THE HISTORICAL SCHOOL, 1870–1900: A CROSS-NATIONAL REASSESSMENT

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The literary landscape of the history of economic thought is strewn with landmarks representing various schools of thought. Some of these are credited as important milestones, others appear only as obstacles which had to be overcome. The geology of this landscape has continually shifted over time, raising some features and burying others. One of the older and familiar obstructing landmarks is the Historical School of Economics, and yet for various reasons it remains something of an enigma.

This article investigates the varying usage and possible meaning of the rubric ‘Historical School’ in Britain, France, Italy and Germany, with the purpose of illustrating the inappropriateness of this category. Our contention is that nothing like a veritable ‘School’ can be identified, at least not in the countries that are the object of our inquiry. The reaction against Ricardianism and its socialistic uses took a variety of forms in the last three decades of the nineteenth century, thus making the use of a comprehensively-defined ‘Historical School’ out of place. Equally out of place is the ‘Historical School’ understood in a strict sociological sense (i.e., a shared research programme) or in a singularly German one. Our investigation reveals a variety of heterodox movements, one of which was a broadly-based, European group which used history to address practical economic and social problems tied closely to the project of social reform.

1. MEANING AND USAGE OF THE TERM ‘HISTORICAL SCHOOL’

Surveying some of the older and more recent literature reveals at least four ways that the term ‘Historical School’ has been put to use. Most familiar will be its ordering function: introducing various approaches and methodologies in roughly chronological order under the rubric ‘school’, thereby also arranging economic ideas into a tidy, historical narrative. In such accounts the Historical School is described as a somewhat amorphous, largely contrarian tradition of thought—a transitionary hiccup in the progression of economic theory. Close-ly related to this ordinal function of the term ‘Historical School’ is its use in grouping together what would otherwise be an unwieldy clutter of heterodox opinion and methods. There is a long history of such conglomerations being divided into national camps (i.e., German versus British, and later Austrian
‘schools’ of economics), implying that there was something akin to national consensus on such matters, national rivalries thereby gaining an economic microcosm. Invariably, such accounts tend to stress German peculiarity, emphasising romantic, nationalist and Hegelian antecedents.

Another, sometimes concurrent, use of the term ‘Historical School’ has been to describe a positivist epoch, strongly implying progress. Typical in this regard would be Ingram’s *History of Political Economy* or Gide and Rist’s *History of Economic Doctrines* in which the ‘Historical School’ is seen as a broad reforming movement which swept through much of Europe introducing a new undogmatic, realistic and empirical ethos to economics. Other uses of the term have served as ways of discrediting some and legitimating other economic methods. For example, Schmoller was prone to caricature analytical-deductive economists as the ‘Manchester School’—a selfish political doctrine masquerading as economic science—while virtuously labelling the Historical School ‘realistic research’ and ‘scientific economics’. In Schumpeter’s account, by contrast, the ‘younger Historical School’ is caricatured as a doctrinaire and close-knit group with charismatic leaders at its centre—more a political club than a method, more deviants and hacks than economists.

Inasmuch as such uses still occur—loaded as they are with varying images and associations, both historical and contemporary—the Historical School, whatever it was, seems real enough, and attempts to dismiss it would appear to be both fruitless and unnecessary. After all, numerous economists themselves made references to or claims of belonging to such a school. The ‘Historical School’ is therefore a landmark which, while somewhat submerged by the shifting sands of time, nonetheless remains familiar. And yet our brief overview of some of the uses and associations illustrates, borrowing from Byron, ‘the glory and the nothing of a name’: the term ‘Historical School’ seems in danger of referring to too much and thereby to nothing at all. This is a handicap, particularly to research on non-neoclassical (non-marginalist) economics during the last decades of the nineteenth century. To overcome the present *impasse* in this research, it is necessary to investigate more precisely. Vague and haphazard characterisations neither capture the complexity of the discipline of economics between roughly 1870 and 1900, nor do they clearly illustrate the relationship between history and political economy, a relationship which ought to be at the very core of the ‘Historical School’.

It is important to emphasise from the outset that our objection is not to the term ‘Historical School’. We maintain that it represented an affirmation of intellectual identity not dissimilar in character to a claim of being, say, Marxist, Darwinian or Comtean. What we object to is the use of this general term when explicitly seeking to assess the specific attributes of the combination of history and economics in the era in question. It is for similar reasons that some scholars have chosen to dispense with the term ‘Historical School’ altogether. In the spirit of highly fruitful recent lines of research, and in the interest of avoiding confusion, it is therefore necessary to replace the ‘Historical School’ with a working definition both general enough to reflect European cross-currents and specific enough to grasp the combination of history and economics which was the central defining characteristic of historical political economy.
Very approximately, the multiplicity of political economy between 1870 and 1900 and therefore also the inappropriateness of the category ‘Historical School’ may be illustrated with the aid of a series of diagrams. In Figure 1 we see the textbook division of economics within this period into historical and deductive-analytical methodologies. Policy is also divided into those advocating socialism and those supporting reform. These traditional dichotomies obscure, however, what we feel was the multiplicity and flux of economics in the period in question, a situation more accurately expressed by the Venn diagram in Figure 2. Here
we see the considerable overlap between methodological commitments and policy advocacy which both historical and non-historical economists displayed. This illustration shows that ‘historical’ economists were not necessarily exclusive in either their choice of methodology or in their political commitments, just as hypothetical-deductive economists did not all spurn history or advocate laissez-faire. But our diagram also illustrates a high degree of commonality between the historical method and what we will call the ‘political economy of social reform’ (where social reform overlaps the other spheres in Figure 2).¹¹

To substantiate our claims we must now examine the ‘Historical School’ in its British, French, Italian, and not least, German incarnations, testing the analytical validity of claims to such a ‘School’ in each context. This is followed by an attempt to re-map some of the currents of non-neoclassical economic thought between 1870 and 1900 in order to delimit the boundaries of historical political economy. In short, the paper’s goals are: first, to demonstrate that referring to the ‘Historical School’ in any of the four meanings discussed above is problematic, especially in view of the heterogeneity of the economic thought of the period; second, to identify those authors who did blend history and economics; and, third, to hint at a fundamental link between historical political economy and social reform.

2. KEINE SCHULEN MEHR: GERMANY

It is with reference to the German case that our Kantian motto must above all be verified. While it may seem bold to question the validity of a category firmly established in the literature by Joseph Schumpeter, his treatment of the ‘German Historical School’ has in some ways standardised the uncritical use of this term. Those historical economists Schumpeter referred to as making up the ‘Historical School’ in his unfinished chapter ‘Sozialpolitik and the Historical Method’ have always been a rather heterogeneous bunch to group into ‘older’, ‘younger’ and ‘youngest Historical Schools’. Schumpeter specifically named Wilhelm Roscher, Bruno Hildebrand, Karl Knies, August Meitzen, and Georg Hanssen as making up the ‘older school’. Karl von Inama-Sternegg, Gustav Schmoller, Lujo Brentano, Karl Bücher, Adolf Held, and Georg F. Knapp formed a ‘younger School’, while Werner Sombart, Max Weber and Arthur Spiethoff were associated with a ‘youngest School’.¹² The heterogeneity of these ‘schools’ is greatly increased when a few other economists who were for some reason either omitted or mentioned in different contexts by Schumpeter are added to make a more comprehensive list of ‘historical’ economists: Siegmund Adler, Gustav Cohn, Karl von Eheberg, Eberhard Gothein, Wilhelm Hasbach, Heinrich Herkner, Ignaz Jastrow, Wilhelm Lexis, August von Miaskowski, Karl Oldenberg, Eugen von Philippovich, Karl Rathgen, Georg von Schanz, Max Sering, Gustav von Schönberg, Gerhard von Schulze-Gaevernitz, and Wilhelm Stieda.¹³

What justifies the collective rubric ‘German Historical School’? The term ‘school’, to be of any use, might refer to a category which (rightly or wrongly) was used with some consistency to describe the people in question. If this is not
the case then ‘school’ could refer to a group that shared a method, principles or closely collaborated in research. Barring any of these, the term ‘school’ could refer to a group which was taught by or were followers of one person. Finally, ‘Historical School’ can be used as a term which ascribes a degree of peculiarity to German historical economics by emphasising the ‘special path’ (Sonderweg) of German romanticism, historicism or idealism in economics and the uniqueness of its normative political preoccupations. For the German Historical School of Economics there is little evidence for any of this.

