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## « Why German historicists were wrong to put John Stuart through the Mill »

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# Why German historicists were wrong to put John Stuart through the Mill

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## *Abstract*

Many German historical economists have denounced classical political economy's pretension to establish abstract universal laws. This paper seeks to defend John Stuart Mill against this criticism. It argues that, contrary to what these authors alleged, they have a great deal more in common with Mill on this topic than they were willing to realise. In fact, from a methodological as well as a political perspective, their views on relativity regarding both economic laws and the *laissez-faire* principle are very similar to those of Mill's.

**JEL classification:** B12; B15; B40

**Key words:** German historical economics, H. Roesler, G. Schmoller, J. S. Mill, natural laws, epistemology, *laissez-faire*.

## Introduction

Among the many criticisms levelled at classical political economy, one of the most recurrent has been its pretension to establish universal laws and to present them as “natural”, necessary or immutable. Karl Marx famously denounced the “naturalness” of political economy, i.e. that economists supposedly regard private property as an “eternal” fact (Marx and Engels 1972 [1845], 32) and consider capitalism to be “the absolute and final form of social production” (Marx 1962 [1867], 19-20, Afterword to the 2<sup>nd</sup> German edition)<sup>1</sup>. Friedrich List questioned the “cosmopolitanism” (*Kosmopolitismus*) of the so-called “Adam Smith school”, which is said to generalise its laws from the sole English case and thus to oversee the “national” aspect of economic phenomena, namely the political, cultural and historical peculiarity of each country (List 1910 [1841]). While Smith is List’s main scapegoat, John Stuart Mill is one of the principal targets of certain “German historical economists” (Grimmer-Solem, 2003). Indeed, from the mid-nineteenth century until the First World War, many German economic academics seek to question mainstream economic theory, especially a so-called “Smithian school”, which was deemed to be too “abstract” while pretending to universality. Mill will gradually be included in this criticism, as the reception in Germany of his economic and epistemological work coincides with this period.

The purpose of this article is precisely to assess the relevance of this aspect of the German historicists’ criticism by comparing it to the writings of J. S. Mill – a comparison that has so far not been drawn in the literature, especially with Hermann Roesler, the German professor – rarely discussed despite his importance at the time<sup>2</sup> – who coined the very phrase

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<sup>1</sup> All translations of German quotations are mine, based on the original texts.

<sup>2</sup> There is for example no mention made of Roesler in recent studies on the “German historical school” ( cf. for example Schefold (1996), Shionoya (2001; 2005), or Grimmer-Solem (2003). As a matter of fact, we have not

“*Smithianismus*” (see Rothschild 2010 [2006], 219 and 223) in order to characterize what he considered an unsound formal *Weltökonomie*. The historicists’ accusation is in fact aimed at two distinct aspects: first, in terms of methodology, Mill is accused of neglecting history and promoting abstract universal laws. Second, on the political level, he is consequently seen as a *laissez-faire* advocate. After presenting the arguments of the German thinkers (part 1), we will show that their criticism does not have much substance on both levels when confronted with Mill’s writings (part 2).

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been able to find any article on Roesler in any of the major academic journals related to the history of economic thought. Recently, only Chipman (2014) underlines Roesler’s contribution to the marginal utility theory. Yet, Carl Friedrich Hermann Roesler (1834-1894), professor of “Staatswissenschaften” at Rostock University for seventeen years (1861-1878), wrote numerous works in social sciences during the 1860s and the 1870s, until he was invited in 1878 by the Japanese government to become Legal Adviser for the Ministry of Foreign Affairs during the Meiji era. He stayed there almost until his death (1893) where he made major contributions both to the modernization of the Japanese State and to the 1889 Japanese constitution (Siemes 1975; Bartels-Ishikawa 2007). On account of this fifteen years long absence from Germany, his scientific work remained incomplete and largely fell into oblivion. Nevertheless, he influenced Adolph Wagner, especially his *Allgemeine und theoretische Volkswirtschaftslehre* (particularly Part I “Grundlegung”) published in 1892, where Roesler is very frequently (and positively) quoted. Schmoller (1875, 158) does refer to him as a “significant theoretician”. Moreover, he gave the first substantial academic comment in Germany on Marx’s *Kapital* in Hildebrand’s *Jahrbücher für Nationalökonomie und Statistik* in 1869 (Siemes 1972, 376). He was also the first scholar to be labelled “Kathedersozialist” when the jurist Heinrich B. Oppenheim coined the term in 1871 (see Oppenheim *in* Stremmel, Tennstedt, and Fleckenstein 2006, 226); for further details about the link between Roesler and the “Kathedersozialists”, see Rauscher (1969, 100-106). For an interesting account of the reception of his criticism related to “Smithianism”, see Ritzke (2010, 176-179); and for details about his “historical method” in regard to Roscher’s, see Ritzke (*ibid.*, 191-199).

# 1 The German historicist polemic against Mill

The fact that List does not refer to Mill, although ironically the first instance given by the *Oxford English Dictionary* of the English adjective “cosmopolitan” is from J. S. Mill on capital<sup>3</sup>, is of course due to the fact that he wrote most of his work before Mill published his first economic writings. Yet, Mill being one of the most important British authors of the second half of the 19<sup>th</sup> century, both in economic theory (with his 1848 *Principles*) and in the epistemology of economics (with his 1836 essay “On the Method of Political Economy” and his *System of Logic* published in 1843), it seems interesting to look into how German historical economists of the period, who argued against classical economics over its pretension to establish natural laws, dealt with him. We propose to examine five significant authors in that respect: Karl Knies, Bruno Hildebrand, Wilhelm Roscher and, to a greater extent, Hermann Roesler and Gustav Schmoller, who all entered into polemics with Mill while pointing out the historical relativity of economics.

## 1.1 Knies’s, Hildebrand’s and Roscher’s ambivalent attitude towards Mill

Among the first German authors who stressed the historical relativity of different economic systems in contrast to a purported universal viewpoint adopted by mainstream economics,

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<sup>3</sup> See Tribe (1995, 33, note 3). Indeed, in chapter xvii of the *Principles*, Mill remarks that “capital is becoming more and more cosmopolitan”. Of course, this does not prove that List’s attack would appositely apply to Mill. In fact, the latter adds: “But there are still extraordinary differences, both of wages and of profits, between different parts of the world” (Mill 1965b [1848], 588).

Hildebrand and Knies occupy an important position. While their main focus was on Smith, they did criticize Mill as well. Roscher strikingly attacked Mill exclusively in his later work.

