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**Article**

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## **Changing Theories and Fixed Truths in the Field of State and Social Sciences and Contemporary German Political Economy\***

By Gustav Schmoller\*\*

Esteemed guests, revered audience!

By assuming the position of rector at the University of Berlin and since I am obliged to begin this position with an academic speech, I ask your permission to speak about a major question of principle and to share my views on it with you. This question has preoccupied me as one of the most central questions throughout my entire scientific work: It is not as pronounced in many other sciences as it is in that of the state, society, and political economy, but simultaneously bears significant impact on university policy by playing an important role in recommendations and appointments pertaining hereto, and which has the greatest significance for the entire development of science and university teaching.

I mean the contrast of historically changing and vacillating theories, of systems and streams of scholarship<sup>1</sup> to the fixed results of knowledge about which disputes and competing views can no longer exist.

### **I.**

If we consider the theories about the emergence of the state as they have dominated political thought from ancient times until today; if we contemplate

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\* Translated by Mark McAdam, Stefan Kolev, and Erwin Dekker.  
1897. “Wechselnde Theorien und feststehende Wahrheiten im Gebiete der Staats- und Socialwissenschaften und die heutige deutsche Volkswirtschaftslehre.” *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich* 21 (IV): 1387–408.  
Inaugural lecture on the occasion of ascendancy to the rectorate held in the auditorium of the Königl. Friedrich-Wilhelms-Universität zu Berlin on October 15, 1897.

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the systems of political economy since the last century, the mercantilists, the physiocrats, the naturalist English doctrine of political economy,<sup>II</sup> the socialist theories, the German Historical School, the so-called Austrian School, and all the other varieties; when we see today how the different types of social reform and social reaction are competing for professorial chairs,<sup>III</sup> there can be no doubt that even today different theories are opposed to each other in the fundamental questions. The sciences of the state<sup>IV</sup> are not alone in this. Do we not witness the same dispute in the struggle for chairs in theology, have the followers and enemies of Hegel not contended for precedence in philosophy for a long period in our century? Has not a dispute broken out recently in history between those who pledge allegiance to Ranke and those who believe that they have surpassed him? And are the natural sciences free from this? Did not Darwin's theory of development long split researchers into two camps?

All around we see such different streams of thought and teaching,<sup>V</sup> which not only differ in their respective results or through varying accuracy in their research, nor in different estimation of elements that we cannot determine, but which instead differ in the various methods and vantages employed and in their different explanations of the more important phenomena; some consider scientific truth to be what for others is hypothesis, or even fantasy and figment of one's imagination. Foundational notions and principles combat each other in diametric opposition.

But if we now ask whether and how the sensitive usage of language distinguishes these conflicting doctrines<sup>VI</sup> from that which is agreed upon, one can safely assert that one prefers to call the former approaches "theories," while the latter attain the honorary title of science.

What is called "science" is considered by all to be true; what is considered as "theory" is only believed to be true by certain circles, even if they hope to win over doubters to their doctrine at a later point. All attempts to understand the world and its interrelations<sup>VII</sup> presume that, at least within certain limits, the inquiring human spirit is able to find the full truth, the inner nature of things, and to identify their causes; and the criterion of this full truth has always been and continues to be so today: When all observers and researchers again and again reach the same result, and when from different theories a unified truth emerges that is recognized by all. That alone is completed science!

But should we therefore exclude from the temple of science all those areas and parts of the disciplines where the controversy of theories still prevails? The realization that it is only through conflict between competing streams of thought and theories that we can arrive at truth will prevent us from doing so. We will emphasize that the theories which have garnered respect and influence mostly also contained partial and often very significant elements of truth; in any case, we know that as moving intellectual forces, as concentrated centers of great intellectual streams, they have asserted or are still asserting a position and are worth studying.

These theories and streams represent the progression of human knowledge,<sup>VIII</sup> without which we would not be able to approach the goal – i.e. full truth – at all.

We could thus say that these different theories are preliminary attempts at formulating imperfect knowledge; and this imperfection is shown precisely in the fact that different formulations may co-exist side by side. With the progress of methodical research, completed observation, and causal explanation, the sources of error would be diminished and one would increasingly approach undeniable truth recognized by all. This is undoubtedly so; a great part of today's science, as far as it is elevated above the level of disagreement, can be credited to the improved methods which have become accepted in scientific work,<sup>IX</sup> especially in the last two centuries.

