

BEHIND THE IRON CURTAIN OF ECONOMIC THEORY

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THE accentuation of progress during the twentieth century is a specific characteristic of nearly all scientific writing of our day, and surely it could not be denied that technical progress in its diversified features has brought enlightenment to many spheres of human thinking.

Iron horse, motor car, steamship, aeroplane, and radio have brought the world closer together. Ideas expressed in far corners of the world can be transmitted easily and thus become the common property of mankind. However, it is surprising to discover the existence of an Iron Curtain placed right in the middle of spiritual progress, limiting co-operation of mankind much more than any geographical barrier or political hindrance. This Iron Curtain is the lack of transmission of knowledge of writings in foreign languages.

True, with regard to applied science great efforts are made to overcome the obstacle. Applied science is becoming more and more either a direct business or a defence proposition, and for that reason transmission of such knowledge runs parallel to these interests. However, when the dollar or military inducement does not exist, which is especially the case with regard to abstract science, the world is just as far split as during the age of the covered wagon and the postilion. If we have in mind especially economic theory the fact of lack of international co-operation is obvious.

A digest of the Development of Economic Theory in continental Europe during the last twenty years proves the assertion. In Switzerland, Holland, Czechoslovakia, Sweden, Austria, Germany and other continental states many series of books on economic subjects have been published. Economic Journals, on the other hand, have taken up discussion on important and progressive features of these publications and valuable knowledge in economic thinking has been stored. It is quite obvious that this knowledge could influence American and British economic thought.

To perceive the importance of these newer writings in economic theory, the leadership of such English classics as Adam Smith, David Ricardo, John Stuart Mill, James Mill, Robert Malthus and others must be conceded. Most of these

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authors have established fundamentals accepted by the whole world. But careful observers have noticed that, while the influence of these classics is universally acknowledged, the contribution of certain French, Swiss and German authors to the solving of economic problems is little known. Few students of political economy will remember Sismonde de Sismondi, a citizen of Geneva, and still fewer will have read his series of publications, or even his important works—*De la Richesse Commerciale ou Principes d'Economie Politique*, published in 1803, and *Neue Prinzipien der Nationaloekonomie oder der Reichtum in seinen Beziehungen zur Bevoelkerung* (New Principles of Political Economy or the Wealth in its Relationship to the Population), published in 1819. However, those who appreciate the importance of his writings will certainly welcome the work by Alfred Amonn—*Sismonde de Sismondi as a Political Economist* (published by A. Francke, S.A., Berne, Switzerland, 1945).

Alfred Amonn is not a historical biographer. Although the person of Sismonde de Sismondi may interest him, all he has to say in this connection is digested in eight pages of the preface. His aim is directed principally to discern economic theory. He has made similar efforts earlier in his *Ricardo as the Founder of Political Economy*, where he contributed to the German speaking world by an interpretation of David Ricardo's theories in the light of modern economic thought and thus helped to achieve a much clearer conception of the object and aim of economic theory, reaching its climax in an explanation of exchange values.

In choosing Sismonde de Sismondi, Alfred Amonn had as his aim a clear conception of the nature and causes of the wealth of nations. He could have chosen instead the great classic, Adam Smith, as Sismonde de Sismondi closely followed Smith's theories. But Amonn was aware that Sismondi proceeded further into problems which Smith did not satisfactorily solve, or which were not touched at all before. When Sismondi left the more theoretical aspects, he found not only approaches different from those of Adam Smith, but he also discovered ideas which constituted a considerable progress in the science of political economy.

Amonn not only points out clearly the differences in approach and system, but broadens the scope where Sismondi fails to enter into fields of economic research. Amonn also enlightens Sismondi's critical study of the liberal system, which,

as Sismondi says, "cannot be a National Economy, because it does not deal with live people, but with a dead matter; it is nothing else than Aristotle's crematistic" (a teaching of a despicable accumulation of dead wealth).