### **Karl Knies's implicit criticism**

In 1853, Karl Knies published his major work, entitled *Politischen Ökonomie vom Standpunkt der geschichtlichen Methode*, an improved version thereof was reprinted in 1883 under a slightly different title (*Die politische Ökonomie vom geschichtlichen Standpunkte*). In the 1853 edition the author arraigns Smith's conception of a supposedly universal economic man, and criticises Ricardo's abstractions (Knies 1853, 220-221), yet we find no reference to Mill. This may be explained by the fact that Mill's *Principles* had appeared in translation into German only one year before, in 1852, while his *System of Logic* was completely translated (i.e. with the sixth book on Moral Sciences) late in 1865<sup>4</sup>. In the 1883 edition of Knies's book, however, Mill is discussed on several occasions, both on specific points related to economic theory and on his conception of social sciences. Therefore, it is very likely that Mill is involved when Knies questions in quite general terms the "two absolute assumptions" (*beiden absoluten Voraussetzungen*) of the "economic doctrine until now" (*bisherige Volkswirtschaftslehre*) (Knies 1930 [1883], X). The first hypothesis concerns private property which is presented by mainstream economics "as an *absolute* and *fixed* concept that must have *everywhere* and *at all*

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<sup>4</sup> J. S. Mill, *Grundsätze der politischen Oekonomie*, trans. A. Soetbeer, 2 vols. (Hamburg, 1852); J. S. Mill *System der deduktiven und induktiven Logik*, trans. J. Schiel, 2 vols. (Leipzig, 1862-1865). The translation of Mill's *Principles* by Soetbeer went into two further editions, in 1864 (from the 5<sup>th</sup> original edition) and in 1869 (from the 6<sup>th</sup> original edition).

*times* the same meaning, and that must be systematically regarded as a central reference point”<sup>5</sup> (ibid., 180, italics added). In contrast, Knies contends that “the institution of property, this basic assumption of political economy which is taken for granted\*, is a historical phenomenon”<sup>6</sup> (ibid.). Mill defends views quite akin to his own, as we will show in detail in the second part of the paper. Yet, the *Principles* are not mentioned once in the 1883 edition and Knies did not feel it necessary to make an exception for Mill in the re-edition of this passage (written in 1852), so that the latter is implicitly concerned by this criticism. The second assumption made by economists is the dogma of “self-interest and the immutable relationship between men and material goods” (*Der Eigennutz und das unwandelbare Verhältnis der Menschen zu den Sachgütern*) (ibid., X). Knies here explicitly targets the Physiocrats, Smith and Carl Rau, but it is permissible to think that Mill is also included since his criticism affects all “economic doctrine until now”, as underlined before.

However, Knies does not deny the relevance of abstraction and deduction in scientific matters, but merely stresses the imperative need to confront these abstract results with experience (ibid., 499). Here, as pointed out by Schumpeter, Knies simply emphasises “the impossibility of framing universally valid ‘policies’ – and other things *that the author could have just as well taken from J. S. Mill*” (Schumpeter 1994 [1954], 514, note 14, emphasis added) – a justified assertion, as we will see in part 2. Knies also speaks positively about the *System of Logic*, which treats, according to him, the relationship between facts and theory in a “detailed” (*ausführlich*) manner (Knies 1930 [1883], 496). But Knies provides only this terse, isolated and rather vague remark thereon. And despite the fact that the *System of Logic* was published the

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<sup>5</sup> “...wie einen absoluten und fixen Begriff, welcher überall und zu allen Zeiten dieselbe Bedeutung habe, zum Mittelpuncte aller Bezüge zu nehmen”.

<sup>6</sup> “...die Institution des Privateigentums, welche in der Theorie der politischen Oekonomie als eine sich von selbst verstehende Voraussetzung angesehen wird\*), eine geschichtliche Erscheinung ist”.

same year as Roscher's *Grundriss* (1843), it is to the latter, not to Mill, that he gives the credit of having introduced into economics the "principle of relativity" of the hypothetico-deductive method (ibid., 402).

### Bruno Hildebrand's more explicit condemnation

Hildebrand published his sole book entitled *Die Nationalökonomie der Gegenwart und Zukunft* the same year as Mill's *Principles* (1848). Since Mill was obviously not yet well-known in German States, he is not referred to in this work. As a matter of fact, Hildebrand's main target is clearly Smith and his "school" which, following the Mercantilists and the Physiocrats, allegedly tries to establish universal "laws that must have absolute validity at all times and for all peoples" (*deren Gesetze für alle Zeiten und Völker absolute Gültigkeit haben sollten*) (Hildebrand 1922 [1848], 21). On this very issue, Hildebrand - as well as Knies - broadly dismisses and lumps together all economic thought of the previous century, which he accuses of having indulged in "abstract cosmopolitanism" similar to that of Kant and Rousseau in political philosophy (ibid., 23). Moreover, Smith's political economy is said to conceive of individuals as mere egoistic forces always reacting the same way while producing a spontaneous harmony. Therefore, Hildebrand concludes:

"That's why their laws are called, in Germany as in England, natural economic laws (*ökonomische Naturgesetze*), and infinite duration (*ewige Dauer*) are ascribed to them, like to other natural laws" (ibid., 27)<sup>7</sup>.

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<sup>7</sup> In a footnote, Hildebrand announces that the detailed criticism of this natural conception of economics is to be found in the second part of his book. Unfortunately, it was never carried out.



Now, in an article published in 1863 in Hildebrand's newly founded *Jahrbücher für Nationalökonomie und Statistik*, our professor of "Staatswissenschaft" recently appointed at Jena University (in 1861) again discusses classical economics's pretension to lay down universal laws. He generally follows the same lines as in 1848; however, Mill probably having become in the meantime more famous in German countries, he is now mentioned. Indeed, Hildebrand affirms that recent supporters of the Smithian doctrine take the reign of individual interest and of competition for a historical fact; he then adds that "even Stuart Mill doesn't go beyond this point of view"<sup>8</sup> (Hildebrand 1922 [1863], 289), although Mill concedes that custom also has an influence over economic phenomena. Hildebrand rightly notes that Mill even advocates a limitation of competition. But, despite all these concessions,

"Mill still gives existence to natural laws of prices, wages, profits and rents to their full extent, and he even explains that political economy, thanks to these natural laws based on competition, may thus only pretend to have the character of a science, although these laws may in fact not be valid in all places" (ibid., 290)<sup>9</sup>.

Hildebrand, who refers to the relevant passages of the English version of Mill's *Principles*, sums up Mill's conception of economic laws in quite a contradictory way; because, either Mill defends "natural laws to their full extent" which, by definition, must always be valid without exception, or he advocates the idea that "these laws in fact may not be valid in all places". In fact, this contradiction is not to be found in Mill's text, simply because Mill rejects the idea of

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<sup>8</sup> "Selbst Stuart Mill kommt über diesen Standpunkt nicht hinaus".

<sup>9</sup> "Aber daneben läßt er doch die Naturgesetze des Preises, des Arbeitslohnes, des Kapitalgewinnes und der Bodenrente in ihrem ganzen Umfange bestehen und erklärt sogar, daß die politische Ökonomie wegen dieser auf das Prinzip der Konkurrenz gebauten Naturgesetze, obgleich dieselben in der Wirklichkeit nicht überall zur Geltung kämen, allein einen Anspruch auf den Charakter einer Wissenschaft habe".

universal laws in economics: He always used the term “natural laws” with extreme caution (see below, 2.1). Here, Hildebrand only reveals his superficial knowledge of Mill’s economic epistemology, in particular of his notion of “abstract” or “hypothetical science” as we will recall below. Nevertheless, Hildebrand rightly points to Mill’s rather narrow and questionable conception of “scientific” economics, namely the professed necessity for political economy to rest on “competition”. This is a point that should with good reason have irritated promoters of an alternative method in economics. Yet, Hildebrand is the only one to address it although almost in passing.

