theory in the following words:

It must also be confessed that since the great works of Adam Smith and J. B. Say, there has been a pause in political economy. Far be it from me to deny the value of a number of excellent works that have been written in France and in England; but they have been too often but paraphrases or commentaries on the works of the masters. They lose themselves in subtle refinements, and have thus fallen into an economic conventionalism, instead of acquiring fresh vigor by observation.

In the Preface to the English Edition of his treatise, in the midst of an impassioned plea for free trade and for laissez-faire policies in general, Guyot (1892, p. x) took a polemical swipe at the emerging French new school for its interventionist orientation, declaring: "Ever since Political Economy has been taught by the faculties of law we have

been witnessing the evolution of new forms of Colbertism. Once they despised political economy altogether; now many of its teachers, imbued with prepossessions from the old Roman and French legists regarding the omnipotence of law, adopt the doctrines of the *Catheder-Socialisten*.” In the text itself, Guyot (1892, p. 13) asserted without explanation that, “In France the lectures on political economy given in the Faculties of Law are, for the most part, utterly inadequate.”

As a leading personality of the liberal school, Guyot’s sweeping rejection of contemporary innovations in methodology and value theory combined with his polemics in favor of unrestrained *laissez-faire* economic policy must naturally have reinforced the caricature of the French school that was disseminated by Gide and his followers in their English-language publications. This image of an entrenched and monolithic orthodoxy reflexively opposed to all scientific advancement played well to academic economists in the United States and Great Britain whose newfound professional status fostered a self-consciously scientific and progressive attitude. Seen in this light—and without background knowledge of the bitter struggle for institutional and doctrinal supremacy raging in France—Guyot’s scornful references to the law faculty economists appeared to identify Gide’s dissident school as the besieged vanguard of scientific progress in France.

In fact, it was Gide’s school that, despite its politically-established institutional dominance, was destined to fade into complete obscurity because of its analytical sterility. If we examine Gide’s celebrated textbook, we hardly find cutting-edge, let alone pathbreaking, economic theory. What we get is an eclectic and very pedestrian brew of historical and classical economics spiced with a pinch of marginal utility theory and Marshallian supply-and-demand analysis. Even those sympathetic to Gide’s project

could not help but notice the strong classical orientation of his economic theory. Cossa, Gide's contemporary and leader of the Italian new school, wrote that Gide is “. . . far nearer the company of the classical school than he would readily believe,” and Cossa ranked Gide's book along with that of the liberal Cherbuliez as the best textbook and treatise of the time, respectively. James Bonar (1900, p. iv), the author of the Introduction to the first English edition of Gide's book, pointed out that Gide's position “is substantially that of the . . . ‘Classical School’ . . . [A]nd the theoretical work of the Classical School is in great part the foundation of his own new building.” In his obituary for Gide, his co-author Rist admitted that Gide had not developed a viable theoretical synthesis that would survive his death, arguing that the value of Gide's treatise “lay less in the originality of its economic doctrine than the open-mindedness with which it welcomed new methods and ideas. . . . The death of Gide closes a chapter in the history of economic and social thought in France.” In matters of pure theory, Rist had early on become an “ardent promoter of the mathematical method” as practiced by the Lausanne school (Suranyi-Unger 1931, pp. 129, 191). Near the end of his life, Gide (1926, p. 870) himself had implicitly conceded the theoretical dead-end that his school had arrived at when he wrote regarding the economic journal he founded, *Revue d'Économie Politique*: “Pure theory finds little space in it—not from prejudice, but from lack of contributors.”

Now, it was certainly true, as Gide and others claimed, that the liberal school vigorously opposed and bitterly denounced the contemporary historicist and mathematical trends in economics. Indeed, the most prominent of the later liberal theorists, Leroy-Beaulieu (quoted in Mai 1975, p. 136), characterized the use of the mathematical method in economics as “pure delusion and a hollow mockery” that “has

no scientific foundation and is of no practical use.” But the leading Austrian theorists, Menger and Böhm-Bawerk, who were on the cutting edge of the marginalist revolution, also expressed grave misgivings regarding the deployment of the historical and mathematical methods for pure theoretical research.

