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HISTORIAN OF ECONOMIC THOUGHT*

By T. W. Hutchison

Over a number of years Professor Wesley Mitchell delivered a course of lectures at Columbia University which surveyed the history of economic thought and was entitled "Types of Economic Theory." In 1934-35 these lectures were stenographically transcribed, and have now been edited by Messrs. J. M. Gould and A. M. Kelley. Professor Mitchell never saw these notes, and disclaimed all responsibility for their accuracy. The reader may therefore feel that he is meeting Professor Mitchell's mind at one, or even two, removes; first, in that he is reading what was designed to be listened to, and secondly, in that what he is reading was not seen or revised by Mitchell. Criticism in detail may therefore seem to have a somewhat doubtful significance.

This is not to imply that there are any grounds for doubting the excellence of the transcription and editing, for which, rather, there is every reason to be profoundly grateful. Here and there passages occur of doubtful clarity and continuity, more especially in Volume II, where, as the course goes on, increasing space is devoted to the questions and discussions from student listeners, which Mitchell directly called for. The audience at Columbia must have been a very large one, but the tenor of the exchanges between professor and students seems to have been beautifully direct and informal. Years later, even if one never saw or heard Professor Mitchell, one can feel the weight of the impression made on his audience by his breadth of view and of learning, his seriousness and good humor, and his profound tolerance, patience and honesty, all monumentally clear in the pages of these notes.

* Originally appeared as a review of *Lecture Notes on Types of Economic Theory* (a stenographic transcript of class lectures given by Wesley C. Mitchell in 1934-35; published by Augustus M. Kelley, 1949) in the *Economic Journal*, March 1951. Here reprinted, with only minor changes, by permission of the author and publisher.

In an obituary article¹ (*Economic Journal*, 1949, p. 455) Professor Dorfman tells us that Mitchell had given this course on "Types of Economic Theory" since he succeeded J. B. Clark at Columbia in 1913, and

had long planned that a book on that subject should follow *Business Cycles*. . . . The book would attempt to characterize and criticize current theories; . . . but as he progressed with his work he became increasingly impressed with the need for an exhaustive study of the school from which the dominant stream of economic thought traced its origin.

By 1934 "Types of Economic Theory" had come to be describable as a historical survey of economic thought from Adam Smith to the present day. As any readable or listenable history of economic thought must be, the survey is severely selective, grouped around the main great figures (especially in Volume I), and based on a firm methodological point of view, which is apparent, but not obtrusive or obstructive, on many pages. Mitchell's institutionalist point of view at one time caused considerable vexation in some quarters. But these lectures give no grounds for the revival of "old unhappy far-off things and battles long ago." Mitchell's institutionalist principles provide a firm perspective for his lecture course, but even for those who disagree with them, they do not, or at any rate ought and need not, get in the way of his historical survey.

Mitchell's starting point for his course is summarized in the following passages from his first lecture in 1934:

The economic theorists who have counted most in the development of thought have been men who have been very deeply concerned with problems that troubled their generations. Their theories have been attempts to deal scientifically with these problems, to point out promising means of practical action (p. 1). . . . What has been true of the development of economics in the past is likely I think (and here of course I have to speak with far less assurance) to prove true of the development of economics in the future (p. 5). . . . The chief task of this course is not to acquaint you with the history of economic theory in the last one hundred and fifty years. It is primarily to acquaint you with the way in which economics has developed as part of humanity's struggle to deal with the problems that evolving social life has brought upon us (p. 7).

¹ Reprinted in this volume, pp. 125-38.

As contrasted with his own approach Mitchell later discusses the alternative approach which he ascribed to most histories of economic thought. It is a measure of Professor Mitchell's tolerance and breadth of view that this is perhaps the most, or even the only, faintly "exclusivist" or intolerant passage in these lectures, where what is most valuable and entirely justifiable as an organizing principle for the purposes of this course, shows some slight sign of deteriorating into one of those dogmatic oversimplifications which Mitchell, as much as anyone, was able to keep himself above:

English political economy from the time of Adam Smith up to the present has had its course of development shaped in very large measure by the current issues of the day. We are likely to think of a science as coming down as a birthright and growing by logical development. We might very well have our minds fixed on a subject like mathematics. If some discoverer starts a new idea, that certain idea has certain implications which might be accepted by following writers, and each will get his chief inspiration from the account of the writer before him. It is a process of intellectual development.