### Wilhelm Roscher: from praise to censure

While Roscher does not evoke Mill in his famous *Grundriß* (1843), doubtless for chronological reasons, he refers to him in three later works, published after the publication of Mill’s *Principles* and thus after that of the *System of Logic*. It is highly noteworthy and also baffling that his attitude towards Mill became unfavourable between the first two books and the last. In 1851, in a book that traces back the history of English political economy since the sixteenth century, Roscher notes that Mill is triply commendable: first, for having reintroduced into economics the discussion on practical issues (which English abstract theory had ignored it until then); second, because he has challenged a number of preconceptions prevailing in England by studying continental economic conditions; and finally, for his great social philosophy. Thus, “thanks to Mill, contemporary British political economy has not lost its lustre”<sup>10</sup> (Roscher 1851, 5). In his *Grundlage der Nationalökonomie* published three years later,

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<sup>10</sup> “So dass auch durch Mill die gegenwärtige britische Nationalökonomie den Charakter eines silbernen Zeitalters nicht verloren hat”.

Roscher affirms clearly that abstraction, as used by Ricardo or von Thünen is an “indispensable preparatory method (*unentbehrliches Stadium in den Vorarbeiten*) in economics” (Roscher 1897 [1854], 64). And he approves substantially Mill’s famous “concrete deductive method”<sup>11</sup> (developed in the *System of Logic*, a book quoted by Roscher). Roscher simply comments that we must never forget that this method only handles abstractions, and then requires the study of the diversity of practical life, a point forgotten by what he calls the “free-trade school” (*Freihandelsschule*). Mill is clearly not affected by this criticism – it is Walter Bagehot who is indeed targeted (*ibid.*, 67, note 9)– and is, in this book, mainly discussed in a rather positive light (cf. for example *ibid.*, 52).

Notwithstanding, twenty years later, Roscher seems to have seriously revised his judgment. In his *Geschichte der National-Oekonomie in Deutschland* (1874), Mill is portrayed as an English economic theory follower, who alone sums up all the “harmonising results (*harmonisierenden Leistungen*) of the Smith-Ricardo school” (Roscher 1874, 1011). Without mentioning any Millian writing, Roscher adds that “[Mill’s] entire outlook presents too weak a unity (*seine ganze Lebensansicht viel zu wenig aus Einem Gusse*)”, insofar as he offers a mechanical and atomistic conception of political economy which conduces to a “mere *natural* doctrine of personal interest” (*bloße Naturlehre des Eigennutzes*) (*ibid.*, emphasis added). Mill sporadically gives some importance to national “customs” (*Sittliche*), but these are treated as “‘practical’ exceptions” to the “‘theoretical’ rule” (*ibid.*). Roscher underlines, nonetheless, that Mill’s distinction between the “eternal natural laws” (*ewigen Naturgesetzen*) of production and the incidental laws of distribution led him to develop socialist sympathies.

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<sup>11</sup> This method, which according to Mill is the apposite one for social sciences, is composed of 3 steps: isolating a dominant human motive; deducing what would happen on a global level if each individual were to follow this motivation; verifying if the deduction corresponds to empirical facts. See *System of Logic*, Book VI, Chapter ix.

Despite some concessions, Mill is on the whole depicted as an exponent of the universality of capitalist economic laws. Two other German historical economists from the next generation did attack Mill in a systematic and detailed manner: Roesler and Schmoller.

## 1.2 Hermann Roesler's systematic attacks

Roesler is undoubtedly one of the first in Germany to offer a “historicist” censure of the natural laws of classical theory explicitly aimed at Mill. In his first economic book, published in 1861 (thirteen years before Roscher's critical book), Mill is thoroughly discussed (especially his “fundamental propositions” contained in the *Principles'* first Book). In particular, the fact that Mill attributes the status of a “hypothetical science” to political economy is questioned on an epistemological level. Roesler argues that “against this shameless use of hypotheses (*kühne Hypothesisieren*), one ought to remember what J.-B. Say opposed to Ricardo” in his *Traité d'économie politique*:

“De ce principe il [Ricardo] tire plusieurs conséquences ; de ces conséquences il en tire d'autres, comme si elles étaient des faits constants ; tellement que si, comme il est permis de le croire, la première donnée n'est pas exacte, tous les raisonnements dont elle est la base, en les supposant irréprochables, ne peuvent conduire à une instruction véritable”<sup>12</sup> (Say cited in Roesler 1861, 96, note 1. The quotation is identical to the original).

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<sup>12</sup> “From this principle, he [Ricardo] draws several consequences. From these he draws yet more, as if they were constant facts. So much so that if, conceivably, the initial premise was flawed, all the arguments - no matter how valid - stemming from that basis, could not lead to a truth”.

This reference to Say indeed seems fallacious, as it amounts to a sort of arbitrary dogmatic statement, which Roesler expects the reader to accept as valid. Moreover, Roesler suggests that there is a British abstract tradition, the most notable figure of which would be Ricardo. This tradition seems to date back at least to Adam Smith. Indeed, seven years later, in a book challenging Smith's economic theory, Roesler criticises the idea of the latter and his successors to establish "natural laws" (*Naturgesetze*) out of a narrow conception of man as a mere force, denying individuals' personality (Roesler 1868, 24). Mill is explicitly included into this trend called "*Smithianismus*". The idea advocated by Mill, according to which this conception of human nature is a "hypothetical" one, which consequently does not intend to be a realistic description of man, is discarded, since for Roesler "it is not true that Smithianism presents to the public its laws as merely hypothetical"<sup>13</sup> (ibid.). Mill and classical economists, despite some relativising formulas, would basically have humanity believe that their laws are universal. Again, Roesler's polemic is demonstratively weak, in that it is merely presented as transparently obvious: "*there is no need for any additional inquiry* to see that the principles of the Smithian system are presented as definitive truths and that its immediate applications are described as practicable"<sup>14</sup> (ibid., 25, italics added). Without further elaboration, the reader is left even less convinced as it seems ironic that Say is used by Roesler as an intellectual support against Smith, while Say himself, when denouncing Ricardo's abstraction in the very passage of the *Traité d'économie politique* quoted before, precisely refers to Smith, who is praised for being the first to apply "the new method appropriate in science" (Say 1966 [1803], 30) – that is induction – so as to raise political economy to the status of a real "science of observation" (ibid., 24).

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<sup>13</sup> "Hierauf ist aber zuvörderst zu erwidern, dass es nicht wahr ist, dass der Smithianismus seine Gesetze nur als hypothetische Gesetze in die Oeffentlichkeit getragen hat".

<sup>14</sup> "Es bedarf keiner weiteren Ausführung darüber, dass die Lehrsätze des Smithschen System als fertige Wahrheiten vorgelegt und der unmittelbaren Vollziehung fähig bezeichnet werden".

Therefore, the accusation against British economists including Mill appears flawed and essentially controversial. Furthermore, it should be noted that Roesler does not seem to have read Mill in the text, for in the passage we have just studied where reference is made to Mill, Roesler only refers to Mill through a book by Friedrich A. Lange (see Roesler 1868, 24, footnote), a German philosopher, journalist and political activist.

A second revised and extended edition of Roesler's 1868 book appeared only three years later. Roesler now quotes the 1852 German edition of Mill's *Principles* (Roesler 1871, 117). Four further critical references are made to Mill, one of which being of special interest for our inquiry, in as much as Roesler stresses again Mill's purported naturalistic approach when dealing with the relation between production, income and consumption:

“The Smithian theory, which endeavoured to explore natural or, according to Mill's phrase, physical laws of production, deprived production of the wealth's element inherent to it [i.e. of the purchasing power incorporated in products, which provides income and hence, incentives to produce], and created the insane idea that it exists on its own due to a natural order and would be, as such, something once and for all unchangeable that follows natural laws, which one has to comply with” (Roesler 1871, 135)<sup>15</sup>.