The vagueness of the term ‘German Historical School’ has a long history. Use of this term in newspapers, journals, books and government reports of the time was unsystematic and varied. Often the name ‘Historical School’ was used interchangeably with the Kathedersozialisten (‘socialists of the chair’) and the Verein für Sozialpolitik (Association for Social Policy). For example, in a famous debate in the Prussian Chamber of Deputies in 1897 the ‘Historical School’ was referred to as both ‘die Kathedersozialistische Richtung’ (direction of the socialists of the chair) and ‘neuhistorische Schule’ (neo-Historical School).

Increasing the confusion, newspaper articles commemorating Schmoller’s 70th birthday variously refer to the Historical School as ‘die historische Schule der Nationalökonomie’ (the Historical School of Economics), ‘geschichtliche Methode der Nationalökonomie’, (historical method of economics) and ‘neupreussische Nationalökonomie’ (neo-Prussian economics).

While ‘Kathedersozialist’ and ‘neuhistorische Schule’ were to some extent overlapping terms, they were by no means interchangeable. The name ‘socialists of the chair’ was itself a journalistic term of derision originating in a polemical exchange between leading figures of the German Free Trade Party and the young academics Brentano, Cohn, Schmoller, Schönberg and Adolph Wagner, who came to be called ‘socialists of the chair’ after criticising the views of the liberally-inclined Volkswirtschaftlicher Kongress (Economic Congress). These differences were heightened by the decision to found the rival Verein für Sozialpolitik in 1872, with which the ‘socialists of the chair’ thereafter became identified. Yet as the names Eugen von Böhm-Bawerk, Johannes Conrad, Karl Diehl, Erwin Nasse, Adolph Wagner, and Friedrich von Wieser confirm, many leading figures of the Verein did not combine history with economics. Many other members of the Verein were not economists but instead journalists, civil servants, trade union officials, and industrialists.

Some of the confusion arising from the use of the term ‘Historical School’ must be blamed on Roscher’s idiosyncratic History of Economics in Germany (1874). In a chapter outlining recent developments in historical economics, Roscher refers to these collectively as a Richtung (direction or tendency). At the same time, however, the term Schule (school) featured in Roscher’s page headings. Yet even before the publication of Roscher’s book, Schmoller and other historical economists made broad and varying usage of the term ‘school’. At the Eisenach congress of 1872 which led to the founding of the Verein, Schmoller mentioned the existence of ‘abweichende Richtungen’ (divergent directions) in German economics, namely historical, philosophical and statistical ‘schools’ without going into any detail as to their membership. In an important 1873 speech, for example, Gustav Schönberg juxtaposed the ‘Manchester School’ to
the ‘historical-ethical direction winning victory in German universities’. Later sources only increase the confusion: in a 1897 letter to Friedrich Althoff in response to newspaper accusations of bias toward the ‘kathedersozialistische Richtung’ in university appointments within the Prussian Ministry of Culture, Schmoller made a list of those academic economists whom he considered belonging to his ‘school’ which few today would recognise. This is because when Schmoller referred to his ‘school’ he meant those whom he had taught. Other German economists of the time made fast and loose use of the term ‘school’. For example, G.F. Knapp and others formed the so-called ‘Strasbourg School’ of historical economics, and the analytically-inclined Johannes Conrad spoke of the ‘Brentano School’. On the other hand, Wilhelm Lexis spoke of the ‘realistic German school’ when collectively referring to the followers of Schmoller and Adolph Wagner.

Even assuming the validity of Schumpeter’s description of the ‘German Historical School’, attempting to find a common set of themes, commitments or programme of the ‘school’ is highly frustrating. One of the few common themes uniting the alleged ‘school’ was research in economic history, but this alone was hardly a sufficient basis for a school. While the preoccupation with economic history was strongest in Germany, there was nothing particularly novel to this. After all, an interest in economic history was especially solid in Britain, and it is revealing that Roscher himself considered the work of Adam Smith, James Steuart and Thomas Malthus (together with Karl Heinrich Rau and Christian Kraus) to have been the most significant impulses for the development of a ‘historical method’ in economics. Similarly, Adolf Held considered Adam Smith ‘the excellent paragon’ of the ‘so-called historical school’.

No single method, research subject or political orientation commonly infused the scholarship of the so-called ‘Historical School’. Schmoller was a liberal in his early years and later became more conservative. He was empirically oriented and devoted much of his research to Prussian administrative and economic history. Brentano was more open to theory, a life-long, devoted liberal and wrote widely on trade unionism and the co-operative movement. Knapp, a conservatively-inclined liberal, worked in agrarian history as well as in theory, becoming famous for his state theory of money. Bücher, a left-wing liberal, was famous for a theory of stages of economic development and sided with Menger against Schmoller in the Methodenstreit. Sombart, on the other hand, had socialist leanings and was initially sympathetic to Marxist theory. He wrote extensively on the origins of capitalism. Adolf Held was a conservative free-trader who strongly opposed deductive theory and was best known for a pioneering study of the industrial revolution in England. Finally, Schanz was a liberal known mainly for his contribution to the history and theory of public finance. With the ‘School’ made up of researchers of such wide-ranging approaches, research interests and political orientation, it should not be surprising that co-operation was not one of their strong points. Co-ordinated research, if it did occur at all, took place not in the ‘School’ but instead within the confines of individual professors’ seminars or in the Verein. Indeed, the influence of Schmoller’s seminar on lines of research was particularly strong. It is noteworthy that Schmoller’s largest co-ordinated historical research projects,
the *Acta Borussica* and *Forschungen zur brandenburgischen und preussischen Geschichte* were founded and co-ordinated without other members of the ‘Historical School’. In fact, relations between members of the alleged ‘School’ were often estranged and full of rivalry, as the three-year row between Brentano and Schmoller or the lengthy dispute in the *Verein* over value freedom revealed.30

Members of the ‘Historical School’ were also not trained by, or the followers of, one particular person or group. For example, none of those Schumpeter labelled as forming the ‘younger school’ were taught by or the followers of either Roscher, Hildebrand or Knies.31 The ‘older Historical School’ is in fact a myth; Roscher, Hildebrand and Knies formed no group or school.32 Knies was mainly an economic theorist, Roscher was essentially a classical economists who amended theory with historical insights, and Hildebrand was an economic historian and statistician. As Max Weber later noted, of the three, really only Hildebrand worked with what could be called a historical method.33 In any case, members of the supposed ‘Historical School’ were often rather critical of these ‘older’ historical economists. For example, Knapp had a very low opinion of Roscher, with whom he had taught at Leipzig. He once wrote to Schmoller that he found Roscher unsystematic, superficial, and lacking historical ability.34 Schmoller’s students themselves only made up a very small number of those who could be associated with the ‘School’,35 and many other prominent historical economists were identified with their own ‘schools’. While Schmoller was certainly an influential teacher who had an immense impact in Berlin and Prussia, there was no geographical centre of the ‘School’; unlike the deductive Austrians centred at the University of Vienna, the ‘Historical School’ was scattered throughout Germany, Austria and Switzerland.36 There is also little evidence to suggest that Schmoller, acting as one of Friedrich Althoff’s closest confidants, was narrowly biased toward historical economists in his suggestions for appointment to Prussian universities.37 Interestingly, the Austrians Friedrich von Wieser and Eugen von Böhm-Bawerk were both sent by Menger to train under Knies.38 Erich Streissler has pointed out that the development of economics in Germany in the nineteenth century was influenced in large measure by important German classical and ‘proto-neoclassical’ economists such as Hermann, Mangoldt and Rau, who were, incidentally, significant influences not only on Carl Menger and other Austrian economists, but also on Alfred Marshall.39 The intellectual gulf that supposedly separated German and Austrian economics has therefore been exaggerated.40

Additionally, the ‘Historical School’ lacked an organ. Like other European economic journals, German journals of the time showed a penchant for variety, and while historical investigations were pervasively published in almost all of these journals, so were empirical-statistical and theoretical tracts, and those dealing with contemporary economic and social policy. It is particularly noteworthy that Austrian theorists published extensively in these journals.41 Historical economists were themselves editors of a variety of these journals, and no one journal had a claim to being the journal of the ‘School’, either formally or informally: Hildebrand founded and edited the *Jahrbücher für Nationalökonomie und Statistik; Bücher* edited the *Zeitschrift für die Gesammte Staatswissenschaft*; Brentano and then Schmoller edited the *Jahrbuch für Gesetzgebung, Verwaltung*
und Volkwirtschaft im Deutschen Reich (after 1913, Schmoller’s Jahrbuch); Georg Schanz edited Finanzarchiv; Sombart and Weber together with Edgar Jaffé edited the Archiv für Sozialwissenschaften und Sozialpolitik. Even Schmoller’s Jahrbuch, which is often assumed of having a one-sided historical bias, was open to variety and not oriented toward the scholarly preoccupations of the alleged ‘Historical School’. Schmoller explicitly stated in the editorial preface that he did not want the Jahrbuch to become exclusively a scholarly economic journal, but one that dealt also with the ‘greater questions that currently preoccupy public opinion, parliament and the German government …’.\(^4\) The journal was therefore to cover subjects and issues of interest to a broader academic as well as non-academic audience. This is not to deny, however, that deductive theorising was underdeveloped in the German economics profession and under-represented in its journals before the First World War.\(^4\) But this, too, hardly forms a school.

