

**ECONOMICS. A LECTURE
DELIVERED AT COLUMBIA
UNIVERSITY IN THE SERIES ON
SCIENCE, PHILOSOPHY AND ART
JANUARY 22, 1908**

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ECONOMICS

BY

HENRY ROGERS SEAGER

PROFESSOR OF POLITICAL ECONOMY
COLUMBIA UNIVERSITY

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ECONOMICS

WHEN Professor Crampton finished his lecture on Zoology a few weeks ago and it was understood that the social sciences would next be taken up, some one in this audience said: "Now they will begin to talk about what they don't know." Whether my immediate predecessor overheard this remark, I cannot say. If he did he replied to it in a way that it would be vain to try to imitate—by showing that to hear about what is not known may be quite as instructive and even more entertaining than to hear about what is. With Professor Robinson's revelations in regard to the deficiencies of History still ringing in my ears, like a call to the confessional, I have no desire to make extravagant claims for *my* subject. We economists do still talk about what we don't know. We have reached a stage, however, when with clear utilitarian purpose we talk more and more about what we should like to know, a good deal about what we hope to know, and a little, a saving little about what we think we do know.

Economics, or Political Economy, is the social science which treats of all of the interests and activities connected with the mundane task of earning a living. It is the social science of business. This definition, accepted in substance, if not in form, by all present-day economists, was reached only after prolonged discussion. Passing over the first beginnings of economic speculation in oriental and classical literature, we find that in Europe in the Middle Ages the subject was cultivated as a branch, not of political science,

but of ethics. The questions most actively discussed by mediaeval thinkers turned not on the explanation of economic phenomena, but on their justification. Thus the inquiry was not as to why the rate of interest charged at the time was high, but as to whether there was moral justification for charging any interest.

As the mediaeval restraints on trade and industry were relaxed the discussion of economic phenomena passed from theologians to merchants and government officials. Taxation, the control of monetary systems, and the regulation of commerce were the principal matters considered in the fifteenth, sixteenth, and seventeenth centuries and some progress was made toward an understanding of these subjects.

In the latter part of this period economic questions began to be approached from the standpoint of the whole people rather than from that of kings or the ruling classes; a change that was at first justified more on the ground that an impoverished people means an impoverished sovereign, — *pauvres paysans, pauvre Royaume, pauvre Royaume, pauvre Roi*, as Vauban writing in 1717 expressed it— than because the welfare of the people was squarely recognized as of primary importance. When Adam Smith published his "Wealth of Nations" in 1776 this broader conception was firmly established, but Adam Smith himself still thought of Political Economy as the art of making nations wealthy and prosperous, rather than as the science of explaining wealth and prosperity.

It was not until the first quarter of the nineteenth century, when Political Economy had been dignified in England by recognition as a college discipline, that the subject began to be defined and treated as a science. The materials for the new science had all or nearly all been brought together earlier, but it required Ricardo's combination of business experience and talent for abstract

reasoning, James Mill's passion for clear and logical exposition, and the leisure for academic refinements of analysis enjoyed by Malthus and Senior to bring the different parts of the subject together into what is now designated as the classical or orthodox system. That system has influenced so profoundly the course of economic thought even down to the present day that a brief exposition of its leading principles must be given.

To understand the classical system it is necessary to study it in connection with the industrial situation in England at the time that it was formulated. Though exhausted and impoverished by the Napoleonic wars, that country was throbbing with the great economic changes brought about by the inventions and discoveries of the last half of the eighteenth century. Manufacturing industries were growing at an unprecedented rate. Population was beginning to be concentrated in Yorkshire and Lancashire where the coal and water power called for by the new processes were to be had abundantly. The capitalist-employer was coming forward as the directing spirit in the new industries and the opposition between his interests and those of the landholding aristocracy, which still dominated Parliament, was beginning to stand out clearly. Finally, in consequence of the war and of the partial suspension of the country's foreign commerce, high prices prevailed for agricultural products, and not only did the landlords of the country enjoy unusually high rents from their estates, but a considerable extension of agriculture to lands that had before been deemed unfit for cultivation was observable. The interest of landlords in a continuance of these high prices was as clear as was the interest of other classes in bringing about their reduction.

It was on the background formed by these industrial conditions that Ricardo and his disciples, combining subtle reasoning with heroic abstraction from the complex facts