Roesler, for one, wants to stress the fact that it is the social rules governing the distribution of income, which are modifiable, that are the true determinants of production – as opposed to an immutable “nature”, as supposedly suggested by Mill's dichotomy between production and

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<sup>15</sup> “Die Smith'sche Theorie, welche sich die Erforschung natürlicher oder nach Mill's Ausdruck physikalischer Gesetze der Production zur Aufgabe setzte, hat die Production des sie beherrschenden Vermögenscharacters entkleidet und den Wahn erzeugt, als bestünde sie kraft einer natürlichen Ordnung auf sich selbst und wäre als solche ein für alle Mal etwas unabänderlich und naturgesetzlich Gegebenes, dem man sich lediglich unterzuordnen habe”.

distribution (cf. *ibid.*, 117-118). This critical attitude is reiterated in his *Vorlesungen über Volkswirtschaft* (1878), but with an accentuated polemic against Mill. Indeed, the latter is said to “belong to a new period” (*einer neueren Periode gehört John Stuart Mill an*), insofar as he has attempted to reformulate Smith “in a system of more enclosed abstract deductions” (*zu einem mehr abgeschlossenen System ausarbeitete in abstracten Deductionen*) (Roesler 1878, 53), whereas Smith preferred using induction. Again, there is no doubt for Roesler that the reference to natural sciences is only a manoeuvre aimed at “denying to economic laws their historical and national character and establishing their universal and immutable validity as in the case of the laws of nature”<sup>16</sup> (*ibid.*, 55).

However, Roesler also develops two new aspects of the criticism in this opus. First, while he insists on the “necessity of the historical method” (title of chapter I, §2), he believes that “immanent and permanent laws” (*unverrückbaren immanenten Gesetzmässigkeit*) exist in the social life, and that history provides the “laws corresponding to the forms it [social life] takes” (*Gesetzmässigkeit ihrer Erscheinungen*) (*ibid.*, 6). This means that Roesler does not deny the existence of laws as such in the social world. What he rejects is a certain type of laws, namely the deductive laws of the classics, particularly because they pretend to be universal:

“That what is proudly named universal economic laws is nothing more than a way to consider economic tendencies absolute in all universal applications. Actually these are not laws, but assumptions”<sup>17</sup> (*ibid.*, 6).

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<sup>16</sup> “Um den geschichtlichen und nationalen Character der Wirthschaftsgesetze abzuläugnen und deren universelle und unveränderliche Geltung, gleich den Gesetzen der Natur, zu erweisen”.

<sup>17</sup> “Was man die allgemeinen ökonomischen Gesetze zu nennen pflegt, ist nichts, als der Absolutismus der ökonomischen Tendenz in einigen universellen Anwendungen. Dieser aber ist kein Gesetz, sondern eine Annahme”.

It is striking that the term “tendencies” is precisely the term used by Mill to designate economic laws, as we will see in section 2.1.

Second, Roesler raises additional political and moral considerations in order to discredit the narrowness of Mill’s views compared to those of Smith. While the latter is said to have embedded his economic thought within a democratic ideal and justice, an approach “stemming from the Enlightenment century” (*welche der Aufklärung des vorigen Jahrhunderts entstammten*) (ibid., 54), Mill’s abstract conception leads to construe social phenomena as immutable:

“Mainly from *J. St. Mill* on, economics is a science of *assumptions*, i.e. of conscious fictions [...]. This kind of conceptualisation partly comes from the development of the so-called manchesterism. [...] The social body becomes a lifeless machine that works solely according to a natural law”<sup>18</sup> (ibid., italics in original).

In particular, this leads one to consider “prices and incomes modifications as mere natural phenomena [...], which should apply *in all circumstances* under the law of causality, so that economic laws cannot be blamed for the destitution they have created”<sup>19</sup> (ibid., emphasis added). While Quesnay and Smith still conceived political economy as a “political science” (*politische Wissenschaft*), their successors, among them Mill, made of it “a kind of natural or

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<sup>18</sup> “Nach *J. St. Mill* vor Allen ist die politische Oekonomie eine Wissenschaft von *assumptions*, d. h. bewussten Fiktionen [...]. Diese Art der Bearbeitung ist zum Theil zurückzuführen auf die Ausbildung des sog. Manchesterthums. [...] Der sociale Körper wird eine leblose Maschine, die lediglich auf Grund eines Naturgesetzes arbeitet”.

<sup>19</sup> “...die Veränderungen der Preise und des Einkommens wie blosse Naturerscheinungen anzusehen, die man hinnehmen müsse, [...] die vermöge des Gesetzes der Causalität unter allen Umständen eintreten müssten, so dass die Gesetze der Volkswirtschaft durch Berufung auf das dadurch entstehende Elend nicht reprobirt werden könnten”.



technical philosophy” (*einer Art von Natur- oder technischer Philosophie*) which dissolves entirely “the original viewpoint of natural right” (*der ursprüngliche Standpunkt des Naturrechts*) (ibid., 54–55). Like Schmoller, as we will now see, Roesler switches from his initial methodological denunciation to a political one, namely the idea that these laws “have been used to dissimulate the slogan of *laissez faire* into a conceptual camouflage” (*Schlagworte des laissez faire zum Begriffsmantel dienten*) (ibid., 55).

### 1.3 Gustav Schmoller’s growing condemnation

As in Roscher’s case, Schmoller over time radicalised his attack on political economy. And this is also conspicuous in the way his criticisms against Mill varied. In 1893 Schmoller, who clearly intends to build a separate science that isolates certain social phenomena from the rest of society, goes so far as to be an advocate of economists’ conception of science and that of Mill in particular: economists “were as far from wanting this [establishing a universal science] as Mill from trying to conflate ethics and psychology with economics when contending that political economy is a psychological and ethical science”<sup>20</sup> (Schmoller 1893, 54. See also 84). Schmoller believes it methodologically relevant in social sciences to “suppose certain psychological types” (*bestimmte psychologische Typen voraussetzen*) and to deduce their corresponding actions in certain situations (ibid., 55). However, he scornfully adds that “in doing so, we do not assume,

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<sup>20</sup> “Sie wollten das [eine Universalwissenschaft] so wenig, als etwa Mill Psychologie und Ethik mit der Nationalökonomie zusammenwerfen wollte, indem er letztere eine psychologische und ethische Wissenschaft nannte”.

as Mill believed that *all actions of men* derive solely from the desire for wealth”<sup>21</sup> (ibid., 55-56, italics added).

Mill is thus perceived as defending a universal conception of human action, whereas Schmoller intends to show the relativity of the “desire for wealth”, which is only an “average” behaviour with extreme variability. Mill’s purported mistake stems from a particular development of political economy since its beginnings in the eighteenth century, when it took over the intellectual framework of the Natural Right (*Naturrecht*) and the institutional background of Western Europe<sup>22</sup>:

“We then believed in equality between men and the identity of all social institutions; and one has come to conceive of a universal human nature producing the same economic actions and the same economic institutions everywhere”<sup>23</sup> (ibid., 93).