The political aspects of Sismondi's writings, however, do not concern Amonn very much; what he is especially attempting is to picture Sismondi's progressive mind in regard to the development of the theoretical ideas of political economy, a development which is still fundamental to the understanding of the science as a whole. With methodological clarity for which Amonn is so well known in the German speaking world, he approaches every problem and every aspect, sorting the important from the unimportant, the necessary from the possible.

With typical logic, Amonn concerns himself with the theoretical implications of Sismondi's teachings: "What is wealth?" "Is wealth money?" "Is money capital?" "How can the ideas of the physiocrats be used in a more reasonable explanation of wealth?" "How can we apply similarly the ideas of the various French and English mercantilists?" "Is Adam Smith's conception of wealth, as to the disposition of material goods, the final answer to the problem?"

When he has described elementary questions of Sismondi's conception of labour, he analyzes critically "the important element of wealth" and, following that problem, touches on all other fundamental questions: the process of production, the distribution of income, the social-economic balance, money and credit, the theory of prices and the political fundamentals of social economy.

The results of this study of Sismondi are expressed in the findings of teleological character of economic theory, which is established primarily as a practical science. It is deduced that the following of practical aims precipitates theoretical perception of the causal coherent factors. Hence, Amonn distinguishes really between two parts of the science, a theoretical part in which these causal coherent factors are noted and described, and a practical part in which the possibilities of following and satisfying of purposes in accordance with the theoretical perception is explained. Following Sismondi, he also defines clearly the science as a social science, keeping apart the particular sector which deals with the practical aim of states' activity.

Our purpose is to open to the reader a slit in the iron curtain of economic theory. With the description of Amonn's study on Sismonde de Sismondi, that has been accomplished in a twofold manner: the importance of the teachings of a classic writer, who has nearly been forgotten, has been revived, and attention has been drawn to Professor Alfred Amonn (at present Professor of Berne University and formerly Professor at the Universities of Freiburg, Cernauti, Prague and Tokio) whose writings are acknowledged in continental circles as some of the best perceptions of economic theory. Besides the above quoted books—*Sismonde de Sismondi as a Political Economist* and *Ricardo as the Founder of Political Economy*—Amonn's important works are: *Object und Grundbegriffe der Theoretischen Nationaloekonomie* (Object and Elements of the Theoretical National Economy), 2nd Edition, Leipsig, 1927; *Das Fundament der Theoretischen Nationaloekonomie* (Fundamentals of the Theoretical National Economy), Berne, 1948; *Grundbegriffe und Grundprobleme der Nationaloekonomie* (Elementary Concepts and Problems of Political Economy), Berne, 1944; *Grundzuege der Volkswohlslehre* (Elements of the Science of the Wealth of Nations), Jena, 1926; *Einfuehrung in das Studium der Nationaloekonomie* (Introduction into the Study of Political Economy), Berne, 1945; *Das Lohnproblem* (The Problem of Wages), Berne, 1945; *Grundsätze der Finanzwissenschaft* (Principles of Public Finance), Berne, 1947.

Reading the important theoretical books of Amonn, one notes that the stress on certain problems is foreign to the American economist. Furthermore, his methodological approach to, and explanations of, the various elementary concepts, i.e., value, price, money, etc., would not fit easily into the factual, always practical, and sometimes mathematical approach of the American economic teachings. The use of the terminology alone will make difficulties. In the German language, for example, distinction is made between "subject" and "object." Accordingly, the basis of a science is not a "subject" (that could be only a living person) but an "object." However, once understanding of fundamentals in language has been attained, the value of Amonn's method and findings for economic learning becomes obvious, and this value will especially be hailed when compared with the hit and miss methods of so many American writers.