Now that is not a really true picture of mathematics, and it is probably even less true of a science like physics or chemistry. In economics I think it is quite a mistake to believe that this birthright intellectual development has occurred. The passing on of ideas from one to another and the development of these ideas by successive generations as an intellectual stunt has been in economics a secondary rather than a primary factor. The thing which has most of all stimulated the minds of successive generations of economists has been to endeavor to contribute to the understanding of the problems with which their generation as a whole was concerned. It is quite probable, especially since economics had become an academic subject, that we have had our academic writers whose attitude seems to be primarily that of improving the theories which their predecessors have put forward, endeavoring to free those theories from inconsistencies and carry them to a somewhat higher stage of development. This viewpoint you find given most emphasis in the histories of economic doctrines. . . .

That I think is a rather false picture. The most important factor has been that the generation of Ricardo faced problems of a different sort from that of Adam Smith; and it was because he reflected on a different set of circumstances that Ricardo changed the perspective of economic theory. Thus, it is because successive generations have faced different problems than Ricardo did that they have worked out new ideas, new sides of the subject and given opinions which differ from those of the classical group (p. 45).

This seems today at least one degree truer than it was even in 1934. Nevertheless, it is permissible to insist against it that there are considerable passages in the history of economic thought where "logical development," and "the passing on of ideas from one to another," is an important and even the main part of the story, though never, of course, the whole story. This particularly seems to be the case after 1870 with the rise of economics as an academic specialism, and Professor Mitchell noticeably does not succeed in carrying out his institutionalist program in Volume II, which deals with this period, to anything like the extent he does in Volume I covering Adam Smith to John Stuart Mill.

But while it may be insisted that the "internal" logical developments of the subject must not be neglected in a full and balanced history, the supreme value and interest of Professor Mitchell's approach must be recognized, particularly when carried through with Mitchell's tolerance and breadth of learning. One variety of the "external" approach to the history of the subject, purporting to explain economic thought as the product of the problems of its times (from "outside" the subject itself) is all too familiar in the more dogmatic forms of infantile Marxism and historical relativism, emphasizing well beyond the point of distortion a single one of many "external" influences. An "external" approach must include as an important part of it the Marxist approach. But it must take account of both sides of the ancestry of political economy and its offspring academic economics: that is, both the development from the topical, often pamphleteering, *engagé* literature on current economic problems, and the influence of the ideas of the great English philosophers (who were also among the main architects of political economy) about the nature of human activities and of our knowledge of them, of which economic activities and economic knowledge are, respectively, inseparable parts. This is what Mitchell does in his Volume I, providing a wonderful fusion of the history of economic thought with economic and political history, and with the history of political and moral philosophy, the story and development of each successfully illuminating the story and development of all the others.

It has sometimes been complained of degree courses in the social sciences (or in branches of them), that the separate departmental

sections do not adequately fuse into a whole in which the parts mutually mean much for one another, and it is rightly held that without this synthesis and mutual illumination the separate parts may lose very seriously in value and significance. It is obviously very difficult, or impossible, in textbooks of economic analysis (and possibly in those on political thought), to do anything to help towards this generally recognized need. But in the history of economic thought, particularly before it became an academic specialism, there ought perhaps to be a considerable educational opportunity. In fact, Volume I of Professor Mitchell's Lectures shows that in the hands of one with Mitchell's intellectual range and equipment there is such an opportunity.