However, when becoming an academic discipline, this knowledge which was originally based on experience, on induction, tended to present itself, in the second half of the eighteenth century, as a “definitive body of knowledge” (*fertiges Lehrgebäude*) deduced from certain or assumed psychological causes. All this led finally, in the nineteenth century, to the fact that “Mill and Cairnes, inspired by the natural science model [...], imagined that political economy

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<sup>21</sup> “Damit wird freilich nicht vorausgesetzt, wie Mill meint, alle Handlungen aller Menschen flössen allein aus ihrem Verlangen nach Reichtum”.

<sup>22</sup> It is worthy to note that the Natural Right doctrine is Schmoller’s culprit just to the same extent that it is Roesler’s redemptive ideology (see 1.2).

<sup>23</sup> “Man glaubte an die Gleichheit aller Menschen und aller gesellschaftlichen Einrichtungen; so kam man zu der Vorstellung, aus der allgemeinen Menschennatur ergeben sich überall gleiches wirtschaftliches Handeln und gleiche Wirtschaftseinrichtungen”.

had developed primarily through deduction”<sup>24</sup> (ibid.). Mill is, in this discussion, clearly a favoured target for Schmoller. Schmoller considers that a number of German thinkers of his time, who believe that science has to be defended against the invasion of the inductive school, still refer to Mill. The latter is then depicted by Schmoller as having lost himself in contradictions in that he advocated deduction and induction simultaneously “in a particularly incoherent manner that caused confusion” (*In eigentümlich widerstreitender und daher Verwirrung stiftender Weise*) (ibid., 62).

It is not our aim to discuss the relevance of the methodological criticism of deduction in favour of induction – though it is ubiquitous in the writings of the leader of the “younger Historical School”, and also of other critics of economics (one may think of Comte and Durkheim). Because, despite the fact that this condemnation is very often associated with the criticism on which we focus – that is the pretension to universality in economics – it seems to be a questionable argument. In this case, it aims at easily discrediting Mill’s thought, by portraying him as a contradictory thinker under irreconcilable intellectual influences: “abstract” and “radical” thinking of the eighteenth century on the one hand, particularly that of “the ahistorical Bentham” (*des unhistorischen Benthan*), and, on the other hand, the positivist thought of Auguste Comte (ibid., 62-3).

In his 1897 inaugural address as Rector of the Berlin University, Schmoller reiterates his vision of the history of economic ideas and significantly enhances the naturalising character of all economic theories that have existed so far. Opposing the “individualistic” school, this “abstract, natural and individualistic doctrine developed by the Physiocrats and Smith until John Stuart Mill” (*die abstrakte individualistische Naturlehre der Volkswirtschaft von den*

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<sup>24</sup> “Mill und Cairnes nach dem Vorbilde der Naturwissenschaften [...] bildeten sie sich ein, die Nationalökonomie sei so auch wesentlich durch Deduktion entstanden”.

*Physiokraten und Adam Smith bis zu J. St. Mill...*) (Schmoller 1898 [1897], 324–325), to the “socialist” school that started with W. Thompson and ended with Marx, Schmoller declares that both derive from the natural right framework and both “believe they can develop an objective and comprehensive system of a contemporary economy based on an abstract human nature. [...] They both want [...] to discover the *latest and final* economic truth”<sup>25</sup> (ibid., 325, emphasis added). At this juncture, Schmoller raises a political criticism, in that “the natural doctrine (*Naturlehre*) of liberal thought sees economic life as a natural harmony of selfish individual forces, predetermined by God Almighty”<sup>26</sup> (ibid., 326). Schmoller explicitly refers to Smith, for whom State intervention shall only spoil harmony, but everything suggests that Schmoller’s argument also concerns Mill, since “the State and the law appear to the whole school (*der ganzen Schule*) superfluous, except for the maintenance of peace and the exercise of justice” (ibid., italics added).

In his *magnum opus* published between 1900 and 1904, entitled *Grundriss der allgemeinen Volkswirtschaftslehre*, he extends the idea that liberal economic theory as well as socialist theory “are the product of a conception of society completely ahistorical, atomistic and materialistic” (*gänzlich unhistorischen, atomistischen und materialistischen*) (Schmoller 1900, 1:364). Three times in his work, Schmoller emphasises Mill’s more nuanced position on these issues. However, each time, the controversy prevails and Mill’s concessions are interpreted as having too many contradictions. First, Schmoller concedes that Mill tried, like Smith, to take account

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<sup>25</sup> “...glauben aus einer abstrakten Menschenatur heraus ein vollendetes objektives System der heutigen Volkswirtschaft konstruieren zu können. [...] Beide wollen [...] die letzte endgültige volkswirtschaftliche Wahrheit erhaschen”.

<sup>26</sup> “Die liberale Naturlehre der liberale Volkswirtschaft betrachtete das wirtschaftliche Leben unter dem Bilde eines natürlich- harmonisch geordneten Systems individueller, egoistisch handelnder Kräfte, die von einem gütigen, allmächtigen Gotte so geordnet seien”.

of history; but despite historical analyses in the *Principles*, “he [Mill] thinks [...] within the abstract radical individualist *Naturrecht* of the eighteenth century”<sup>27</sup> (ibid., 91). Second, Schmoller commends Mill for recognizing, unlike the economists who preceded him, that social phenomena are influenced by all human nature characteristics. Nonetheless, Mill betrays “the collapse and the fragility of old theories” (*die Erschütterung und Unsicherheit der alten Lehre*) when trying to save the desire for wealth as the only cause of actions in political economy, and when explaining that this science is a hypothetical one, the consequences and assumptions thereof not being a true portrayal of “reality” (*Wirklichkeit*) (ibid., 33). Thirdly, while political economy of the eighteenth century is based on the “belief in the natural equality of men” (*Glauben an die natürliche Gleichheit der Menschen*), and “seeks to establish the essence of a corresponding universal and abstract human nature, and to explain social institutions out of it”<sup>28</sup> (ibid., 139), Mill can be credited for underlining the relativity of human cultural traits:

“Yet, Mill himself says that (*Und doch spricht selbst J. St. Mill*) [...] there is no general human character (*allgemein menschlichen Charakter*); a maxim deduced from the English people cannot apply to the French” (*eine von Engländern abgeleitete Maxime kann nicht auf Franzosen angewandt werden*) (Schmoller 1900, 1:139-140).

Nevertheless, Mill’s recognition of the importance of studying the laws of the formation of human character is actually deemed contradictory with his political economy based entirely

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<sup>27</sup> “Er bewegt sich trotz seiner universellen Bildung in den Geleisen des abstrakt radikalen individualistischen Naturrechts des 18. Jahrhunderts”.

<sup>28</sup> “Sie suchte das Wesen der allgemeinen, abstrakten Menschennatur demgemäß festzustellen und aus ihr heraus die gesellschaftlichen Einrichtungen zu erklären”.

upon the desire of wealth. Mill's methodology is therefore said to be far from being consistent with that of the "Historical School", which assumes that people are "physiological and psychological units" (*physiologische und psychologische [...] Einheiten*) (ibid., 139). Finally, "all the theories, from Quesnay [to] Mill [...], all these *natural* economic theories, are based on a flawed analysis of man and on a unilateral, optimistic vision of the world and society, inherent to the natural right doctrine"<sup>29</sup> (ibid., 92, emphasis added).