What of the normative socio-political preoccupations of the ‘Historical School’? Was this distinctive and therefore a basis for a ‘School’, or was German historical economics, as one of Max Weber’s colleagues once remarked, just ‘historical sauces on a classical dish’?\(^4\) There is little doubt that the prominence of the ‘social question’ in German public affairs meant that economics in Germany continued to be a political economy encompassing a broad range of social phenomena and political questions. This was due to the fact that one of the most important policy issues in Imperial Germany, social reform, demanded historical, political and ethical justifications. Social reform was a process of nation-building, of finding historically and culturally legitimated policies. Yet historical economists did not have common political opinions and disagreed widely in their historical interpretations. Economic history was used to legitimate a variety of policies: Brentano used it to justify English-inspired co-operatives and trade unions; Schmoller employed Hohenzollern history to advocate state-initiated social reforms.\(^4\) But this, too, was not particularly novel to the alleged ‘Historical School’. After all, classical, Marxian and nationalist economics were tied to discrete normative agendas—Smith, Ricardo, Marx and List’s economics were analytical foundations upon which their programmes for political change were built.

More broadly, the ‘Historical School’ has been cited as evidence of Germany’s intellectual Sonderweg (special historical path) in economics and the other social sciences. The continuity between ‘older’ and ‘younger Historical Schools’ is emphasised in such writing, which often stresses the peculiarity of German intellectual antecedents.\(^4\) Overlooked by the uncritical reiterations of this German intellectual pedigree is the nation-building function that invoking the name of the ‘German Historical School’ had. Roscher’s own history of doctrines exemplifies this. In his surprisingly a-historical treatment, the historical ‘direction’ (Richtung) in economics was the culmination of Germany’s intellectual peculiarities. Interestingly, Schmoller, Knapp and especially Brentano were all critical of Roscher’s history of doctrines. Knapp had little regard for it, and Schmoller wrote to Roscher in a letter with his draft review of Roscher’s book mentioning a ‘mass of problems’ and ‘differences of opinion’, hoping that his criticisms would not harm their friendship.\(^4\) Most tellingly, Brentano wrote
to Schmoller that Roscher’s history of economics ‘does not describe theories on the basis of the times in which they emerged [and therefore] does not adhere to the demands of modern scholarship. If anyone, Roscher should be up to those demands.’

The ‘Historical School’, ‘Historical-Ethical School’, ‘Realistic German School’, ‘Neo-Prussian School’ and other variants were all labels that served the purpose of exaggerating the differences between German and foreign economics. Foreign (especially British) economics and its adherents in Germany—derisively labelled *Manchestertum*—were often caricatured as reductive, dogmatic, speculative and metaphysical. Sometimes ‘historical’ implied nothing more than a vague commitment to history, ethical issues or policy in economics. Most often ‘historical’ expressed a commitment to homespun, historically derived ideas reflecting the peculiarities of German conditions. A good example of such views in Imperial Germany were the many hagiographic tributes to Schmoller in German newspapers, particularly the debt owed to Schmoller by Germany for having made a wider circle aware of ‘indigenous economic institutions and their historical development’. By contrast, the Social Democrats’ newspaper, the Berlin *Vorwärts*, assessed Schmoller’s history of Hohenzollern social policy, while not a forgery of the ‘Prussian schnapps’, as an attempt to paste a new label on the bottle, making the ‘bad potato spirits’ (*Kartoffelfusel*) seem like the finest Rüdesheim wine. The ‘Historical School’ has also been a useful foil, straw man and caricature: the Ordo-liberal Walter Eucken blamed the ‘Historical School’ and Marxists for the decline of classical economic theory in Germany; conservatives accused the ‘Historical School’ of being an incestuous clique that was soft on socialism; Nazis liked to lay special claim to the distinctively ‘German’ character of the Historical School, though they were quick to point to its deficiencies, notably that it lacked a racial-national (*völkisch*) Weltanschauung.

All such interpretations must be approached critically. Careful investigation reveals that advances in critical historiography and psychology, the success of the empirical methods of the natural sciences, as well as the refinement of statistical tools and application of statistical data to economics were all important impulses for the so-called ‘younger’ group of historical economists. Indeed, there is considerable evidence that Schmoller and many other historical economists belonging to his generation were influenced more profoundly by statisticians than by romanticism, historicism, Hegelian philosophy, or Roscher; for Brentano, Held, Knapp and Schmoller the statisticians Ernst Engel and Gustav Rümelin were the most important teachers and mentors. And many other economists belonging to this generation were active in statistical bureaus (i.e., Bücher, Inama-Sternegg, Lexis, Schönberg), which in Germany played an important role in the development of empirical social research and social reform. Statistical bureaus like Engel’s belonged to an international network of statisticians and economists, many of whom were also active social reformers. Engel exposed many young economists to the latest statistical research at home and abroad, organised surveys, and encouraged field investigations, thereby often sparking an intense interest in the social question. This in turn led to empirically-based critiques of classical economic doctrines and *laissez-faire*. Indeed, it was at Engel’s bureau in Berlin that the idea of organising the *Verein*
Für Soziapolitik was first hatched. If anything, then, what brought the historical economists of Schmoller’s generation together into a community of scholarship was not so much history as it was the use of statistics, a respect for empirical analysis (including historical research), and a strong commitment to social reform.

3. GREAT BRITAIN

That no real Historical School manifested itself in Britain will hardly sound novel to readers who are even superficially acquainted with the secondary literature. There were, for example, only ‘the merest fragments’ of such a school, according to Schumpeter. And although John Maloney traces the existence of a ‘historicist challenge’ to Marshallism, no ‘School’ was formed, which he attributed to the lack of a common political platform and to the non-exclusive approach of the Marshallians. Similarly, the existence of an Oxford paradigm, decisively influenced by Arnold Toynbee and opposed to the Cambridge one, has recently been asserted: but its focus largely bypassed the role of history in economics. The nucleus of a school might be found in Hewins and Ashley’s filiation with Toynbee: but Ashley was also deeply influenced by German scholarship, with the result that the Oxford approach gradually lost its sway over him, whereas Hewins’s contribution to historical economics was limited to his English Trade and Finance Chiefly in the Seventeenth Century. Finally, the relevance of the Irish Question in shaping Cliffe Leslie’s political economy, together with the fact that Ingram and Cliffe Leslie came from Ireland, do not suffice to justify the definition of an ‘Irish Historical School’.

Contemporaries, including the historical economists themselves, never spoke of a school, as they did when referring to the German economists. Cliffe Leslie’s and Ingram’s manifestoes failed to secure an adequate following for the historical programme, and Ingram’s Comtism proved different from Leslie’s careful revisions of Mill, just as Ashley’s advocacy of a Schmoller-like economic history was not the same as Cunningham’s awkward ‘plea for pure theory’. These differences in approach become evident when the frequent criticisms levelled by British historical economists against each other are considered. For instance, Ashley published a devastating attack on the entire work of Thorold Rogers, and Toynbee politely but firmly rejected Cliffe Leslie’s allegedly extreme views. Ingram’s Comtism was mocked by many, and in 1889 Cunningham, addressing Section F of the British Association for the Advancement of Science, pointed out the limitations of Comte’s treatment of political economy. Cunningham’s Growth of English Industry and Commerce met with scornful reception from Thorold Rogers, while it is well known that nobody rallied to the former’s struggle against Marshallianism.