And yet this does not fully explain the problem: We cannot simply say, for example, that the sciences in which different theories are still mainly opposed to each other, have lagged behind in methodology and knowledge generation;<sup>X</sup> and that as soon as they have progressed like others, the dispute will disappear without further ado. We will be able to claim even less that the oldest sciences have the least number of diverging theories and streams, while the younger sciences diverge most. On the contrary, some of the newest special sciences<sup>XI</sup> boast of their assured, exact, and undisputed knowledge and often maintain that the old sciences of theology, philosophy, the state and social sciences can be looked down upon because the dispute does not cease within them. It seems to me that this contrast between the older, universal sciences and the younger, specialized sciences<sup>XII</sup> reveals the issue that leads us to clarity about the causes of the contrast.

The more our urge for knowledge learned to be modest, learned to limit itself to the simplest, most elementary phenomena, isolating the smallest individual component even in the areas of more complicated entanglements, learning to observe and investigate for itself, the more we succeeded in achieving certain and incontrovertible results with regard to the existence and the causes of the phenomena in question, their proportions, and the relationships of their sub-elements to each other. However, the higher the fields of explanation and research, and the more complicated the entanglements and interrelationships it thereby sought to resolve, the more difficult was the problem, the observation, the classification of the phenomena, the causal explanation. And yet the human mind could hardly resist addressing these issues, least of all the most significant problems. It could not begin historically with the empirical details of nature and postpone the great questions about God and the interrelations of the world, about this world and the next, about the destiny of man and the course of history, about the nature of the state, the law, custom, morality, society, and economy, about the human soul and its powers for centuries and millennia. The first condition of all higher human culture was religious and moral systems; within these, cosmogonic ideas of the world and nature were intertwined with ethical value judgments and regulations of individual action and societal institutions. No matter

how crude the childlike naïveté may have been in envisioning the interdependencies of the world, in imagining the gods and their intervention in anthropomorphized and even fantastical ways. The prophets and thinkers both created and captured certain elements of human drive, the foundational forces of the soul, the preconditions and forms of civilized human society<sup>XIII</sup> with great certainty; and one could say that the ancients had reached a certain level of knowledge in the psychological, ethical, and political domains prior to achieving it in the domain of nature, and that this knowledge is closer to our view today than their insights about nature were to our present knowledge thereof.

I only want to prove that the infinite difficulty of the religious, moral, legal, and societal problems could not prevent human reflection from seeking the keys to these holy gates. There is no more urgent problem than that man becomes clear about himself and his destiny, about duty and religion, about state and society, since one cannot advance without attempting to employ such knowledge like one does a compass. However, each such attempt, in its innermost nature and in its method, contradicts to a certain extent the procedure which gives us certain, uncontested knowledge. For by its nature, the former is directed towards the whole and the great, while the latter is directed towards the individual and the small. All recent advances in the empirically exact sciences are based on the division of labor, on the limitation that remains with the individual, on microscopic or other fine-tuned detailed work. However, all attempts to instruct man regarding his place in the world and in history, to comprehend the state and society, to recognize the overall effect of spiritual forces, to understand the course of customs, law, and institutions, must – like attempts to comprehend the development of nature as a whole – go beyond existing individual knowledge and somehow form an image of the whole, of where from and where to, creating a self-contained unity of all that is imagined and known. As all our feelings, ideas, and thoughts always convene in the focus of uniform self-consciousness, so every intellectually superior person must arrive at practical and theoretical unity within himself, every clear thinker and teacher must come to a consistent, uniform worldview. One's empirical findings, such as one's hypotheses and assumptions, must fit as partial contents into this worldview. And from here the practical ideals for one's action emerge, as do all general thoughts, which tie together the individual components of one's knowledge<sup>XIV</sup> and turn it into a coherent entity.

To me, this seems to explain the course of all those sciences that have to deal with the whole of man and society, with the whole of nature and the world. If they wanted to limit themselves to truly secured knowledge, they could give almost no answer to the big questions asked of them. Moreover, the individual – even the scholar expending the greatest amount of labor and holding the greatest memory – is able to fully grasp less and less the entirety of secured knowledge. And yet one actually has to master everything at the same time if, following strict methodical procedures, one wants to reconstruct the larger overall