Volume I deals with five central figures—Smith, Bentham, Ricardo, Malthus and J. S. Mill. But the titles of some of the lectures show how widely the course ranges: "English Developments in the Eighteenth Century and the Phenomenon of Individual Initiative"; "The Development of Government by Public Discussion"; "Individual Initiative in Local Government and Changes in Economic Conditions"; "Mercantilism versus Individual Initiative in the Eighteenth Century"; "Adam Smith's Influence upon British Politics"; "The Effect of the French Revolution upon British Politics and Economic Conditions"; "Bentham's Felicific Calculus and Conception of Human Nature"; "His Influence Upon the Development of Economic Theory"; "The Bullion Controversy"; "Reasons for the Popularity of Ricardo's Analysis"; "The Philosophical Radicals"; "Their Activities and Political Position"; "Political Events and How They Aided in Bringing About the Reforms Which the Philosophical Radicals Advocated"; "The Passage of the Great Reform Bill of 1832"; "Similarities and Contrasts between the Processes of Social Reform and Reform in Methods of Production in England"; "Politics, Social Reform, and Political Economy in the Period from 1832 to 1848."

Of course, the specialist in any one of these complex subjects will feel that to avoid oversimplification and distortion they require at least a volume, or a course of lectures, per piece, rather than a single lecture. But there are also serious, and even very dangerous, diseconomies in such specialism as this implies, when pursued in isolation, and, in any case, it is doubtful whether the inevitable

degree of oversimplification is as considerable or dangerous as that, in its different way, inevitable in any textbook of economic analysis.

The choice of Bentham for detailed attention, usually given little or no space in histories of economic thought, follows obviously from Professor Mitchell's approach. From his suspicious scrutiny of the postulates of classical economic theory, Mitchell had come to the conclusion that Bentham was the great source of the deficiency he believed them to contain. Lord Keynes (of course quite independently), in his most fundamental onslaughts on "classical" thought in 1937-38, came also to see Bentham as the great source of the "classical" taint. (See his article in the *Quarterly Journal of Economics*, February 1937, the opening paragraph of his article in the *Eugenics Review*, April 1937, and, a decade previously, some significant passages in his obituary of Edgeworth, *Essays in Biography*, pp. 281-2.)

Mitchell saw that the limitations he suspected were not removable, as was often held by neoclassical "spokesmen," by simply excluding Benthamite hedonism from the postulates of economic theory or by emasculating or even dropping entirely such concepts as "social utility" or "utility" itself. This removal was quite easily achieved without damage to the impressiveness of what Keynes called the superstructure of "classical" theory. Mitchell and Keynes saw that the deficiency went deeper.

Bentham was the main founder and propagator of the notion that something of profound and far-reaching explanatory significance, normative or positive, is being said about human activities, or some section or aspect of them, when they are described as "maximizing" activities. He is the great originator of individualist, "micro-economic," or "micro-political," "maximizing" analysis. Obviously, however elaborate, impressive or refined they may be, maximizing formulas must depend for their significance, except as analytical *tours de force*, on the significance and content of the "maximand." As Mitchell and Keynes saw, the problem of the content of the maximand has never been very satisfactorily solved, and social science would be ominously simple if it could be. "Pleasure," "happiness," "satisfaction," "utility," "*Nutzen*," "opportunity," "significance," "social utility," "welfare," "real income," "national income" and "profits" have at various stages filled the

essential role of the maximand in one or other branch of maximizing analysis. Some are palpably misleading and false, others palpably empty or insignificant. All are almost inevitably unsatisfactorily defined. Even "profits" as the maximand for the entrepreneur, which seems to provide something more solid and objective on which to build, is now under heavy fire as a starting point for the theory of the firm. Anyhow, in an uncertain world, even if there was something reasonably clearly definable which most people's activity was aimed at maximizing, they simply do not know, in most of the situations in which we are interested, *how* to maximize. Therefore what has to be studied are what are described as their expectations, or the multiform ways in which they happen to come to think, hope, guess or have a hunch as to how they can maximize. As Keynes put it:

I accuse the classical economic theory of being itself one of these pretty, polite techniques which tries to deal with the present by abstracting from the fact that we know very little about the future. . . . The orthodox theory assumes that we have a knowledge of the future of a kind quite different from that which we actually possess. This false rationalization follows the lines of the Benthamite calculus.