Indeed, the French liberal economists enthusiastically embraced Mengerian subjective-value marginalism and considered it the natural culmination of the scarcity-and-utility approach to price theory initiated by Say. Thus Block (1893, p. 5) pointed to Bastiat’s “eternal law” that man expends efforts to obtain means that directly or indirectly satisfies his wants and noted that “this law in its development becomes the law of ‘final degree of utility’ of Jevons or the ‘marginal utility’ of Carl Menger.” Block (1893, p. 30) also argued that the law of supply-and-demand operating through the effects of scarcity and abundance has found its “complete explanation in the final or marginal utility (*Grenznutzen*) of the Austrians.” Leroy-Beaulieu (1910, pp. 15-94), in his four-volume-treatise, first published in 1895, devoted two chapters totaling almost eighty pages to elaborating the contributions of Jevons and Menger and assimilating them to the liberal scarcity-and-utility tradition. In Italy the liberal economist Augusto Graziani emerged in the 1890’s as “one of the most distinguished representatives of the theory of marginal utility as expounded by Menger and Böhm-Bawerk” (Suranyi-Unger 1931, p. 148). Like the French liberals, Graziani perceptively embraced marginal utility as a means of completing Say’s supply-and-demand theory of price, holding that “all new viewpoints can only serve to perfect this fundamental doctrine” (Suranyi-Unger 1931, p. 185). He also applied the concept in elaborating his own original theories of production and distribution. The Austrian-trained doctrinal scholar Suranyi –Unger (1931, p. 148) thus

ranked Graziani's theoretical system as "the most important system in modern Italian economic theory" after Pareto's.

Moreover, unlike Gide's school, whose doctrinal influence died out abruptly with the death of its founder in the late 1920's, the influence of the Franco-Italian liberal school survived the Second World War. Thus Louis Baudin (1947), who went on to become an active member of the Mont Pelerin Society, published a lengthy treatise attempting to integrate value theory and monetary theory.²⁷ The second edition of the work, published in 1947, was very favorably reviewed in the *American Economic Review*, with the reviewer concluding that "Professor Baudin's book represents a prodigious effort of research, reading, and reflection; and is an admirably balanced work in the best French tradition" (M. A. Kriz 1947, p. 981).

In Italy, Luigi Einaudi was perhaps the most famous descendant of the liberal school. Einaudi wrote thirty books on economics and was a founding member of the Mont Pelerin Society. After the Second World War, he served as governor of the Bank of Italy and then President of Italy.²⁸ Constantino Bresciani-Turroni also emerged out of the Italian liberal tradition. In 1931, he wrote what today is acknowledged as the standard work on the German hyperinflation (Bresciani-Turroni 1968).²⁹ He also contributed two influential articles on the theory of saving in relation to Austrian business cycle theory (Bresciani-Turroni 1936) and these impressed Schumpeter (1968, p. 1018) as "brilliant papers." After the war he became a founding member of the Mont Pelerin Society and received appointments as director of the International Bank for Reconstruction and Development and as minister of foreign trade.

6. CONCLUSION

It is clear, then, that the image of Bastiat's school that has been handed down in the Anglo-American doctrinal literature is one that has been deliberately distorted by its doctrinal enemies and is in desperate need of extensive revision. The liberal school was neither analytically sterile nor did it attempt to impede the spread of marginalism although, like Menger and the Austrian school, it did intransigently oppose historical and mathematical economics. The wholesale neglect of the school's theoretical contributions by modern Anglophone economists is primarily attributable to the peculiar conjunction of circumstances attending the professionalization of economic science in France, Great Britain and the United States in the last quarter of the nineteenth century.

¹ This section is based on the following works: Alcouffe 1989; Block 1893; Gide 1890; Gide 1898; Gide 1907; Gide 1926; Rowe 1892. Biographical information on most of the economists mentioned in this section can be found in the wonderful little dictionary by Ludwig Mai (1975).

² This was actually the first Chair in Political Economy instituted in France, but its designation "Industrial Economy" was substituted to appease government officials who "were made uneasy, as Napoleon had been, by the very words 'political economy.' The word 'political' seemed to imply that persons outside the government, claiming superior knowledge, might try to tell the government what to do, or object publicly to its policies, or enter into such party politics as now existed." (Say 1997, p. 117)

³ It should be noted that Gide himself had had no formal training in economics upon assuming the newly created political economy chair in the law faculty at Montpellier in 1877. His only exposure to the discipline up to that point had come from his reading of the complete set of Bastiat's works given to him by his uncle upon the completion of his final law degree (Howey 1989, p. 187).

⁴ On Gide's doctrine of solidarism and cooperative production see Gide and Rist 1948, pp. 545-70 and Gide 1922.

⁵ On Jevons' efforts at rehabilitation, see Salerno 1988, pp. 124-25.

⁶ In contrast to the historical movement in Germany, British historicism comprised a loose grouping of diverse thinkers rather than a self-conscious school of thought. The most influential members of the first generation of British historicists included Thomas E. Cliffe Leslie (1827-1882), John Kells Ingram (1823-1907), Walter Bagehot (1826-1877), and J. E. Thorold Rogers 1823-1890). The second generation comprised William Cunningham (1849-1919), Arnold Toynbee (1852-1883), and W. J. Ashley (1860-1927). For accounts of this movement and the views of its individual members, see: Mahoney 1991, pp. 91-119; Spiegel 1991, pp. 395-409; and Haney 1949, pp. 523-36.