phenomena from their individual parts. Thus the researching human spirit is confronted with a growing impossibility: To master the whole, the big questions strictly scientifically. Either he sticks to details, in which case he loses the overview of the whole, or he rises to the heavens and dares the flight of Icarus to the sun, in which case he loses the solid grounding of Mother Earth, i.e. he loses the ability to consider the knowledge of details under his feet, falling again and again from the intermittently achieved level without having reached his destination. And yet we ought not despair. That which the individual can never achieve is accomplished – at least partially – by humankind and science over generations and centuries in an approximation of the goal. But it is only in that manner that the gradual movement forward is at times grounded in empirical individual research, at other times directed towards overall summarizing. Thus, the further the individual discipline lags behind, the more any attempts to summarize will be partly premature, partly hypothetical generalizations: “Theories” will for a long time consider the infinitely complicated to be simpler than it is, they will think that they can get along with few formulas or images. But the further the knowledge of concrete details expands, the sooner we will also be able to reach a well-founded judgment about the composite, about the big questions; the more the inklings, the images, the hypotheses about them will take on a more secure form. Of course, the most significant and ultimate questions will always elude the most certain empirical identification,<sup>xv</sup> and as far as “theories” about them are necessary and inevitable, they will turn out differently, having been set up by different researchers, schools, and streams. As long as we are not omniscient and all people do not have the same education, there will also be people with different worldviews; there will be no unity attainable over the ultimate questions. The one who presupposes an ideally perfected state of affairs at the beginning of history, lost by the Fall of Man, and who believes in the animal beginnings of mankind which are gradually transformed into high culture, cannot explain history in the same manner. Likewise, in all questions pertaining to societal and state institutions, those who believe in the immutability of human nature and those arguing for its steady transformation will always be in conflict with each other.

## II.

If I may now attempt, on the basis of this point of view, to briefly characterize in a few words the development of the prevailing economic theories and doctrines of recent times: From 1500 to the middle of the 18<sup>th</sup> century those theories and doctrines were still contained in a system of natural law which, from Bodinus to Christian Wolf, contributed to the emergence of the modern state and demanded economic management as well as the supervision of individuals and corporations by the state. The mercantilist collection of ideas<sup>xvi</sup> is based on the set of ideas of the Roman Empire and the philosophy of the Re-

naissance; regulations derived from current affairs regarding the advancement of monetary and trade matters were added to this set of ideas, without a fully closed theory of political economy arising from it. And when from 1650 to 1750 the material of individual knowledge, observation, and description increasingly accumulated in books, collected works and encyclopedias, this eventually resulted in thoughtless polyhistory and inane cameralistic recipes.<sup>XVII</sup> No rational mastery of this dead matter existed.<sup>XVIII</sup>

This mastery emerged with the Enlightenment and the philosophy of the 18<sup>th</sup> century, which at the same time made political economy an independent science, and it generated from within itself the two great theories or schools which have dominated thought and action from 1770 nearly to the present: Individualist and socialist political economy. They are both children of the same mother: The older theory of the abstract individualist naturalistic doctrine of the economy<sup>XIX</sup> from the physiocrats and Adam Smith to John Stuart Mill and K. H. Rau, as well as the somewhat more recent socialist theory of class struggle from William Thompson to Karl Marx, are both results of the more recent liberal-radical form of natural law. Both streams believe to be able to construct a perfectly objective system of today's economy from an abstract view of human nature. Like the entire Enlightenment and the constructive philosophy of the first half of the century,<sup>XX</sup> both overestimate our capacity for knowledge<sup>XXI</sup> today; both attempt – with a single leap, yet without proper detailed research, without a proper psychological basis, without thorough preliminary studies on economic history and the history of law – to attain ultimate economic truth, and to master the world, the people, the states according to it. Both approaches draw on the empirical economic knowledge of the time, seeking to do justice to it in their systems, but within their main representatives they remain ideologies, closed systems which directly aim at new ideals of the economy, of social life, of the entirety of economic and legal institutions. In terms of method and content, they do not fully rise to the rank of real science. Both attempt to break away from psychology, ethics, from the theory of the state and administration in order to attain the dignity of their own independent theory; but they thereby lose a good part of the realistic, down-to-earth roots and substance<sup>XXII</sup> which had protected the theoretically more undeveloped mercantilists and cameralists from folly and fallacies. The main weakness of both individualist and socialist theories was that they feigned and operated with an abstract economic society detached from the state and law.<sup>XXIII</sup> There is a great idealism in both approaches which had an earth-shattering effect on practical life and enabled advanced minds to act; but in both there was at the same time an idealism which went above and beyond, having grown out of the scholar's workroom of cosmopolitan dreams, a seductive idealism of revolution and rash change, without considering the appropriate counterweights.