Besides, we can see that Schmoller's epistemological censure further includes strong political implications, since the exposition of the futility of naturalism leads him to demonstrate the emptiness of its political corollary, namely the *laissez-faire* principle. The liberal doctrine is said to be a result of the "rationalist Enlightenment, which naively believes in the identity between individuals' interests and those of society, and ignores the causes of English wealth as it does not take into account history, attributing these causes to the desire of wealth instead of English institutions"<sup>30</sup> (ibid.). Accordingly, Mill is associated unqualifiedly with Frédéric Bastiat: "the popularised ideas of Smith, Mill and Bastiat" (*die popularisierten Smith-Mill-Bastiatschen Ideen*) received a "second life in practice" (*praktische Nachblüte*) with the decline of customs duties in most of Western Europe between 1850 and 1875 (ibid.). Strictly speaking, Schmoller does not challenge the direct ideas of these authors but their "popularised" versions; nevertheless, this does not make our argument irrelevant: Schmoller suggests that there is a

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<sup>29</sup> "...die Theorien Quesnays [bis] J. St. Mills [...], [d]ie ganze Theorie der natürlichen Volkswirtschaft ruht auf einer unvollkommenen Analyse des Menschen und auf einer einseitigen, optimistischen, naturrechtlichen Welt- und Gesellschaftsanschauung".

<sup>30</sup> "...auf die rationalistische Aufklärungsphilosophie zurückgeht, die kindlich an die Identität der Gesellschafts- und Individualinteressen glaubt, unhistorisch die Ursachen des englischen Reichtums verkennt, sie bloß im Erwerbstrieb anstatt in den englischen Institutionen sieht".

strong relationship, if not an identity, between Mill and Bastiat's thought on the issue of free trade, while in fact it is the contrary that is closer to the truth (see section 2.2).

Moreover, Schmoller raises in this text, in the wake of Knies (and Marx), another political illusion said to be specific to the classical view of economics, namely that private property should be regarded as a natural or necessary institution – a criticism that did not appear in earlier texts: “the naturalising economic theory (*natürlich-ökonomische Theorie*), such as Mill and Roscher's”, claims that private property is needed to stimulate hard work and thrift (ibid., 389). According to Schmoller, this theory certainly grasps a basic cultural pattern of contemporary Western economies by using an appropriate psychology. But it “does not explain or justify (*erklärt und rechtfertigt nicht*) private property, and it never takes into account any kind of common property (*sie ignoriert alles Gemeinschaftseigentum*)” (ibid.). Mill is ultimately accused of considering private property as a universal and permanent institution.

It appears from this study that the criticism developed in Germany is, on the whole, damning *vis-à-vis* Mill. He is depicted as an apostle of an abstract and universalising deductivism which disposes of history and promotes, accordingly, the *laissez-faire* principle.

## 2 Mill, advocate of the criticism

This condemnation is puzzling in as much as the *Principles* are obviously far from a mere abstract treaty. For instance, Mill specifies in Book II of the *Principles* (on distribution), the diversity and historicity of competitive situations. First, he evokes the slow emergence of property rights (Chapters i and ii) and of the division of society into classes (Chapter iii), and the importance of customs in trade operations (Chapter iv). Chapters v to x then treat the “states of economical relation [...] in which competition has no part” (Mill 1965a [1848], 244), where Mill

provides an innovative economic sociology analysis of slavery and of different modes of tenure outside the Anglo-American world. In particular, reviewing the situation in Switzerland, Flemish Belgium, Norway, and the Palatinate, he shows that incentives to produce and invest vary according to a number of parameters including the type of private property and the size of farms. Overall, Mill devotes the first ten chapters of **Book II** (more than 130 pages in the *Collected Works* edition) to these extra-competitive cases, and only six chapters (i.e. less than 100 pages) to the distribution between three classes under the competitive regime.

When we now turn to the specific arguments put forward by the previous German authors against Mill, we will see that neither the methodological (his alleged pretension to universality) nor the political arguments (his purported *laissez-faire* bias) are cogent.

## **2.1 The historicist's misunderstanding of Mill's views about universality in economics**

We argue that German historicists misinterpret the very function of abstraction in Mill's theoretical framework. As pointed out before, they associate abstraction in economics with a pretension to universality. Mill, on the contrary, conceives it definitely as a *particularisation*, or in other words as a method that *narrows the validity* of economic theories. Indeed, in his *Principles* (1848) as well as in his *Essay on the Definition of Political Economy* (1836) or his *System of Logic* (1843), Mill clearly claims a limited realm of validity for political economy, on account of the very fact that this science is based on the assumption of the "desire of wealth". Let's first recall that Mill asserts, in his *Essay* "On the Definition of Political Economy..." that "[political economy] predicts such of the phenomena of the social state as take place in consequence of the pursuit of wealth. It makes entire abstraction of every other human passion



or motive” (Mill 1967 [1836], 321)<sup>31</sup> - a passage he inserted almost verbatim in the *System of Logic*. There is no doubt that he regards the “desire of wealth” as a strict hypothesis intended by no means to describe the whole reality. It is only a necessary “abstraction” if one wants to investigate scientifically economic phenomena:

“Not that any political economist was ever so absurd as to suppose that mankind are really thus constituted, but because this is the mode in which science must necessarily proceed. When an effect depends on a concurrence of causes, these causes must be studied one at a time, and their laws separately investigated” (Mill 1974 [1843], 902, self-quoted from his previous Essay).

Mill is perfectly aware that human action is in reality always determined by a multitude of complex and intertwined factors (such as traditions, values, etc., which Mill calls “custom” in Book II of his *Principles*). So, it is not on account of short-sightedness that Mill operates this reduction, but only for analytical reasons. Economics is an “abstract” and “hypothetical” science (Mill 1967 [1836], 325; 333; Mill 1974 [1843], 900; Mill 1965a [1848], 239), that is to say based on the isolation of a special behaviour - the “desire of wealth”. “Hypothetical” means that this science determines which social phenomena *would* arise *if* this special cause had acted; it is an “abstract” science, since it entirely disregards any “disturbing causes” (that is to say other human motives) which in reality would inevitably change results, and so determines which social phenomena *would* arise *if* this special cause had acted *alone*. Therefore, economic laws may by no means be regarded as universal or natural: they are on the contrary, just as Schmoller claimed, “tendencies” (Mill 1967 [1836], 337; Mill 1974 [1843], 899; 910) in the sense that they are true *if and only if* the “desire of wealth” is really the main cause of human actions, indicating

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<sup>31</sup> Two other counter motives are actually heeded, namely “aversion to labour, and desire of the present enjoyment of costly indulgences” (Mill 1843, 902).

what would happen *if* individuals were motivated solely by “the desire of obtaining the greatest quantity of wealth with the least labour and self-denial” (Mill 1974 [1843], 903) – which implies a step of verification of the effectiveness of this assumption in the concrete reality studied (Mill 1974 [1843], 871; 874; 896–7).

Hence Mill’s extreme cautious attitude on the question of the applicability of economic theorems: if one wants to use these abstract and conditional laws in practice, one must also restore what they have overlooked in their initial hypotheses. Political economy is a provisional science; it cannot serve as a practical guide from which one could draw timeless precepts. More precisely, Mill limits the scope of political economy to competitive capitalism, where the “desire of wealth” is an actual behaviour (thanks to the legal and moral permission of buying and selling freely according to prices).