Nevertheless, these authors still have a lot in common. All of them reacted against the ‘old abstract or deductive political economy’, variously making the most of what Neville Keynes hailed as ‘one of the most striking and legitimate triumphs of the historical school’, i.e. the discovery of the historical relativity of economic ideas. However, all this was a matter of ‘Zeitgeist’, as Ashley
observed, rather than of schools. There was no lack of definitions of the ‘Historical School’, more or less resembling each other—Roscher, Hildebrand, and Knies had been its originators, and, in the views of Ashley and Cliffe Leslie at least, its aim was to uncover the laws of development. But definitions got murky as soon as other terms were introduced, so that arguments revolved around ‘inductive’, ‘realistic’, ‘German’, or merely ‘new’ schools. Arguably, this lack of clarity was a reflection of a sense of belonging which basically went beyond any precisely defined school or group.

As a matter of fact, the insistence on the indigenous sources of the historical and inductive ‘direction’ often accompanied recognition of German developments. Ashley mentioned Richard Jones, Maine, and above all Toynbee; Cliffe Leslie listed Smith (‘the founder of the historical method’), Malthus, Tooke, and Maine, adding that dissent from Ricardo’s analytical framework ‘originated here, not in Germany’. Thorold Rogers and Toynbee were intellectually more insular: one can hardly cite a foreign author among their major sources of inspiration. Cunningham on the contrary showed distinct German influences since he ascribed himself to Schmoller’s ‘historical school’ and endorsed not only methodology, but also ‘German’ views on national development and the role of the state in it. Overall, though, the German hallmark of the ‘historical school’ was in effect watered down, as a decisive distinction within it was actually made by its opponents, regardless of national boundaries. Sidgwick, Marshall, and Keynes targeted the ‘revolutionaries’ (Knies, Schmoller, Ashley, Ingram, and Cliffe Leslie) and signed a truce with the moderates (Roscher and Wagner). Cunningham was dealt with separately. As Keynes wrote, ‘in the present note we are purposely dealing only with the more extreme views of the more extreme writers’. In opposing Cambridge’s open-mindedness to the alleged fanaticism of the historically inclined, this strategy certainly paid off.

The ‘historical’ author who most facilitated the critics’ task was Ingram, who ruinously toyed with labels in the chapter on ‘The Historical School’ of his History of Political Economy. Having made clear at the outset that the ‘historical method’ was Comte’s ‘historical comparisons’ between phases of social evolution, Ingram proceeded to assimilate the ‘German historical school’ into Comtism. In the process, he was forced to criticise the school for not being Comtian enough. Ingram complained that instead of researching the ‘natural laws’ of development, the Germans focused on ‘the action of special territorial or ethnological conditions’. For Ingram, the ‘constant relations of coexistence and succession’ between stages were universal natural laws, which admit of the construction of ‘an abstract theory of economic development’. His next step was to show how the German influence, associated with a dissatisfaction with laissez-faire, had everywhere generated views ‘in harmony with the systematic conceptions of the historical economists’. The problem was that Ingram’s standards for recruitment were vague to say the least, and certainly far too lax. That the Italians of the ‘Lombard-Venitian school’ were taken on board en bloc is not surprising; but the French representatives were curiously traced to the historians of economic thought from Blanqui to Baudrillart; and Bagehot, Cliffe Leslie, and Jevons were said to have been the ‘agencies’ of reform in England. In conclusion, Ingram’s authoritative panorama of the rise of the historical
school was so messy and overcomprehensive as to make the notion of it even more puzzling.

4. FRANCE

As regards France, secondary literature is scanty, but there was only one group of economists potentially suited to the formation of an unorthodox school, i.e. the set of university professors appointed to the newly created (1878) economics chairs in the Faculties of Law. But, from those quarters, the historical message met with little favour. Charles Gide, the ablest of all the unorthodox French economists, built an economics of solidarity and cooperation on the analytical basis of marginalism. Paul Cauwès’ Listian economics concentrated on establishing a fundamental link with the study of positive law. Joseph Rambaud was basically concerned with the classic themes of social Catholicism, and resorted to the Austrians’ views on value. Paul-Victor Beauregard ultimately belonged to the orthodox—‘optimistic’, as it was called by its critics—school, although he made some room for historical inference. Maurice Bourquin’s criticism of laissez-faire was inspired by socialist as well as French ‘corporate’ thought. Emile Worms chiefly devoted himself to ‘finance and applied studies. In short, while the new professors supported various standpoints, a historical approach can hardly be identified.

There was, admittedly, a successful journal, the Revue d'économie politique, launched in 1887 by the economics professors led by Gide, which was intended as the banner of an overdue reform in French political economy against the predominance of the ‘liberal school’ gathered around the Journal des Économistes. Yet the Revue’s editors explicitly placed it above the methodological controversies of the times, claiming to be eager to publish contributions representative of all tendencies. Thus among those who had articles translated and published there were Menger and Schmoller, as well as Knapp and Edgeworth, Loria and Pantaleoni, Brentano and Walras, and Bücher and Böhm-Bawerk. In fact the Revue thrived on non-French contributions, arguably because of Gide’s awareness of the miserable state of French economics. As has often been observed, the training of the new professors had been strictly limited to law studies. The writings of the co-editor of the Revue d'économie politique, Alfred Jourdan, show that he basically remained content with that traditional French blend of political economy, the Journal des Économistes’ moralistic defence of property, free trade, and existing labour relations. Not surprisingly then, and in full accordance with a number of acrimonious articles in the Journal des Économistes, no real distinction was made by Jourdan between the ‘cathédérsocialistes’ and the ‘purs socialistes’. A similar stance was adopted by another member of the Board of Editors of the Revue d'économie politique, Edmond Villey. Explicitly or implicitly, positions like these were inspired by the old scarecrow of the French anti-protectionist movement, that the state could not stop once the interventionist road was taken.

Maurice Block in particular gave voice to the Journal des Économistes writers’ quasi-hysterical reaction to the new trend. In Les progrès de la science
économique depuis Adam Smith (1890), Block’s criticism relied heavily on Menger’s attack on German economics. But, unmistakably, a tone reminiscent of Bastiat permeated Block’s eventual distinction between ‘two camps’, the liberals and the authoritarians. The target of Block’s defence of natural laws was clearly the policy implications of German economics, accused of making ‘socialism’ palatable to economists. Little if any difference is noticed between the socialists of the chair and the historical economists. Both were peculiarly German phenomena, Block never mentioning, say, Ashley or Cunningham. But in a previous assessment (1876), Block spoke of an international ‘historical school’, founded in Germany by Roscher, Hildebrand, Knies, and Schmoller, and adhered to by Cliffe Leslie and some Italians. The German branch of this school originated the Verein. More balanced surveys were put forward by the economists of the Revue d’économie politique. The ‘historical school’ of Roscher, Brentano, Schmoller, and Wagner is one of the four schools Gide pointed to, the others being the liberal, the socialist, and the Catholic. Only Emile de Laveleye, a Belgian maverick, and Cauwès were said to have endorsed the historical approach among French-speaking economists. In Gide’s view, historical political economy was policy-oriented, and strove after ‘the historical laws which rule men living in a specified society’. Gide, who believed in evolutionism, found no difficulty in making use of many historical reconstructions in his treatise. But he criticised the school’s rejection of deduction and, with it, of general laws: actually, he argued, observation was a challenging task, and moreover, experiments were impossible. Generally valid hypotheses could and should be made because history itself showed that ‘there are certain common traits in the human species’. The ‘school’, Gide argued, should be congratulated on its reaction against unsubstantiated deductions and the laissez-faire of the classicals, but its analytical ‘impuissance’ must be overcome.

Turning to the influence of German economics in France, there are a number of translations, but there is little evidence of any effect that is not merely attributable to the fashion of the times. One of the few examples of more definite influence is the young professor and secretary of the Revue d’économie politique, Henri St.-Marc, who wrote a penetrating and informative discussion of German and Austrian political economy in 1892. St.-Marc basically watered down the historical characterisation of German political economy by grouping authors from Roscher to Wagner and Schmoller together into a ‘historical realistic school’ (with Schäffle making up a school of his own). The ‘fundamental idea’ of this school was the treatment of political economy in its social, moral, and political context. In parallel, the Germans upheld the relativity of forms of economic life, which were ‘historical categories’. In St.-Marc’s opinion, it was understandable why the policy dimension had outgrown analysis in Germany: ‘art’ had usually preceded ‘science’ in the history of economic thought for ‘we always take sides’, even when science was lacking, and art taught how to do that wisely and prudently. There were three main ‘nuances’, both methodological and political in character, in German political economy. These were represented by Wagner, Schmoller, and Brentano (and St.-Marc sympathised most with the last of them). By spotlighting many eclectics in both camps, St. Marc showed
that the clash with the Austrians rested largely on misunderstanding. The main
difference was just that the Germans dealt with society and the Austrians with
individuals. Elsewhere, St.-Marc spoke of a ‘new school’ characterised by its
emphasis on morality, the linkages with jurisprudence, and the active role of the
state. He listed as its members Gide and Laveleye, Luzzatti and other Italians,
and Ingram and ‘Kliff’ Leslie.