The central problem of Amonn's writings is the logical explanation of political economy as a science and the clear

definition of its object. An abstract science is not bound by the name it has been given, especially when such a name has originated in certain practical purposes. Although the name "political economy" has been used by a great number of "economic" writers, the scientific content in connection with the object varies and intense study proves that actually we do not find the same science in every case. Amonn points out that the older writings on economic methodology had ignored logic, while the newer writings have ignored "political economy" in the sense of the science of the classics. To disentangle the difficult problem, he distinguishes between an "object of experience" and an "object of perception." Interwoven into the science of political economy Amonn sees a series of different aims of perception. For that reason it is not a "science in the strictly logical sense", but only a "scientific sphere," the unity of which is construed by a practical purpose. He suggests, therefore, the elimination from that logical heterogeneous sphere of science known as "political economy", "national economy", "social economy", "economy", "economics", all problems belonging in their structure to another known science. As we do so, it soon will become obvious that we will be left with a volume of problems which constitute a science in its proper logical sense. When speaking of "political economy", as a rule we understand an infinite interwoven and experienced relationship of interests, activities and institutions of many forms, which in their empirical reality, infinite manifold and everlasting changeability could never be perceived scientifically. For that reason, Amonn speaks of "economy" or "political economy" as an "object of experience" of the science. That is an "object" which must be understood from a "subjective" or personal point of view. Amonn proceeds then logically to the "object of thought". Within the experienced happenings, thinking will become the orderly function. By thinking, complexes of experience will be compared, analyzed, connected and disconnected, all in accordance with an arbitrary and subjective point of view. But besides such ordinary thinking, another logical, planned, predetermined and purposeful scientific thinking takes place which penetrates deep into the general and related coherence of experience and empirical facts. Thus, scientific thinking turns toward another object, the "object of perception". The result of this approach is quite stunning, as Amonn, for the above reasons, cannot accept the mere "economy" as the "object of perception". "The

object of perception", according to Amonn, is the particular unified form and shape which characterizes the social relationship of the generally determined organization of social intercourse.

From that distinction of "object" and from the particular formulation of the "object of perception", Amonn then develops elementary principles which are fully in accordance with such a logical system and form. Such elementary principles or concepts are the "economic unit", the concept of the "goods", "value" and "price", "want", "labour", "production and consumption", "productivity", "wealth and richness". Having thus been able to set up such a logical form, he is also able to explain much more satisfactorily the capitalistic social system.

Another author behind the iron curtain of economic theory is the Vienna University Professor Othmar Spann. Unlike Amonn, who always followed the science of political economy as founded by the classics, Spann has striven to develop a new sociological system of political economy. He has foremost in mind the theory of the individualistic social contract—J. J. Rousseau—and sees in it not only a normative function, but also a function of the state and of the social commonwealth as a whole. He speaks of *individualism* as a perception of a social commonwealth made up from a sum of individuals, each and all of whom are to be the basis of the state. The principal form of such an individualistic constitution would be the law of the social contract. The normative concept of such a society must rest with the individual. From individualism Spann distinguishes *universalism*. Under the latter conception, the individual is regarded as dependent on society and is only a secondary force in normative development. Spann asserts that universalism has a much greater historical significance and is more important than the individualistic concept. Thus, proceeding from a purely normative basis when making the distinction between individualistic and universalistic thought, Spann develops an antithesis of theoretical and practical significance within the economic theory. Spann expresses such an antithesis by using economic antonyms: "whether metalisme or chartalism" (German expressions with regard to monetary theories of a gold standard or of a standard based on the authority of the state), "whether free trade or tariff, whether free competition or state interference, whether collective bargaining activity of individual business or planned economy, whether private insurance or social security . . . the economic

problems always are dependent on either the individualistic or the universalistic basic thought."

In accordance with Spann's choice of a universalistic perception, "economy" objectively looked upon is a construction of means for aims (subjectively, that would be a weighing and dedication of means for aims). Accordingly, every economic phenomenon is in its nature a functional structure of performances. "Land and soil are performing; buildings, machines, raw materials, as well as the human activity itself, are performing." Spann then distinguishes direct performances, effecting a direct satisfaction, indirect performances, i.e., tools serving a direct performance and performances of which the effect is of a higher grade, e.g., commercial agreements between two countries. He does not perceive the concept of performance as technical or causal, but as a quality for the achievement of a purpose, that is as a structural concept. For him, performance is a "limb", ranked within a "whole" or a "full structure". (Universalistic). He puts against the "whole of all purposes" the "whole of the structure of all performances". Thus he forms a second fundamental principle, the first being "performances", "the order of disjoining of an economic entity". Such an order of disjoining would be characterized by the sectors of the entity and the steps of disjoining.