As related as the two streams are in their philosophical and methodological foundations, just as much do they diverge practically and in their aims. The



liberal theories are as optimistic as the socialist theories are pessimistic. The liberal naturalistic doctrine of political economy<sup>xxiv</sup> regarded economic life from the vantage of a naturally and harmoniously ordered system of individual, selfishly acting forces, which were ordered by a benevolent, omnipotent God that one only had to leave to itself in order to achieve favorable, even blissful outcomes. Just as Adam Smith sees every statesman as an insidious and deceitful animal who usually ruins the harmonious clockwork of the exchange society<sup>xxv</sup> through clumsy and inept interventions, so did the state and law seem superfluous to the whole school with the exception of maintaining peace and exercising justice. And yet Adam Smith's theory implied a great, even the greatest progress in our science until about 1860–70. By examining the economic engine of the market, the division of labor, the interdependent economic interaction of large social classes on its own terms; by investigating human labor and the most important psychological driving forces of the monetary economy; by combining the knowledge generated heretofore into an ordered, clear system; and – under the appearance of graciously harmless blather – by completely dismantling the belief in the necessity of all older medieval economic institutions, he rendered the greatest possible service to practical life and science at the time. He would not have been a great man if he had been a mere scholar, a pure man of science, if he had only created a closed system, a uniform theory whose formulas and catchwords princes and statesmen, publicists and parliaments could utilize for several generations. He would never have had such an epochal impact on the time if he, in line with the great liberal ideals of the time, had not impressed his worldview, his theistically harmonizing faith, on his thought.

The entire socialist literature has not produced a work that could be set alongside his work on *The Wealth of Nations*; Karl Marx's book on *Capital* is placed on the same footing by his partisans, but not rightly so.

The socialist theories all have a more utopia-imbued flavor, a more pamphlet-like agitational nature. They have the merit of having drawn attention to an important facet of economic development overlooked by individualist theory, namely the situation of the lower classes, the differences between classes and class struggle, the practical efficacy of purposeful organization by specific classes, and the terrible grievances and abuses within the modern economy; they have also expressly contributed to the empirical recognition of these phenomena, mainly the dark sides of social life, although the most reliable of these insights were gained by other circles. The socialists, following the philosophy of history of their time, introduced the great idea of development into the social sciences, and began to justify the historical understanding of different eras in economic history and their differences. However, in depicting these differences they succumbed to fantasy and passion in such a way that in this respect their writings depart from what can be considered serious science. In contrast to an idealistically exaggerated historiography, they rightly emphasized the economic



and technological causes of historical development; but in the absence of sufficient preliminary studies in psychology and history, and by following the tendency – the so-called materialistic theory of history – they arrived at such exorbitant exaggerations and caricatures that today only party fanatics or dreamers void of historical knowledge could agree with the theory as formulated by Engels, Mehring, and other epigones of Marx. The three great German socialists – Lassalle, Rodbertus, and Marx – impressed a scientific stamp on their followers, in contrast to the English and French socialists who painted idealistic plans for the future, because they – the German socialists – had allegedly renounced such utopias. But they only refrained from this in a rather loose manner; they did not categorically refrain from comporting themselves as the prophets of the revolution and of the imminent golden communist age. And as far as their corpus of economic concepts, the tools of their argumentation, the dominant basic ideas from which they emanate are concerned, they have not created anything new in this respect; without examination, they invoke the Smithian-Ricardian market doctrine and exchange society, operate with the ambiguously shimmering concepts of this school, regard Ricardo's scholastic discussions of value as an irrevocable truth that no longer needs any examination, and thus attempt to erect a construct of political economy on a house of cards which itself relies on the ideas of political and utilitarian radicalism as well as of ethical materialism – to which they pay homage at the same time – but whose ideas do not lend further reinforcements. The theory of value of Marx in particular, which is not based anywhere on new facts and investigations, but on a reinterpretation of well-known phenomena, contains the attempt to present, so to speak, the most important economic and social processes of world history as an allegedly objective technological-natural process, as the path of capital.<sup>XXVI</sup> It is not people, their actions, and institutions that are examined, but the “magic” of the technological-capitalist production process that is demonstrated with the wizardry of dialectics and with seemingly irrefutable mathematical formulas. Capital is presented fantastically as the vampire who sucks the blood out of the workers. It is a methodological relapse far beyond Hegel, all the way back to scholasticism. It is very much an attempt with unsuitable, unscientific means.