As a result, Mill establishes a spatial-temporal limitation to the validity of political economy. First, its laws cover only a *limited number of countries*: “English political economists [...] discuss the laws of the distribution of the produce of industry, on a supposition which is scarcely realized anywhere out of England and Scotland” (Mill 1974 [1843], 903). Second, selfish and individualistic behaviours and the socio-institutional environment that allows these behaviours – that is to say, free competition – is a feature proper to Anglo-Saxon *modern* countries only: “Competition, in fact, has only become in any considerable degree the governing principle of contracts, at a comparatively modern period. The farther we look back into history, the more we see all transactions and engagements under the influence of fixed customs” (Mill 1965a [1848], 240).

Mill thus clearly stresses the relativity of the conclusions of political economy. Moreover, he claims himself to be a critic of political economy, denouncing his fellow economists who, in general, forget this historicity:

“The principal error of narrowness with which they are frequently chargeable, is that of regarding, not any economical doctrine, but their present experience of mankind, as of universal validity; mistaking temporary or local phases of human character for human nature itself; having no faith in the wonderful pliability of the human mind; deeming it impossible, in spite of the strongest evidence, that the earth can produce human beings of a different type from that which is familiar to them in their own age, or even, perhaps, in their own country” (Mill 1985 [1865], 306).

Mill appears fully aware of the peculiarity of economic laws. It is true that Mill’s vocabulary may be misleading in as much as he repeats Smith’s and Physiocrats’ adjective “natural” in order to describe laws, prices, wages, etc. But he unambiguously stresses that “natural” means “necessary” if and only if we place ourselves in a competitive market economy (Mill 1965a [1848], bks. III, iii, 1).

Furthermore, in the *System of Logic*, Mill condemns any attempt to prove scientifically the benefit of a particular policy measure such as Corn Laws from direct observation of its effects, insofar as it would mean trying to determine “one social cause among a great number acting simultaneously”. The problem is that “the number of instances necessary to exhaust the whole round of combinations of the various influential circumstances, and thus afford a fair average, never can be obtained” (Mill 1974 [1843], 909). Mill concludes against those who would prove the superiority either of protectionism or of free trade at all times and in all places:

“A trial of corn laws in another country or in a former generation would go a very little way towards verifying a conclusion drawn respecting their effect in this generation and in this country. It thus happens, in most cases, that the only individual instance really fitted to verify the predictions of theory is the very instance for which the predictions were made ; and the verification comes too late to be of any avail for practical guidance” (Mill 1974 [1843], 909).

Mill thus emphasizes the need to take into account national (and even generational) specificities of each country, just as his German critics claimed. Far from defending an alleged British cosmopolitanism, Mill appears to be the advocate of his own critics by giving here an epistemological argument in favour of non-cosmopolitanism. Interestingly, Mill was one of the few classics (along with C. F. Bastable) to uphold the infant industry argument (Mill 1965b [1848], 918–20) against sheer free-trade – although making no reference to Friedrich List.<sup>32</sup> This brings us to the political issue, namely the *laissez-faire* accusation.

## 2.2 Mill, a critic of universal *laissez-faire*

German critics seem to fantasise a theoretical enemy, whose dangerousness appears ultimately on the political level: political economy is regarded as the intellectual Trojan horse of *laissez-faire*, that is to say, as the ideological justification of a kind of individualism that is destructive of social cohesion. Yet again, Mill is an author likely to make such fantasies vanish.

Certainly, Mill contends in the *Principles* that “*laissez-faire*” is the “general rule”, and that the burden of proof lies with those who wish the intervention (Mill 1965b [1848], 944). But Mill also denounces the failure of the theories advocating minimal State intervention. He argues that he who claims that, apart from the protection against “force and fraud [...], people should be free agents”, he would lead to the exclusion of many laws recognized in all countries as of public utility, such as inheritance laws (Mill 1965b [1848], 800). Against the formulas trying to prove the universality of non-intervention, Mill opposes that it is “hardly possible to find any ground

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<sup>32</sup> Mill refers (but in a critical way) to the American protectionist economist Henry Charles Carey (cf. *Principles*, V, x, 1).

of justification [...] to limit the interference of government by *any universal rule*, save the simple and vague one, that it should never be admitted but when the case of expediency is strong” (Mill 1965b [1848], 804, emphasis added). He adds even more specifically:

“when those who have been called the *laisser-faire* school have attempted any definite limitation of the province of government, they have usually restricted it to the protection of person and property against force and fraud; a definition to which neither they nor any one else can deliberately adhere, since it excludes [...] some of the most indispensable and unanimously recognised of the duties of government” (Mill 1965b [1848], 936).

In the last chapter of the *Principles*, entitled “Of the Grounds and Limits of the Laisser-faire or Non-interference Principle”, Mill starts with five arguments in favour of *laisser-faire* (§ 2 to 6). He affirms that if the *laisser-faire* principle means that “the business of life is better performed when those who have an immediate interest in it are left to take their own course” (ibid., 946), then this maxim appears largely true in the field of production: the producers know best what is to their advantage to produce. However, the consumer is not always the best judge of what he wants to consume. Mill evokes, in §8, cases of information asymmetry with the example of medicine (the patient does not know which treatment is best for him) or education (“the uncultivated cannot be competent judges of cultivation”, ibid., 947), which induces cases of market failure. In the following sections of the same chapter, Mill put forward further instances where *laisser-faire* is inadequate: negotiation with children (§9-10), natural monopoly (§11), prisoner’s dilemma (§12), externalities (§16). His discussion upon *laissez-faire* is thus not only innovative but also balanced and far from being apologetic.

In addition, Mill strongly supported Cairnes’s attacks towards Bastiat’s liberal harmonising views – a point altogether overseen by Schmoller. In September 1870, Mill send to Cairnes his comments about the latter’s manuscript of an article entitled “Bastiat” just before it was

published in October 1870. Endorsing fully his economic argument (which, one may recall, accuses Bastiat's *Harmonies économiques* not to be a mere scientific treaty "which should simply *explain* the facts of wealth, but one which, while explaining, should also *justify* those facts" (Cairnes 1873, 318, italics in original)), Mill suggests he could have gone further in his criticism, particularly on the issue of "the spontaneous harmony of egoisms" (to use Halévy's famous formula<sup>33</sup>):

"You might find it useful to carry on the examination of Bastiat's doctrines to the social, or practical, point of view, and shew how far from the truth it is that the economic phenomena of society as at present constituted always arrange themselves spontaneously in the way which is most for the common good or that the interests of all classes are fundamentally the same" (Mill 1972b, 1764).

Already in 1869, Mill let Cairnes know that he considers Bastiat's *Harmonies économiques* as "written with a *parti pris* of explaining away all the evils which are the stronghold of Socialists, against whom the book is directed" (Mill 1972b, 1665, italics in original).

De Marchi puts rightly forward that Mill tried in his *Principles* to "expunge natural order/natural law presuppositions from political economy" (De Marchi 1974, 136). In particular, one of the main goals in this book was to "rescue from narrow, negative, and inflexible writers of the extreme laissez-faire persuasion 'the truths they misapply, and [combine] these with other truths to which they are strangers'..."<sup>34</sup> (ibid.). Indeed, Mill initiated the famous art-science distinction, which was precisely meant to keep political economy away

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<sup>33</sup> See Halévy (1995 [1901], 113; see also 25-6).