Spann calls his teachings the "theory of performances" and compares that with the nearest known terminology as "theory of production". He is quite satisfied with having this overcome the teachings of David Ricardo and Adam Smith. In his own estimation, he has developed a more satisfactory "political economy", fitted fully into the science of sociology.

The methods followed and the results of the theories developed by Othmar Spann have undergone a serious critique and have not always been accepted. But his logical approach is certainly a remarkable contribution to science. Furthermore, study of his work may in many respects explain the spiritual development of national socialism in Germany. What may be credited to Nietzsche and Treitschke from a philosophical point of view, could also be credited to Othmar Spann in taking economic teachings into consideration. From a series of books published by Spann, two are especially recommended for reading: *Gesellschaftslehre* (Social Science), Leipzig, 1923, and *Das Fundament der Volkswirtschaftslehre* (Fundamentals of Political Economy), Jena, 1923.

An important continental economist is the Swede Gustav Cassel (1866-1945), who has been considered as the leader of the new liberal school of economic thought. Cassel achieves importance by developing a theory of prices on mathematical grounds, ignoring the theories of values and basing his mathematical equations on the mere principle of scarcity. As Cassel was a delegate to various international conferences and was also invited in 1928 by the banking committee of the American House of Representatives to advise on the stabilization of the dollar, his ideas are fairly well known on this continent. Furthermore, his *Quantitative Thinking in Economics* (1935) and his *Downfall of the Gold Standard* (1936) are published in English. However, his principal work *Theoretische Socialökonomie* (Theoretical Social Economy), Leipzig, 1923, would be well worth translating. There is also no need to go into ideas developed by Joseph Schumpeter, who is now Professor at Harvard University and whose theories became well known on this continent within a very short time. In fact, the influence Schumpeter has been able to exercise proves the importance of getting greater contacts with continental publications.

There are quite a number of other economists whose publications have influenced continental thought on economic theory: Franz Oppenheimer, Werner Sombart, Liefman, Lederer, Wicksell, and many others. But it seems to me that Karel Englis, the Czechoslovakian economist (formerly Minister of Finance in Czechoslovakia and lately Rector of the 600-year old Charles University in Prague), especially deserves to be known on this side of the ocean.

Englis proceeds from a principal, three-way varying possibility and manner of perception, presentation and observation of the abstract phenomenon: the causal, which we imagine as simply being and effecting; the teleological, which we imagine as wanted; and the normative, which we imagine as something it should be. The elementary categories of the causal imagination or consideration are "cause and effect," the one of the teleological is "purpose and means", and the elementary categories of the normative are "duty and law". The proper field of the teleological conception is human activity. Englis admits that this field can also be viewed in a causal manner, because every experience can be viewed by a causal as well as by a teleological method. But while, in the science of nature, a causal method gives better satisfaction, in the study of human activity the teleological approach gives better and more useful

results. "Human activity and human work, therefore, are the proper field of teleological perception."

According to Englis, teleological perception operates with a number of general, or "formal", teleological elements. Besides categories like "purpose" and "means", there are the concepts of "want", "utility", "benefit" and "losses". Furthermore, the concept of "teleological valuation" and the one of "proceeds" are derived from the above "primary" concepts. "Want" is something desired for a purpose, expressing the relationship of "purpose for means". The concept of "want" is not specifically economic, but a "general or formal term" fully in accordance with the teleological perception. According to his theory, the opposite to utility would be hurtfulness, the latter being the case when an object contradicts a purpose. Therefore, "benefit" means nothing else but the effecting of a purpose, and "loss" the forfeiture of a purpose. Utility is a positive, hurtfulness a negative, teleological quality. "Teleological valuation" is the judgment regarding the grade of suitability of a means for a purpose or for the achievement of a purpose, which is nothing else but "utility". Teleological value, therefore, is the measure or grade of the volume of benefit or utility of an object or occurrence. It is a quantitative determination of the "teleological quality". Revenue finally is the surplus of the benefits over the losses, depending on whether we deal with an occurrence or object which is more useful or more hurtful. The loss with which a benefit is acquired is "cost."