The legitimate goal of all socialist literature is the struggle for a more just order of the economy, for the emancipation and promotion of the working classes, the great mass of the people. The utopian ideal that Marx too has in mind in a very unclear way is the elimination of all class antagonisms and economic inequality, of all differences in the distribution of wealth and income. Yet the real causes of human difference are not even investigated. The obsolete ornament from the scrap heap of the Enlightenment, i.e. the assumption of a natural equality of all human beings where inequality is only brought about by state institutions and the distribution of capital, forms the tacit presupposition of all pertinent reasoning. In the case of some socialists, hopes for future social

equality are tied to the notions of human perfecting and to the desirable ideal virtuousness of all; in the case of others, such ideas are completely relegated to the background – under negation of the afterlife, under gross sensual overestimation of external good fortune,<sup>XXVII</sup> they hope that another human race will emerge through external institutions. The fantastic reference to the near future of the great communist revolution is always the chiliastic lure to shake up the sluggish masses. It is only the fact that most of the socialists contemplate their task more with their sentiments than with reason, understanding themselves as apostles and martyrs, that explains why the true and noble natures among them really believed in this near future of the millennial kingdom in which all men would be good, perfect, and equal.

Admittedly, it is also with these hopes and dreams that socialists aligned with the effusive individualist enthusiasts of the 18<sup>th</sup> century who had no less bold expectations of the Enlightenment, of the elimination of medieval institutions, of the equality of rights and personal freedom, of the implementation of free competition. Every great practical reform movement, as we also know from early Christianity, begins with such self-deception, with an army of illusions, and draws its strength from it. Each one is scolded in a revolutionary fashion by the defenders of the old and the traditional. This had to be experienced by the followers of Adam Smith as well as later on by those who spoke of the emancipation and equality of the lower classes. And in both cases, this entailed the most significant changes in the economic-legal constitution, in all economic and social institutions. Both movements were actually connected and had to follow upon each other. The first question was, on the basis of the monetary economy and personal freedom, to fight for the bourgeoisie's economic position, then to build new institutions into the mechanism of the free market and of increased competition, so that also the lower classes would receive from this fight a better, more secure position and a more dignified existence. Thus individualist political economy – as the philosophy of the bourgeoisie – had to follow the ideals of free exchange,<sup>XXVIII</sup> and the socialist economy – as the philosophy of the working class – had to follow the ideal of a more just distribution of goods; both closely connected and yet in sharp contrast. The different aims of the practical movement did require a different approach, a different type of demeanor, a different literary color, a different reasoning in both schools.

The great liberal economists, like the great socialists, did not so much strive for scientific knowledge as for practical success; they both did not just want to proclaim what is, but what should happen. They both preached practical political and social ideals. But the former turned to princes and statesmen, the parliaments and the educated, the latter to the masses of common people, the workers, those without property and the uneducated. Thus it was given that the calm reflection, the scientific tone remained in the foreground for the former, but receded for the latter. Adam Smith and Ricardo are rational writers,<sup>XXIX</sup> Marx and Lassalle revolutionary writers who write with hatred, poison, and blood,

appealing to all passions. With the former, therefore, it is much more common to encounter genuine research and unprejudiced pursuit of truth; the more socialists perceive themselves as religious heroes and political agitators, the less one encounters precise scientific methods. They preach their worldview and their faith much more than scientific propositions and count on winning convinced followers, even if they write in the most incomprehensible formulaic language.<sup>xxx</sup> The blind followers of Marx certainly did not repeat the old phrase *credo quia absurdum*, but in fact they behaved in just that manner.

### III.

Even if according to this methodological supposition as well as according to the passions and tendencies of the day, the older liberal and socialist political economy may be quite different from each other, the basic feature nevertheless remains for both of them that they are almost more results of practical politics, expressions of great world-shattering ideals, and substantive interests than of scientific investigations and detached research. The great pertinent literature of 1750–1870 represents more the birth pangs of the new science, its seeds and sprouts, than it does the science itself. Yes, one will be able to say that only in a lively contrast to these two streams – the older of which had already passed its climax with Ricardo, the latter with Marx, with both now beginning to decline – could the new real science of state, society, and economy develop. This approach increasingly extricated itself from an agitational, political-practical character, turned itself to individual research in a humble way and sought less to establish grand theories than to strive for fixed partial truths;<sup>xxxi</sup> admittedly, in its innermost core, it was not able to avoid placing at the center of its theories the religious and ethical tendencies of the time, the new and changed conception of its age about the determination of man, the state, about the harmonization of individual and general interests.