Mitchell in 1934 concentrated his attack rather too much on the pleasure and pain units of the Benthamite calculus, and not so much as Keynes did later on the limitations and liability to emptiness of any such calculus, in whatever units it is formulated, as an explanation of human activities in a world of which the essential problematic feature is incalculable uncertainty. But his criticism amounts to very much the same as Keynes':

From Bentham's own point of view there are only two ways in which to give a really scientific account of human behavior. Of course, you have to deal with the forces of pleasure and pain that are going to rule conduct, but if you are any observer you will note that since men are not good calculating machines you cannot expect that what you, as an enlightened theorist presumably calculate concerning the promise of pleasure or pain to be held up by a certain act will be seen by all the other people. . . . So you are forced to study the defects of the understanding of classes of men and allow for them in your theory. That is something that you will find the classical economists doing; that is practically what Malthus was doing when he said that the

working classes, owing to their defective foresight, brought the most grievous of pains upon themselves by marrying too early and having too large families. . . . And then men think they understand business cycles by saying that in periods of prosperity people get too excited; they allow their feelings to bias their business calculations. . . . So at large, you can explain how people are going to act by making allowances for widely prevalent failures of the understanding. But of course that sort of operation is not any too certain; and there is only one other way you can do the thing, that is, actually observe what people do . . . (p. 104).

Professor Mitchell's tolerance and understanding are shown at their greatest in his lectures on Ricardo, of whom he gives a more deeply sympathetic and detailed interpretation and defense than have several of Ricardo's more orthodox descendants. Mitchell's lectures also inculcate a much more appreciative approach to J. S. Mill's *Principles* than that work has often received from later economists. The rapidity with which it was written, some notoriously unfortunate claims to finality (for example, on value), and its long use, and possibly dogmatic misuse, as a standard textbook, seem often to have provoked a distrust that has deprived it of the fresh sympathetic reading it deserves as the last (except for Sidgwick's) of the great *Principles* by a philosopher and political thinker.

Professor Mitchell's second volume opens with long sections on Jevons and Marshall, but Mitchell does not deploy, and in a sense could not have deployed, the same methods of interpretation as he does for the subjects of his first volume. The reason surely is, in the main, that the logical development of ideas becomes of much greater significance relatively to the historical and institutional background. One has only to look at the titles of Mitchell's lectures in Volume II to see the inevitable narrowing of the range. They are far more often simply the names of the economists or the titles of the works which Mitchell has selected for discussion. Of the two figures in this period who did range more widely than their colleagues, Pareto and Wieser, Pareto is hardly mentioned, while Mitchell confines himself to dissecting, at perhaps rather undue length, Wieser's problematic conception of a "psychological" economic theory that has no reference to psychology, and does not

discuss his *Gesetz der Macht*, or the sociological framework of his *Social Economics*.

There is in Volume II a great deal that is instructive about American economics of the period not very well known in Britain, and, of course, authoritative and most interesting accounts of Veblen and Commons. Volume II is an indispensable (and possibly the best) work on its period, but hardly comparable with, and hardly as challenging in its approach as Volume I.

In the days of Cannan, Bonar, Foxwell and Higgs, the history of economic thought seems to have absorbed, in Britain, a much larger percentage of a much smaller total supply of economic lecturing and literary effort. *Nous avons changé tout cela*. Not, of course, that it is possible, especially in the stress of fundamental controversies, to cut oneself off cleanly from the past history of the subject. If the history is not there (or being systematically cultivated) it is apt to be invented *ad hoc*; and the conception of conflicting "all-in" revelations, ancient or modern, tends to replace the conception of complex historical development.

No two Anglo-Saxon economists might seem farther apart in interest, methods and background than Edgeworth and Mitchell, but to catch what seems to be Mitchell's ultimate intent and ideal in these lectures it seems that one would do best to go back to a passage from Edgeworth's inaugural lecture in 1891:

The history of theory is particularly instructive in political economy as in philosophy. History and literature, dialectics, and all that the Greeks comprehensively called *words*, seem the best corrective of the narrow prejudices and deceptive associations which are sure to be contracted by those who have been confined to a single school or system.