Englis thus construes on the basis of this system of formal teleological concepts a system of economic principles, and forms thus the understanding of "economy". "Political economy as a science has to accept the fact that man cares for his livelihood and progress individually and collectively". To perceive a scientific method of study, Englis suggests imagining such an activity as simply existing and perceiving it then in a causal manner. It soon will become obvious that such a method brings no satisfaction, because man must not only decide between the various means for his welfare, but also have regard to the measure of the satisfaction related to the varying wants. Such a choice cannot be explored with causal methods, and for that reason the teleological observation is recommended. By teleological observation that welfare as a whole is divided into complexes of welfare, which are governed by uniform centres of will. Between such complexes various relationships develop,

the nature of which might be co-operation or rivalry. These individual acts, therefore, are not considered as something simply existing, but as something wanted. Teleological science, according to Englis, explores these individual acts as a means for a purpose and classifies them in accordance with the benefit gained. Within the nation, welfare of human beings is divided into individual complexes derived from the common will, which governs the existence of such complexes that welfare. These individual complexes, which are governed by a uniform will, are perceived by Englis as the "system of economy".

"Economy" thus is a primary concept. Accordingly, economic appearances are characterized as belonging to an economy. There is no economic utility, value, profit, want or cost outside of economy. Economy is not characterized by economic activity, because there is no material activity outside of economy. But economic activity is characterized by economy. In short, according to Englis, economy is the entity of welfare activities constituted and construed for the purpose of serving the livelihood and ambitions of man; it is a teleological relationship of such welfare activities.

These ideas originally were laid down in his *Die Teleologische Theorie der Staatswissenschaft* (The Teleological Theory of Political Science), Brno, 1933; however, his theory was enlarged and brought into a complete system in his *Soustava Narodniho Hospodarstvi* (System of National Economy), a two-volume publication comprising 1,500 pages (Prague, 1938). In these, his most important publications (he has published many other books on political economy, logic and public finance), Englis widens the scope of his teleological system. Proceeding from problems in connection with the abstract fundamentals of individual welfare, he arrives at fundamentals of state welfare and leads finally to the antithesis of individualism and solidarism. Furthermore, he develops, following the laid down teleological methods, a complete theory of state economy, dealing not only with economic questions, but also with questions of public finance.

Thus Englis builds up a whole system departing from the continental traditions of division between purely theoretical and practical problems of political economy. While some American economists also ignore such a division, following definite empirical observations of what is thought to be connected with

economic problems, Englis at least follows a definite logical method of perception.

A Chinese Wall or an iron curtain can easily be demolished. Human activity to-day is not imprisoned within state boundaries or continental spheres. We speak of world economy and world economy affects us to the greatest degree. Wherever we look around us, our wants are of a universal character. The suit we wear may be woven in Lancashire, the wool imported from Australia, the buttons from China. When thinking of the implications in which Australian or Chinese workers are involved in connection with their wants, we will understand international dependency. Therefore, the perception of economic problems is of utmost importance.

But another thought must also be considered. Through indifference we have unintentionally furthered a sectional development of ideas. It is well known that economic theory has been a basis for the development of Socialism and Communism (Marx, Rodbertus, Proudhon, Owen, etc.) on one side, and Fascism and National Socialism (Spann) on the other side. Could it not be that by development of ideas founded on perceptions unknown to us, different methods of thinking could be developed and with them possibly different scientific languages? Have we ever made strong efforts to have principal works of political economy translated so that we would have a basis for discussion on common ground? At least we should make efforts to explore developments of economic theory in a manner similar to the exploration of developments in applied science. In my opinion, economic theory involves the world just as much as atomic research.