The beginnings of the new direction of our science go back a long way. Among the mercantilists there are many, especially those writing from practical life experience, who can be counted here as forerunners, like Galiani and James Steuart. Among the liberal economists of the old school, Adam Smith himself can be counted here in a certain sense, as well as I. G. Hoffmann, Thünen and others. The advancement of statistics from Süßmilch on had brought about a sense of accuracy, precision, and fixed notions of magnitude<sup>xxxii</sup> into science. With its theory of population and statistical underpinnings of the main economic doctrines, statistics has eliminated a great number of premature generalizations and blurred ideas. It became the main tool of strictly scientific, descriptive political economy. The progress of philology and history, the advancement of critical methods in these sciences had to produce economic history, and they provided the theoretical considerations of the individual doctrines a basis

grounded in the rich, versatile, well-documented material of experience. The interaction between legal and economic history, which had existed in the past but was then completely neglected and banished by the theoretical dogmatism of the political economists, proved more and more to be the most fruitful means of mutual promotion and the best instrument for correcting possible one-sidedness and errors. The decline of dogmatic philosophy and the return to critical and historical philosophy, the tendency of an ever-larger number of its adherents to have an empirical foundation also had to invite those streams of political economy to a reversal which had been children of dogmatic philosophy. The immeasurable increase in our geographical, anthropological, and natural-scientific knowledge, which is certainly due to empirical methods, also showed political economy how it ought to proceed, and at the same time how narrow the horizon and the material of experience with which it had hitherto operated had been. It is not too much to claim that the theory of development has overturned a number of the strongest pillars of the old dogmatism of both liberal and socialist political economy, generating a lot of questions, stimulating social science research beyond the boundaries of both streams.

Thus the old construct eroded from all sides. In Germany Friedrich List and in France Sismondi attacked the absolute rule of the individualist school. During the period 1845–70 Roscher, Hildebrand, and Knies founded the Older Historical School, which of course sought to correct the old dogmatism in individual instances instead of aiming to set up a new system. The attacks on the older individualist school seemed at first to benefit the socialist stream just as much as it benefitted a new scientific formation. It was also only natural that socialism's justified criticism of individualist theory were adopted into the new scientific direction which, as far as it preached practical-political ideals, partly overlapped with those of socialism. But in the main matter, English socialism had already exhausted itself and been worn out by 1820–40, French socialism by 1825–48, and German socialism by 1840–70. It could, much like individualist theory, continue to play a major role in the doctrines of individual parties and classes, but no longer in the scientific world and in scholarship.

The latter had received a strong impetus to re-examine all problems both from the standpoint of practical policy and from the internal progress of scientific activity. With the tremendous changes of constitutional life, of technology, of global transportation, of social stratification, with the gigantic new tasks for the state and social order, the old theories of economic liberalism and of socialism proved outdated, as completely incapable of directing society. The naive optimism of *laissez-faire* as well as the immature, flippant appeal to the revolution, the childish hope that the tyranny of the proletarians could happily lead vast empires, manifested themselves more and more to be what they were: The twin siblings of an unhistorical rationalism,<sup>xxxiii</sup> the last remote remnants of the eudaimonic Enlightenment of the 18<sup>th</sup> century. The old streams of the individualist naturalistic doctrine transformed at that very moment from the hu-

mane idealism of Adam Smith into the hard mammonism of the Manchester School,<sup>xxxiv</sup> which had little to say about the big social questions, new corporate forms, the totally changed consequences of competition, and the completely different economic tension between empires and small states. And the socialist theorists, with their fantasy about the extermination of profit making, their wavering hopes for egoistic masses and non-egoistic economic leaders, their lack of understanding of all state power concentration and of all international power struggles, were just as much at a loss about the necessary new construction of political economy. From 1870–90, the complete theoretical and practical bankruptcy of the two old schools took place visibly all over the world; it manifested itself in the epigonal babbling of the old theorems,<sup>xxxv</sup> in the inability to conduct truly scientific new work on the old basis.

The old schools continued, here and there, to languish for a while. In England, the liberal dogmatism of free trade held up for the longest time, even if Disraeli's foreign policy had already pierced its heart. In France, the academic circles from Paris have, to this day, maintained the appearance of being direct and faithful pupils of Smith, Say, and Bastiat; the other French universities have shown since the 1880s that they stand on completely different ground. In Austria, Menger's school tried to stop the upswing and through some good, semi-psychological, semi-economic research on the world's value theory<sup>xxxvi</sup> to uphold the belief that the doctrine of the so-called English classics remained unshaken among them. It was a futile effort. The turnaround was most pronounced in Germany: Partly because German political economy had remained more realistic since cameralism in comparison with other states, partly because it had received valuable impulses due to its interconnectedness with different university disciplines, and finally because of the great national upswing and the urgency of political and economic reorganization and of social reforms, did it shake up minds more than elsewhere, thereby enabling a new construction.