⁷ Also, Pedro Schwartz (1972, p. 1) writes that ". . . marginalism was not accepted in the English-speaking world in the 1870s, but only after the publication of Marshall's treatise in 1890. In the last third of the nineteenth century economists were not interested in abstract discussions of the theory of value; the centre of the stage was not occupied by marginalists but by the followers of the German historical school, with their rejection of an abstract approach to the social sciences and their inductive, practical concept of economics.

⁸ On the sharp contrast between the British classical and French liberal schools in their approaches to evaluating economic policy, see Lionel Robbins, *The Theory of Economic Policy in English Political Economy* (London: Macmillan & Co, Ltd, 1953), pp. 34-67.

⁹ Frank Fetter (1920, p. 723) writes similarly of Marshall, “he defends, while he slightly and regretfully amends, the value theory, the fundamental concepts, and the general economic theory of distribution left by Ricardo and Mill. He retains, with a certain clannishness, the heritage of orthodox economic doctrine, despite some consciousness of its inconsistencies. In his thought the difference between old Ricardianism and neo-Ricardianism is not one of radical change but one of grudging verbal amendment of errors exposed by critics from other schools.”

¹⁰ As Stigler (1949 pp. 38-39) pointed out in 1941: “Philip Wicksteed is probably the least known of the leading English economists of the last generation and this was equally true in his own time. . . . Wicksteed constitutes in a certain sense, the Jevonian ‘school.’ He and William Smart . . . were the only important English economists of the period between 1870 and the World War who explicitly abandoned the classical tradition. This is an additional reason for Wicksteed’s comparative obscurity.”

¹¹ Oddly, Marshall (1977, p. 77, fn. 1) hailed the treatise of William E. Hearn, the Australian subjective value theorist and follower of Bastiat, as “at once simple and profound,” although he did subtly downplay the significance of the work praising it as “an admirable example of the way in which detailed analysis may be applied to afford a training of a very high order for the young.”

¹² For an overview of the American catallactic tradition, see Salerno 1988, pp. 132-43.

¹³ Ross (1991, p. 85) says of Sumner: “He early accepted classical economic doctrine in the simplistic form presented by Harriet Martineau and never doubted its logic.”

¹⁴ Recently it was said of Sumner ([1909] 1992, p. 393) that Malthusianism “was a bedrock of his thought.” Ross (1991, p. 85) characterizes Sumner’s sociology as “an extrapolation of the historical vision imbedded in classical economics.” Sumner’s theory of social evolution with its grounding on the laws of classical economics is outlined in Ross 1991, pp. 86-88; and Fine 1976, pp. 81-91.

¹⁵ This objectivist definition was a retreat from the praxeological definition of the political economy given by Perry (1891, p. 61): the “Science of Selling and Buying.”

¹⁶ On Walker’s tortured attempt to come to terms with the historicist critique of classical economics, see Ross 1991, pp. 80-85.

¹⁷ This paragraph and the next draw on the following sources: Seligman 1967; Coats 1960; Fine 1976, pp. 199-251; and Ross 1991, pp. 98-122.

¹⁸ For a brief explanation of the decline of the pure Austro-marginalist tradition in the U.S., see Salerno 1999, p. 47, 52.

¹⁹ This was presumably especially the case with French because no graduate degrees were awarded in France and, relative to Germany, fewer American economists pursued postgraduate study in there (Parrish 1967, pp. 13-16).

²⁰ See Schumpeter 1968, p. 856, n. 3 on the originality and international influence of this book.

²¹ Haney (1949, p. 834) states that Cossa calls Roscher his “revered master” but does not provide the source of the quotation.

²² For more details about the ensuing controversy in Italy between the two schools from economists associated with the new school: see Rabbeno 1891; Loria 1891; Loria 1900; and Loria 1926.

²³ On Laveleye see: Cossa 1893, pp. 394-95; Schumpeter 1968; Pribram 1983, p. 223.

²⁴ The second part of the “doctrine” is not proclaimed by any liberal economist except perhaps Bastiat in some of his polemical flourishes. Even Guyot (1892, p. 19), acknowledged as one of the most unyielding proponents of *laissez faire* among the liberal economists—and far more so than Bastiat—criticized Bastiat’s lapses from value-free science in making such a claim and referred to him as “a disciple of Pangloss.”

²⁵ On the book’s popularity, see Schumpeter 1968, p. 843; Samuelson 1970, pp. 283-85; and Roll 1953, p. 11.

²⁶ See the references to these authors and their books in Schumpeter 1968; Haney 1949; and Roll 1953.

²⁷ On Baudin as one of the younger “French Liberalists” see Haney 1949, p. 850; on Baudin’s activities with the Mont Pelerin Society, see the references in Hartwell 1995.

²⁸ On Einaudi, see Haney 1949, p. 839; Mai 1975, p. 78; and the references in Hartwell 1995

²⁹ On Bresciani-Turroni, see Mai 1975, p. 34; Haney 1949, pp. 842-43; and the references in Hartwell 1975.