The most brilliant applications of history to political economy came from
Emile Levasseur, the doyen of economic historians, who shaped an economics of
his own. In works like La population française and L’ouvrier américain,
Levasseur revised the theories of population and wages respectively in the light
of historical and statistical evidence. This went with a profound awareness of
methodological implications. Less impressive was the record of Laveleye,
although he did publish a manifesto for a ‘new’ political economy in 1875. It
was only in De la propriété et de ses formes primitives (1874) that Laveleye
blended history with political economy, in the attempt to legitimate a radical
reform of agricultural property. Besides the two authors just mentioned, im-
plications for political economy occasionally sprang from the work of economic
historians. Finally, the economic side of Durkheim’s school as developed by
Simiand and Halbwachs was largely a twentieth-century occurrence. The
sway of German political economy was probably more effective among French
sociologists than economists, as the first steps of Durkheim’s programme clearly
show. Admittedly, themes like the advocacy of inductivism, the inadequacy of
the cash nexus, the connection of social facts, and the social dimension of
morality were in the air on the Continent. Characteristically, St.-Marc linked his
methodological options to Taine’s famous denunciation of the ‘classic spirit’,
which had allegedly lain behind the origins of the homo oeconomicus as well as
the Jacobins.

The overall absence of a French ‘Historical School’ may be accounted for in
a number of ways, but all of them relate to the lasting identification of political
economy with the circle of the Journal des Economistes. In the decades in
question, the Journal was still spreading an ossified version of Say, Dunoyer and
Bastiat, quintessentially held together by Victor Cousin’s philosophy of history.
The key message had an inherent historical dimension, for economic reasoning
rested on the idea that civilisation had been progressing towards the full
unfolding of liberty, and accordingly of laissez-faire. On this horizon, political
economy could project itself as a legitimate setter of moral standards, morality
being in fact inextricably connected to economic freedom. Interestingly, Say’s
method was based on observation and aimed to replace Ricardo’s ‘metaphysics’.
Wolowski’s and Baudrillart’s appeals to the ‘méthode historique’ since the 1850s only make sense within this context (Levasseur, himself a mem-
ber of the Journal des Economistes circle, broke free from it). Yet, the same
writings signal an adjustment in emphasis, a partial methodological redirection
which cannot be ascribed simply to the inner flexibility of their pattern of
thought. After the 1848 revolution, the mitigation of the harsher traits of
utilitarianism combined with an even more striking methodological eclecticism
in an attempt to accommodate the new developments in politics and social
morality. Ricardo’s ‘géométrie’ was accused of fostering social conflict, while the
link between ‘science’ and ‘art’, traditional in French economic thought, was further relaxed. The relevance of history to political economy was emphasised and associated with a plea for inductivism. A fuller notion of man, who was to be regarded ‘with his needs, ideas, faculties, as the true protagonist of production, as the unique centre to which everything must be directed’, became the new focus of interest. In short, the Journal des Economistes writers assimilated some of the historical economists’ themes, to the point of occasionally boasting of applying the ‘historical method’. Furthermore, in the same years, a case for the ‘method of observation’ was effectively made by an author who shared the economists’ concern with the social question, Frédéric Le Play.

It is no wonder then that a new generation of ‘optimistic’ economists prided itself on inductivism, statistics, and even history. In contrast with Ricardo and Stuart Mill ‘we have a passion for facts’, remarked Paul Leroy-Beaulieu. His book on colonisation—definitively the most influential piece of economics of those days—revolved around the lessons of colonial history. The inductive method was applied by Emile Chevallier, a pupil of Leroy-Beaulieu, to uncover the laws of wages. Juglar’s celebrated work on the trade cycle mixes statistics and history with the aim of framing a law of crises of universal validity. Alfred Foville’s method, on the other hand, is utterly statistical. If we had to fall back on one characteristic to epitomise this ‘liberal’ strand, we would mention this practical abandonment of pure analysis in favour of applied research. This is well reflected, for instance, in the courses given at the Ecole Libre des Sciences Politiques.

5. ITALY

In Italy, the organisational arrangements for a proper school were unquestionably made. A group of economists and politicians, clearly inspired by the example of the Verein für Sozialpolitik, met in Milan in January 1875 to discuss social policy questions; and a short-lived Associazione per il progresso degli studi economici was set up there, in conjunction with the founding of a new review, the Giornale degli Economisti (1st series, 1875–1878). These ventures were hailed throughout the country as the rise of a new school of economic thought, which its opponents sometimes called germanista but more often Lombardo-Veneta. The second expression refers to the two regions where the universities of the main supporters of the movement were located, and at the same time polemically suggests the persistence of an Austro-German influence in the Northern territories.

Yet a closer view places these developments in a different perspective. Initially, the fuss about ‘schools’ was occasioned by a highly polemical article by Francesco Ferrara, the authoritative but dogmatic ultra-liberal economist, who attacked what appeared to him to be the statist trend of young Italian economists by representing them as members of a cohesive, powerful and dangerous school of German origin. Ferrara’s denunciation sparked off the organisational efforts of the Lombardo-Veneti as well as the creation of a rival society of free traders. But the announcement for the Milan conference was signed by four
people with distinct differences in their approach to economics. The moving force was Luigi Luzzatti, soon to become an outstanding liberal civil servant, politician, and essayist. Luzzatti was largely uninterested in the theoretical side of economics, and regarded the Italian battle of the methods as instrumental in the promotion of a far-reaching debate on the economic and social prospect of the country. In replying to Ferrara’s article, Luzzatti pointed to the deep divisions that existed in German political economy. He indicated three schools: the Smithian, the experimental split between the historicists and the statisticians, and that of the socialists of the chair. He took sides with none of these, asserting that the moderate wing of the socialists of the chair was in agreement with Cairnes and the British tradition of state intervention.\textsuperscript{100} The other signatories were Luigi Cossa, professor of political economy in Pavia, whose methodological stance never went beyond Mill and Cairnes; Antonio Scialoja, a relic of the Risorgimento, and author in the 1840s of two economic treatises that recall Say and Rossi; and Fedele Lampertico, who published a multi-volume treatise in the German style, \textit{Economia dei popoli e degli stati} (1874–1884). Lampertico was so unaware of trends in economic analysis that in his treatise he defended the wage-fund theory against Thornton’s criticism.\textsuperscript{101} As regards the textual contents of the announcement, any reference to economic schools was explicitly rejected. The four proponents merely committed themselves to the virtues of the inductive method, which, in their opinion, could effectively assist in the urgent task of ascertaining the practical limits of the application of economic laws. This had a bearing on what appeared to them as the crucial question of the age, i.e. the economic function of the state.\textsuperscript{102}

The proceedings of the short-lived Associazione show that only policy issues were dealt with (such as emigration, savings banks, customs duties, and the employment of women and children in factories). The focus was on the collection of data.\textsuperscript{103} Yet there was an intellectual inspiration behind younger activists like Luzzatti and Lampertico: this was Angelo Messedaglia, a statistician and economist of some genius who held chairs in Padua and Rome, and who imbued the younger generation with a commitment to induction and statistics. In his perspective, this went hand in hand with a belief, reinforced and not denied by Queteletian statistics, in the immanent sway of natural laws. Messedaglia’s closest pupils—which included Emilio Morpurgo besides Luzzatti and Lampertico—can be considered to have constituted a school of their own, but this was based on a sort of ‘spiritual inductivism’ shaped by Galileo, Quetelet, and a Romantic mood rather than on the connections between history and economics.\textsuperscript{104} Characteristically, observation resulted in the acknowledgement of ‘frictions’ in the workings of the economy, which in turn called for state intervention. Even before modern industry came into being in Italy, Messedaglia and his pupils advocated working class education and factory legislation to complement mutual-aid societies and savings banks. Messedaglia’s influence was pervasive, encompassing outstanding figures of Italian marginalist economics like Antonio Viti de Marco, as well as socialists like Achille Loria.