The ultimate goal of all knowledge is a practical one; the will always remains the regent and ruler of the intellect. The great advances of knowledge are acts of the will and come partly from the genius of great men, partly from great internal and external national fates; the apexes of societal fermentation<sup>xxxvii</sup> and the new formation of the state have always had a stimulating effect on the science of the state and on political economy. And it is precisely for this reason that new theories of society and the state, and advances in these fields are always semi-practical-political, semi-theoretical achievements. The only question is whether the former outweighs the latter: How much has the stricter science become the master of day-to-day politics and of the practical ideals set up for it. And it seems to me that this is precisely where the trademark of today's political economy – especially German political economy – lies: Although it is in close contact with the influential events and tasks of the time, it has nevertheless understood how to conduct research without preconceptions or at least

with much fewer preconceptions than before,<sup>xxxviii</sup> how to apply much stricter methods, and how to rely predominantly on fixed truths.

Everywhere, but most of all again in Germany, has the abstract rationalist treatment retreated which seeks to explain the phenomena from some prematurely formulated premises and intends to establish true ideals for all times and peoples. One moved towards methodical individual research,<sup>xxxix</sup> and what followed were realistic detailed depictions in economic history, in economic psychology, and in the examinations of market, monetary, credit, and social conditions. One finally came to acknowledge that only methodical training and years of specialization would provide sound scholarly results, that the economic scholarship of dilettantes, often formulated off the cuff, would compromise science more than promote it. Political economy ceased to be a free art for everyone; it became a discipline like any other. In all its areas of activity, the realization forged ahead that extensive, lengthy series of observation and carefully executed material collections were necessary, that scientific laws and certain general judgments about trends could only be arrived at if a broad, useful descriptive literature on the science of the state had been produced beforehand. They were well aware that they would not make particularly rapid progress in this way, that they would not be able to remove the veil from the image of Saïs<sup>xl</sup> so quickly. But one consoled oneself with the old truth that the half is often better than the whole. People realized more and more that it was better to promote science through monographs than through textbooks. It was understood that in many cases only the organized interaction of many – of dozens, often of hundreds and thousands – as we can observe in statistics, in surveys, in the publications of academic societies at hand, e.g. those of the *Verein für Socialpolitik*, provided somewhat safe orientation. But it also achieved what had long since occurred in other sciences in a similar way, what the Benedictine abbey had once achieved through such cooperation: A broad and certain knowledge of reality.

The charge has often been made – especially through this kind of detailed work, through these collections, through this limitation to preliminary groundwork – that the more recent science of the state has abdicated, has renounced leadership in the practical world, and with it the coping with the great questions of the present. But it has thus only relinquished making premature generalizations, and as far as it believed that it had solid ground under its feet, it worked with vitality towards summary, towards overall results, towards a new deeper general foundation. It may have achieved less in this respect than in the research itself, but it has interceded in the conduct of politics, stimulating major social and economic reforms, and this is precisely why it has become the subject of countless attacks from both the right and the left. The trend of this part of the new economic and social-theoretical activity will be best characterized by saying that the newer economic and social sciences have been based on psychology and ethics in a completely different way than the older



ones, that they have again understood and looked at political economy in its correct context with the whole of the rest of culture, that it has identified the function and position of morality, custom, and law in the mechanism of society more correctly, that it has examined the great process of societal differentiation and class formation more profoundly than socialism, and that it has learned to understand this process in its movement and its consequences; it has thus gained the foundation of understanding for the great problem of our time – social struggle and social reform – and has indicated the paths that would help to overcome the difficulties. In contrast to rationalism and materialism, today's political economy has arrived at a historical and ethical conception of the state and society. It turned away from a mere market and exchange theory, a kind of commercial political economy<sup>XLI</sup> which threatened to become the class weapon of the property-owning class, and returned as a great moral and political science; in addition to production, it also examines the distribution of goods; in addition to value phenomena, it also assesses economic institutions; instead of situating the world of goods and capital at the center, it again places the human being at the heart of science.