<sup>34</sup> The passage in brackets within the quote comes from a letter written by Mill to W. Conner in September 1849 (see Mill 1972a, 37). Among the writers concerned in this letter we find E. Baines Jr. or T. Hodgskin, and in a lesser extent H. Martineau.

from ideologies, including liberal ideology and *laissez-faire* policies (Zouboulakis 1993, 23-7). Mill's prudence regarding the applicability of economic theories is restated even in a speech before Parliament from 1868, published in 1870 in *Chapters and Speeches on the Irish Land Question*:

“So far from being a set of maxims and rules, to be applied without regard to times, places, and circumstances, the function of political economy is to enable us to find the rules which ought to govern any state of circumstances with which we have to deal - circumstances which are never the same in any two cases. [...] I do not know in political economy more than I know in any other art or science, a single practical rule that must be applicable to all cases” (Mill 1988 [1868], 255).

It is therefore no exaggeration to say that Mill strived to warn about the limits of economics and about the difficulties to move from abstract theory to concrete applications.

Eventually, in order to completely deny a supposed unfettered *laissez-fairism* on Mill's part, one should discuss the last element of discord raised by Knies and Schmoller, namely that Mill be an advocate of the idea that private property is a universal and permanent institution. Again, contrary to what these two historicists alleged, Mill envisages private property as a malleable institution. From the first edition of the *Principles* (1848) onwards, he contends that its origin is due to a process of appropriation by force, *de jure* possession coming after *de facto* appropriation:

“Private property, as an institution, did not owe its origin to any of those considerations of utility. [...] Tribunals (which always precede laws) were originally established [...] to repress violence [...]. They naturally enough gave legal effect to first occupancy, [...] confirming, to those who already possessed it, even what was not the fruit of personal exertion...” (Mill 1965a [1848], 201).

Mill clearly here defends a conception of private property – and *a fortiori* of private property of the means of production – which cannot be described as a naive naturalizing one, i.e. as having existed from eternity in identical form. In his *Chapters on Socialism* (posthumous text, published late in 1879), Mill mainly discusses the ownership of the means of production itself. He insists on the contingent nature of all forms of property through time and space:

“The idea of property is not some one thing, identical throughout history and incapable of alteration, but is variable like all other creations of the human mind; at any given time it is a brief expression denoting the fights over things conferred by the law or custom of some given society at that time; but neither on this point nor on any other has the law and custom of a given time and place a claim to be stereotyped forever” (Mill 1967 [1879], 753).

Mill states also in his *Autobiography* that in the 1830s he realized the limits of the degree of validity of political economy, “which assumes private property and inheritance as indefeasible facts” (Mill 1981 [1873], 175), as a result of his reading the criticism of political economy developed by the Saint-Simonians. Mill even warmly welcomed all socialistic experiments, especially the cooperative societies which he defended with growing vigour, as evidenced by the revisions of Chapter vii, Book IV in the successive editions of the *Principles*. For Mill – as for Knies and Schmoller –, private property and property rights are essentially political issues, subject to negotiations in the social and political realm, and are by no means a natural phenomenon.

## Conclusion

It is thus possible to conclude that the German historicist criticism of economics’s pretension to universality is largely unfounded in light of the particular work of John Stuart Mill, both on



the epistemological level and on the political one. In fact, the German two-stage criticism is not unprecedented and also characterises Comte's writings, as well as those of Durkheim and Marx – and it could be demonstrated that it has not been better substantiated in any of these cases.<sup>35</sup>

Concerning the confusion between Schmoller and Roesler about whether the Natural Rights doctrine influenced classical political economy too much (according to Schmoller) or not enough (according to Roesler), in fact these two authors do not seem to have in mind the same tradition of *Naturrecht*, which may explain the discordance. Rather, one may wonder: what was Mill's own stance on this issue? Mill himself scathingly calls “metaphysical” those theories which “affirm[...] that moral rules, and even political institutions [are] evolved from the conception of Natural Rights”. Mill thinks that “M. Comte was right in affirming that [...] the Continental lawyers followed the Roman jurists [...] in acknowledging as the ultimate source of right and wrong in morals, and consequently in institutions, the *imaginary law* of the *imaginary being Nature*” (J. S. Mill 1985 [1865], 299, emphasis added). Mill even goes as far as to contend that this “imaginary” – or “abstract” as historicists would say – conception “reached its culmination in Rousseau, in whose hands it became as powerful an instrument for destroying the past” (ibid.). One can find identical conclusions in his essay entitled *Nature* (cf. Mill 1985 [1874], 376).

Yet, there remain the questions of why Mill's thought was misjudged to such an extent and also why the attacks grew over time. While we are not able to answer the second question, we may suggest, as for the first one, that perhaps the first German translator of Mill's *Principles* played a role in this mistaken perception. Adolf Soetbeer was an influential practitioner

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<sup>35</sup> For more details on this issue see for example Gillig (2015; 2016).

economist<sup>36</sup> who was openly in favour of *laissez-faire* and who claimed that his translation would contribute to prove that “the *wisdom of natural laws* (*Weisheit der natürlichen Gesetze*) [...] and the instruction provided by political economy in order to eliminate material and social mischiefs [...] are in the long run the safest protection against the dangers of communism and socialism” (Mill 1852, V, my emphasis). At any rate, none of the German historical economists who dealt with Mill’s thought seem to have paid serious attention to his writings, as evidenced by the quasi absence of reference to his works. Their reaction appears broad-brush in the extreme and reveals how the communication of ideas and arguments was erratic. Other reasons may be found in Collini *et alii* – though we extend their observation beyond the British borders: As far as Mill is concerned, they highlight the fact that his own attitude towards the new historical approach – he found in H. Maine’s texts – was ambivalent (see Collini *et al.* 1983, 145-148); and as regards the historicists, they recall that the real common thread that connects the critics of the claim to universality is not so much an equivocal and heterogeneous *historical* or *sociological method* but a “rejection of the traditional pieties of Liberal individualism, [...] of specific maxims such as *laissez-faire* or free trade, more often [...] a general antipathy [...] to view society as nothing more than the arena in which rational individuals pursued their (largely economic) self-interest” (ibid., 257). However, a last explanation may be put forward. If one remembers List’s attacks directed at Smith, the puzzling attitude towards Mill appears to be nothing more than the mere extension of this criticism, half a century later. Indeed, the importance given by Smith to history in his *Wealth of Nations* was largely ignored by List and his German successors discussed above. A widespread critical attitude in Germany towards Smith’s economics seems to already have been deeply rooted even then, as depicted by Montes

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<sup>36</sup> A. Soetbeer (1814-1892) never occupied an academic position but was member of numerous economic institutions (e.g. Secretary of the Hamburg Chamber of Commerce), wrote some 124 articles and books, and was very active in the German monetary reform from the 1860s on.

(2003, especially 66-73). And despite some concessions made by Roesler and Schmoller, they after all both made no difference between Smith and Ricardo methodologically speaking - unlike Sismondi or Say, who highlighted a discrepancy, famously encapsulated by Schumpeter in the phrase “*Ricardian Vice*”. No wonder Mill’s efforts, in these conditions, to take into consideration history and institutions, were ignored.

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