The absence of any widely shared and distinctive research focus made the tentative ‘school’ founded in Milan fade away fairly soon, as the closure of
Giornale degli Economisti in 1878 testifies, while the central committee of the Associazione circulated its last notice as early as in March 1876. But a literature about methods in political economy did flourish in those years. The Lombard-Venetian contingent appealed to Galileo and to an indigenous tradition of inductive science—to be renewed through statistics and public inquiries—rather than to history proper. The debate came rapidly to be perceived as an investigation into the economic identity of the new state, thus attracting wide attention and turning into a watershed in the discussion of policy strategies. The methodological outburst of 1874–1878 or thereabouts resulted from the discontent of the younger generation both with the unreasonably optimistic views held by rulers who for the most part had been protagonists of the Risorgimento, and with extreme, outmoded laissez-faire political economy, as elaborated by Ferrara.105

The obsession of the Lombard-Venetians with inductive methods reflected their bitter discovery that the policy priorities of a second-comer country had to be calculated to suit circumstances. The new international scenario of industrialisation, protectionism, and socialism could not be reconciled with the old liberal principles. Furthermore, the process of state-building required manageable and accurate information. The basic characteristics of the many regional economies in the new state were still largely unknown to the rulers, and this would suffice to account for the great vogue for statistics in Italy.106

The German experience was probably decisive in triggering the aforementioned organisational efforts. German polemics against Manchester were an essential component of the times which the Lombard-Venetians claimed to represent, and the rise of the Verein as the place of organised policy advising made a lasting impression. Yet it was Britain, and not Germany, that provided the model for both doctrine and practice.107 As far as the former is concerned, the flexibility of Mill and Cairnes was highly praised and seldom challenged. Italians often pointed to the continuity between the British classicals and the new approaches. Of those who attended the Milan meeting, only Vito Cusumano and Carlo Francesco Ferraris rejected the notion that natural laws ultimately rule the economic world. In the realm of social legislation, Britain’s achievements were highly praised and regarded as the outcome of a ‘Baconian’ approach to policy making.108 In contrast, Bismarck’s programme of compulsory insurance appeared dangerously radical, the expression of an authoritarian mode of rule which was alien to the liberal tradition.109 The German approach affected the scholars of the generation that followed that of Luzzatti and Lampertico much more deeply. At the turn of the century a group of true Kathedersozialisten (but not of historical economists) emerged, notable among them being Carlo Francesco Ferraris, Ugo Rabbeno, Camillo Supino, and Francesco Saverio Nitti.

Certain specific topics were treated historically—especially the monetary and financial ones110—but Giuseppe Toniolo’s Dei remoti fattori della potenza economica di Firenze nel Medio Evo (1882) was the only attempt at a full-scale integration of political economy and history.111 The ‘statistical method’ dominated the field, on the level of both declarations of intent and research practices.112 The German example of detailed investigation certainly inspired the blossoming of studies on past Italian economic thought which occurred in these
decades. But there was little historical dimension in Cossa’s erudite bibliographical surveys; as one interpreter put it, this was chronology without interpretation. Of the other notable contributions, Morpurgo’s and Lampertico’s aimed at a search for forerunners to their own statistical approach. Other investigations merely continued the Risorgimento tradition of taking national pride in the achievements of past Italian economists. Overall, the criticism of contemporary political economy in the light of historical insights—that is, what can be reasonably expected from any ‘historical school’—is hardly traceable in this department of Italian economics. An exception was Cusumano’s Dell’economia politica nel Medioevo. Ricca Salerno’s Storia delle dottrine finanziarie in Italia is also worth mentioning. Here past Italian doctrines about finance were viewed as interacting with contemporary institutions and relating to the financial requirements of the day; and Ricca Salerno emphasises that the historical relativity of theories should teach a lesson to Italy’s statesmen, who are prone to ‘excessive abstractions’. In so doing, Ricca Salerno pays tribute to the German concept of the state as part of the ‘complex organic unity of national economy’.

Although Italy lacked a ‘Historical School’, there was a historical awareness in the Lombard-Venetians, somehow loosely reflected in their writings. We are referring to the feeling of an irretrievable discontinuity occurring between them and the former generation. The halcyon days of liberal principles were prematurely and suddenly eclipsed in the face of the rise of socialism, the Lombard-Venetians argued, and thus shifted the ground to perpetual compromise and petty politics. This was an age of transition, of ‘middle courses’ to be ascertained through careful observation. In Italy, where the recollection of the Risorgimento was still fresh, this European-wide state of mind was acute, and often coloured by regret. An evocative contrast between the days of Cobden and the present was a regular feature of many texts of the Lombard-Venetians.

The Italians used the expressions ‘historical school’ and ‘historical method’, but in an inconsistent and imprecise way. Cossa’s authoritative account of 1892 distinguishes between a ‘historical school’ made up of Hildebrand, Knies, Roscher, and Schmoller, and Schäffle’s ‘sociological school’; Wagner is considered separately, while the Verein’s ‘socialists of the chair’ are said to comprise the near totality of German professors. Yet previous editions of Cossa’s book were much more scanty and vague, no distinction whatsoever being made within the German ‘new school’. Cossa’s 1892 presentation takes up the Austrian views, and in particular makes the most of Böhm-Bawerk’s remark about the historicists’ alleged rejection of theory:

One serious reproach cannot but be made against Schmoller, and that is based upon his denial of any possible use for the deductive method in economics as a science. He bids us patiently wait until we have completed the accumulation of historico-statistical materials dealing with the economic conditions of all places at all times; but not all of us can wait so long.

For Cossa as for many Italians, the ‘historical school’ was a purely German phenomenon, an extreme form of European-wide trends which they more or less
warmly embraced. As a matter of fact, eclecticism, both theoretical and methodological, was inherent to a group like the Lombard-Venetians whose raison d’être predominantly lay in the policy sphere.\textsuperscript{120}

A much more sympathetic treatment of the German scene was supplied by Cusumano, who, with Giuseppe Ricca Salerno and Ferraris, had studied in Berlin with Wagner and Engel. As a matter of fact Cusumano’s well-informed report (translated into German in 1881) contributed to triggering the dispute between Luzzatti and Ferrara. Cusumano’s analysis focused on the ‘socialists of the chair’, all indistinguishably depicted as advocates of an ‘ethical’, ‘realistic’, ‘social’, ‘historical’, and ‘statistical’ political economy, whose goal was the implementation of social justice. Virtually all the German economists of the time who were neither free-traders nor socialists were said to belong to this school.\textsuperscript{121} Socialism of the chair had drawn from the ‘historical school’ of Roscher, Hildebrand, and Knies as well as from the development of statistics, the socialist critique, and the German juridical and philosophical tradition. As for method, Brentano’s ‘realism’ found favour with many. It is significant that between the two types of induction, the historical and the statistical, Cusumano opted for the latter on the grounds of its better mastery of the social question.\textsuperscript{122} Clearly enough, for Cusumano the relevance of methodological controversies came from their intimate connection with the question of state intervention, which was the ultimate issue.

A few years later, the ‘dissolution of the socialists of the chair’ was reported by Ricca Salerno. In his opinion, the Verein had comprised diverse standpoints from the beginning, in a successful attempt to grapple with the new realities of democracy and socialism in the light of inductive science. Two main groups were now recognisable. Wagner, Schäffle, Scheel, Samter and others had endorsed a quasi-socialistic line; while Schmoller and Knapp were leading a ‘young historical school’ based on ‘systematic induction’. The volumes of Staats- und sozialwissenschaftliche Forschungen well illustrated the detailed research which was the trademark of the latter school. Ricca Salerno openly sympathised with it, though not to the point of assimilating into it the multi-faceted European reaction to laissez-faire economics.\textsuperscript{123} In his opinion, the seat of the most thorough and perceptive science has never moved from Britain.\textsuperscript{124}

So far, we have concentrated on demonstrating the first goal mentioned in section 1 by showing that, in view of the great diversity of non-neoclassical economic thought, it is hardly possible to refer to any ‘Historical School’ without some preliminary debunking. Moving on to more tentative ground, we can now point to the ‘real’ historical economists, and provide an insight into their close links with social reform.

6. HISTORICAL POLITICAL ECONOMY AND SOCIAL REFORM

If the preceding analysis is convincing, the loss of the ‘Historical School’ as a category would require a wide-ranging reappraisal, leading to a new classification of the main currents of economic thought active in 1870–1900. We cannot carry out such a huge task here. Despite this, there is one general point that
should be made. We question the idea that a story based on only two charac-
ters—the historical and the neoclassical schools—can convey that phase in the
history of economic thought. More numerous and more subtle divisions were at
work. It is not only the historical side but also the neoclassical one that reveals
little propensity to rally round a shared paradigm. We refer to well-known
facts like the Austrians’ rejection of the mathematical device, Wagner and
Marshall’s conscious attempts to mediate between the two ‘schools’, the cogni-
zance of a historical strand in Italian neoclassicism, or Pareto’s criticism of
Walras’ rationalistic method; not to mention that a solicitation for more history
in economics ran through many declarations of intent of early neoclassicists like
Böhm-Bawerk, Jevons, Foxwell, and John Neville Keynes. What is more, the
drawing of a straight line from the first waves of marginalist authors to
contemporary economics, hailing an alleged victory of the analytically-minded
over those who dismissed analysis in favour of history as the fresh start of
modern economic reflection, is highly debatable. Both Mengerism and
Marshallism can be numbered among the casualties left behind by the develop-
ment of economic thought, in much the same way as Schmollerism can.

The necessary disentangling of the different currents of economic thought
usually grouped together under the banner of the ‘Historical School’ may be
done from two complementary perspectives. First, the ground occupied by the
‘Historical School’ should be apportioned to a number of different approaches
to economic phenomena. We can tentatively identify a statistical posture
(among whose adherents the most important figures were Engel, Hildebrand,
Knapp, Lexis, Rümelin, Tönnies, Juglar, Levasseur, Lampertico, Luzzatti,
Messedaglia, Morpurgo), a biological-sociological stance (Ottlilienfeld, Schäffle,
Schulze-Gaevernitz, Sombart, Spann, Ingram, Boccardo, Cognetti de Martiis,
Messedaglia), a juridical perspective (Miaskowski, Wagner, Cauwès and other
holders of chairs in the French Law Faculties), an administrative focus (Lorenz
Stein, Maurice Block, C.F. Ferraris), and an analytically-minded line (Conrad,
Knapp, Lexis, Nasse, Philippovich, Wagner, Cliffe Leslie, Ricca Salerno), be-
sides a long list of eclectics and social reformers with a penchant for theory.

Once the scene is re-ordered in this way, it becomes easier to point to the real
historical economists, that is to those who systematically and effectively put
history to work as an economic tool: Brentano, Bücher, Cohn, Goethein,
Hasbach, Held, Herkner, Hildebrand, Knapp, Miaskowski, Schanz, Schmoller,
Schönberg, Stieda, Ashley, Cliffe Leslie, Cunningham, Hewins, Thorold Rogers,
Toynbee, Laveleye, Levasseur, and in a more limited manner Leonce de
Lavergne, Cusumano, and Toniolo. A certain degree of overlapping among the
above mentioned groups is the rule rather than the exception.

But the above categorisation, valuable as it may be, does not do full justice to
a phase of economic thought in which theoretical efforts were often related to
the discussion of policy issues. This is not to say that historical political
economists did not have other scientific preoccupations; among these were
critiques of classical economics and theories of economic development. But the
demise of classical economics as a system capable of dealing with social
change—most notably the problems with its wage fund doctrine and theory of
rent—and the simultaneous rise of trade unionism and socialism all over Europe
led to wide-spread concern with the knowledge base of reform. In addition to disentangling the various strands of non-neoclassical thought, it is also necessary to point to the affinities between social reform and historical method for a more complete insight into the place of historical political economy. We would argue that in 1870–1900 a ‘political economy of social reform’ took shape as an international phenomenon, and that historical economists contributed significantly to its development. With this label, we are identifying a very loose paradigm, under which intellectual enterprises as various as Verein economics or its Italian counterpart, Gide’s economics of solidarity and cooperation, Le Play’s school, and all forms of Christian socialism, *inter alia* could be grouped together.

During the 1990s a network of journals enhanced the visibility of the political economy of social reform. They provided some sort of institutional background to the movement through the translation of pieces appearing in sister journals and the pooling of contributors. In addition, there was regular reviewing of sympathetic books, so that the same authors figure ubiquitously. A glance at Schmoller’s journal, at the Oxford-based *Economic Review* (founded 1891), at the *Revue d’économie politique* after 1892 or thereabouts, and at Nitti’s *La Riforma Sociale* (1894) suffices to identify a common inspiration.

In these journals, social inquiries were typically associated with discussions of social reform issues; prominent topics were factory legislation, trade unions, workers’ insurance, tax reform, housing, poor relief, agricultural reform, municipal management of public utilities, the eight-hour day, profit-sharing policies, and commercial reform. More or less academic in tone, the ‘political economy of social reform’ appears to be a product of the common spirit which animated not only moderate socialism and non-neoclassical economics, but also major theorists with a social side like Marshall or Wagner. The first volumes of the *Economic Journal* provide ample evidence. The ‘paradigm’ consisted of a few simple tenets. It was commonly assumed that social reconstruction was the problem of the age, which Nitti viewed as ‘critical’ in the Saint-Simonian sense. Schmoller and other German economists came to use the term *Vergesellschaftung* for this progressive evolution of the market economy to serve ever greater common ends, a view closely related to their interpretation of historical development. With a ‘collectivistic tendency’ marking the times, reform economists nevertheless dismissed socialist programmes in favour of concrete measures intended to integrate the working classes into the existing social and political framework. Neither educators nor missionaries, reform economists praised themselves for being social scientists. Effective policies had to be based on ‘the scientific observation of the facts of social life’, as the editors of the *Economic Review* put it, whereas Schmoller spoke of the ‘exact positive understanding of state and society’ uncovering ‘the individual phenomena and their causes’.

Underpinning this approach was the fact that statistics had established the reality of society as an observable collective phenomenon displaying patterns of regularity. And this regularity was shaped by common morality and ethics embodied in laws and institutions, whose origins and workings had to be investigated historically.

Not surprisingly, then, the historical approach was associated with statistics and field investigation as one of the main components of a method appropriate
to the science of reform. The plea for social reform relied on an understanding of certain patterns of historical development, even when no historical dimension appeared to enter into the writer’s treatment. It was the democratisation of social and political life which occurred in the second half of the century that ultimately made Ricardianism appear as a ‘party doctrine’ (Cohn). Germany provides the case that is most illustrative of this democratisation process. Having in his youth experienced the repression which followed the 1848 revolution, Schmoller and others were convinced that social and political democratisation could not be suppressed; these were inevitable historical forces which had to be harnessed and redirected away from revolution toward building the nation in a reformed bürgerlich manner. If the existing political order was to survive, the working class movement had to be encouraged to integrate and become an acceptable middle class one. The Ricardian-Malthusian core of classical economics was therefore seen not only as a ‘party doctrine’, but also as a historically superseded economic dogma whose perpetuation in defence of the status quo threatened revolution.130

Many economists regarded historical narrative as capable of explaining the causes of democratisation and predicting its effects. The economic consequences of democratisation—like the growth of trade unions or the new extent of state intervention under the pressure of middle and working class lobbying—could be accounted for only by treating them as the outcomes of long-term historical trends. Explicitly or implicitly, the historical economists agreed that the labourer’s present independence of social bonds, in which the transition from serfdom to modern citizenship had culminated, was the source of the labour question of the day. The dissolution of the moral relations on which the former modes of economic life rested, these authors believed, brought about a world where the ‘cash nexus’ was the single bond between men. In their view, the social costs of the transition from a regulated economy to competition and individualism had been high; and classical political economy bore responsibility for preaching a gospel which, to say the least, was one-sided. That wealth had increased enormously while the share in it of the labourer had not increased at the same pace was now a historical finding, i.e. a scientific fact, besides being a battle cry of the labour movement. Toynbee elaborated on this with the utmost clarity, and the list of authors who subscribed to this view includes Ashley, Cunningham, Thorold Rogers, Laveleye, Schmoller, and the vast majority of the other German historical economists.

Democratisation was a multi-faceted phenomenon, whose economic side could hardly be taken in isolation. Our authors were well aware of this, and in some cases also of the risks involved in taking such a potentially boundless set of connections into account. But, on the negative side, the historical economists regarded the abstract interplay of individual utilities as of little use in view of the magnitude and complexity of the problem at hand. Its inherently collective dimension seemed to condemn marginalism to irrelevance.

To conclude, what we define as historical political economy occupies the area of Figure 2 where ‘historical method’ and ‘social reform’ overlap, including the areas where this overlap may occasionally encompass elements of socialism and the hypothetical-deductive method. The emphasis here is on inclusion, both in
terms of methods and policies, as well as between nationalities. What hopefully results is a working definition both broad enough to include various approaches and nationalities, yet also precise enough to capture the use of history as an economic tool. We define this historical political economy as a policy-oriented empirical economics which viewed history as an essential source of data and knowledge and the national past as the principal inspiration for understanding patterns of change and for devising appropriate policies to accommodate that change. This definition and the specific characteristics of historical political economy are illustrated in another article.\footnote{131} It is sufficient to have shown here that the rubric ‘Historical School’, as a vague term with various associations, is not up to the task of either encompassing the various strands of non-neoclassical economics outlined above, or of precisely delimiting an economics which used the historical tool—together with occasional deductive instruments and socialist insights—to pursue social reform.

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\textbf{NOTES}


8. By ‘non-neoclassical’ we mean all those economists not associated with the thought of Jevons, Marshall, Menger, Walras, and their followers.


16. It was Heinrich Bernhard Oppenheim who coined this name: H. Oppenheim, ‘Manchesterschule und Katheder-Sozialismus’, *Berliner Nationalzeitung*, no. 573, 7 Dec. 1871. Schmoller was criticised less directly and did not bother to respond. V. Hentschel, ‘Die deutsche Freihandlespartei im Streit mit den Kathedersozialisten
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17. See Pearson, ‘Was there Really a German Historical School?’


21. These accusations were made by Dr. Fischer in the *Kölische Zeitung*, No. 281, 28 March 1897.


23. GStAB, 1 HA, Rep. 92, AI, Nl. Althoff, no. 63, docs. 1–4, Conrad to Althoff, 3 July 1892.

24. GStAB, 1 HA, Rep. 92, AI, Nl. Althoff, no. 64, docs. 20–34, memorandum to the Kaiser by Wilhelm Lexis, transcription, n.d.


34. GStAB, 1HA, Rep. 92, Nl. Schmoller, no. 130a, docs. 405–406, Knapp to Schmoller, 29 October 1888.


36. Brentano worked in Berlin, Strasbourg, Leipzig, Breslau and Vienna before settling down in Munich; Schmoller began in Halle and then Strasbourg, finally moving to Berlin; Held taught at Bonn and briefly at Berlin but died two years before Schmoller arrived; Knapp taught at Leipzig and then Strasbourg; Bücher, after teaching in Munich, Dorpat, and Basle, spent most of his career in Leipzig, as did Stieda after leaving Rostock; Schanz’s career was spent at Würzburg, and Schönberg’s in Freiburg and Tübingen; Philippovich taught in Freiburg and then moved to Vienna, where Inama-Sternegg worked; Weber took over Philippovich’s post in
Freiburg but spent most of his career in Heidelberg; Miaskowski’s career was spent at Basle and Breslau; and Sombart after years at Breslau and the Berlin Handelshochschule moved to Berlin University the year Schmoller died.

37. For example, while he was highly critical of his methods, Schmoller nevertheless proposed Ferdinand Toennies for Kiel University over Schulze-Gaevernitz, who is usually identified with the ‘Historical School’. GStAB, 1 HA, Rep. 92, Nl. Althoff, no. 63, docs. 22–23, Schmoller to Althoff, 25 August 1892.


40. Ibid., 31; see also Tribe, ‘Historical Economics’.

41. Especially in the Jahrbücher für Nationalökonomie und Statistik, two early highlights being Böhm-Bawerk’s important 1886 article ‘Grundzüge der Theorie des wirtschaftlichen Güterwertes’ and Carl Menger’s famous ‘Zur Theorie des Kapitals’ of 1888.


48. GStAB, 1 HA, Rep. 92, Nl. Schmoller, no. 114, docs. 78–80, Brentano to Schmoller, 10 December 1874.


GSTAB, 1 HA. Rep. 92, Nl. Schmoller, no. 130a, docs. 86–87, Knapp to Schmoller, 2 March 1871.


A. Kadish, The Oxford Economists in the Late Nineteenth Century (Oxford: 1982); id., Historians, Economists, and Economic History (London: 1989). It is also debatable in our views that the profile of an Oxford school emerges from Kadish’s brilliant and informative reconstructions; see in particular The Oxford Economists, pp. 276–268.


There are in fact those who point to the role of historical methodology in the consolidation of an Ireland-based school, rooted in the peculiarities of 19th-century Irish social and political situation: see T. A. Boylan and T. P. Foley, Political Economy and Colonial Ireland (London: 1992).


75. Incidentally, this assumption was also shared by the one who was probably the most influential French economist of the time, Paul Leroy-Beaulieu: see his ‘Le développement du socialisme d’état’, Journal des Economist 9 (4th series, 1880), pp. 109–115.


81. He also published an economics textbook, later translated into English: Précis d’économie politique (Paris: 4th edn., 1883; 1st edn. 1868).


89. See in particular Say’s *Traité d’économie politique*, preface.


103. The proceedings are reported in *Il Giornale degli Economisti*.


106. On statistics, see R. Romanelli (Ed.), *L’indagine sociale nell’unificazione italiana*, a special issue of *Quaderni storici*, 45 (1980), and in particular C. Pazzagli, ‘Statistica
107. The point is made in full in Romani, *L’economia politica*, chap. 7.


109. A paradigmatic example is L. Luzzatti, ‘Le odierne controversie economiche nelle loro attinenze colla protezione e col socialismo’ (1894), in *Opere di Luigi Luzzatti*, IV, pp. 118–137. When in charge of policy making, the Lombard-Venetians regularly opposed German-inspired measures, as the clash between Ferraris and Luzzatti in the ‘Commissione consultiva sulle istituzioni di previdenza e sul lavoro’ in 1889 testifies: see C. F. Ferraris, *L’assicurazione obbligatoria e la responsabilità dei padroni ed imprenditori per gli infortuni sul lavoro* (Rome: 1890), where the minutes of the meetings are on pp. 32–220. Luzzatti thrived on widespread fears of ‘state socialism’ and defended ‘liberty’.


111. Toniolo, later to become an outstanding figure of Italian Catholicism, aimed to show how the prosperity of medieval Florence rested on a set of historical factors—geographical, ethnic, political, and moral. Historical research served to level a criticism at the modern organization of economic life, where ‘traditions’ were neglected. For a comment, see A. Spicciani, ‘Il Medioevo negli economisti italiani dell’Ottocento’, in P. Schiera and R. Elze (Eds.), *Italia e Germania. Immagini, modelli, miti fra due popoli nell’Ottocento: il Medioevo* (Bologna and Berlin: 1988), pp. 373–403.

112. R. Schiattarella, *Del metodo in economia sociale* (Naples: 1873), briefly argues in favour of the ‘historical method’. S. Cognetti De Martiis, *Delle attinenze tra l’economia sociale e la storia* (Florence: 1865), is a clumsy work, where the advocated ‘historical method’ is based on Condorcet, Smith, Malthus, and Baudrillart, and Roscher is criticised for being an extreme empiricist.


115. V. Cusumano, *Dell’economia politica nel Medioevo. Studi storici* (Bologna: 1876). Following in the footsteps of Roscher and Schmoller, Cusumano draws attention to the fuller appreciation of the social dimension of wealth traceable in the Italian writers of the Middle Ages.


126. We refer to the Turin group gathered around Salvatore Cognetti de Martis and his *Laboratorio di economia politica* since 1893. This is an essentially Marshallian strand of Italian marginalism, which could count on such influential economists as Luigi Einaudi, and on minor but very active figures like Pasquale Jannaccone and Giuseppe Prato. See C. Pogliano, ‘Cognetti de Martis. Le origini del Laboratorio di economia politica’, *Studi Storici*, 17 (1976), pp. 139–168.

127. *The Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft im Deutschen Reich* (after Schmoller assumed the editorship in 1881, referred to as *Schmollers Jahrbuch*), founded twenty years before the *Economic Review*, differed from the other journals because it tended to be less open to international contributions and debates and was marked by a somewhat ‘establishment’ tone.