#### IV.

If, however, we now once more return explicitly to our question of principle whether this whole new development of political economy has in fact increased the stock of secured, undisputed knowledge recognized by all, a superficial assessment does not provide a simple answer. Yes, it might seem as if the difference of opinions has grown, as if today even more different theories exist side by side than before. The tremendous changes in economic and social life generated conflicts of interest, which at earlier changes, especially in absolutist states, had not come to the foreground of the day and could not transform into their own theoretical approaches. With these struggles of the political parties and social classes, the most diverse theories, points of view, and reform proposals arose again and again. Thus we have today, much like we had at least 50 years ago, a conservative and a liberal, an agrarian and an industrial, a worker-friendly and an entrepreneur-friendly so-called political economy. But if we look closer, these are theories, arguments, projects, points of view which are predominantly asserted in the market of the day, in the interest group associations, in the party and class newspapers – hardly or only shallowly exerting influence at professorial chairs, in the scientific journals, in the actual scholarly literature. Here scientific education has produced a much higher degree of objectivity. Its research activity is directed with such force towards the elimination of subjective deceptions, interests, favored ideas, and false observations that we can indeed say that the existence of what everyone today acknowledges as ascertained truth has grown considerably. Many controversies, such as those about protective tariffs and free trade, have not disappeared from the practical



but have disappeared from the scientific discussion. On many issues where there is still controversy today, e.g. in the field of bimetallism, it is less due to the fact that different principles are established than to the fact that the large gaps in our empirical knowledge have to be filled by estimates that remain subjective, i.e. that must turn out differently.

Admittedly, our entire economic knowledge is still very incomplete today: The object of our disciplines is among the most complicated, the further progression therein depends almost at all points simultaneously on the progress in neighboring sciences and in the foundational sciences<sup>XLII</sup> which contain their prerequisites. And so, naturally, even today we are repeatedly dependent in many places on estimates, uncertain assumptions, tentative value judgments, hypotheses, and probabilities. And this increases, as I repeatedly emphasize, like an avalanche, the more complicated areas of involvement we enter and the more important questions we seek to answer. And only in the semi-darkness of foreboding, hope, and faith do the ultimate and greatest questions of the science of the state lie before us today. Wherever and whenever we approach them, everyone must judge from the overall picture one has conceived of the world, of the historical development as a whole, and of the shaping of future generations; and that is why, on this basis, even today the different worldviews confront each other, necessarily generating different systems and heterogeneous theories, all with equal claim.

But is this claim justified? Do the different theories really stand equally next to each other? I do not think that, as of today, we will be willing to make such admission in light of the history of science. Rather, we will assert that we ought necessarily declare the juxtaposed and opposing theories and points of view, all existing concurrently, to be on a higher or lower footing: 1) depending on whether they are based on the entirety of ascertained knowledge of the present in its most perfected form, or on partially ascertained knowledge; and 2) depending on whether the evaluating agent chooses his point of view higher or lower, thereby rising or not rising from the particular to the general highest interest. The first is more a matter of intellect and education, the second just as much a matter of character and disposition, as well as of an ingenious intuitive glance. We will always have to admit, however, that the decision as to which of several fundamental points of view is the superior one can always only be definitively settled by the future: Only the future development of science and practical life decides. And so it will be possible to admit in practice, however, that insofar as at a given time a number of different points of view exist side by side in the field of the science of the state and in similar disciplines, and insofar they struggle for precedence, they must be given equal opportunities to become active, provided that they stand entirely on the ground of acquired ascertained knowledge and the best scientific methods, and insofar as their representatives by their character offer the guarantee that their conviction is not conditioned by

passion, class interest, selfishness, and overzealousness, but by their honest view of the common good.

To me, this appears to provide the criterion for examining and determining the value of the now frequently heard call that all existing streams of science must be equally represented at the universities. It would be contrary to progress and development to put dying, outlived streams and methods on equal footing with more developed and sophisticated ones: Neither strict Smithians nor strict Marxians can today claim to be considered fully equivalent.<sup>XLIII</sup> Anyone who does not stand on the foundation of contemporary research, of the contemporary state of knowledge and methods is not a useful teacher. And the same applies to the representatives of economic class interests. This is of course different with publishers of newspapers, with lawyers and leaders of parties, of organized classes and their associations. They are justified in this, and no one will reproach them for defending a class interest; one will find it understandable that, serving such interests throughout their lives, they so often confuse them with the common good and the common interest. But they should not be appointed to professorial chairs. Considering this already would reveal that for each social class, special lecturers would then have to be appointed as advocates of their class interests – chaos of contradictory propositions, Babylonian confusion, the increase of passions and hatred would be the result. The academic teacher of practical disciplines can and should have only one guiding light: The common good and the common interest.

But the opponents of all scholars who today represent the sciences of the state and in particular political economy at German universities claim that the current professors are too worker-friendly, that they are just advocating for a particular class – not for that of the common interest. There can be no denying that the currently prevailing political economy in Germany displays a worker-friendly attitude. But it is a completely different question whether this corresponds to justice and the common interest. The academic teachers so accused all belong to the property-owning and educated classes; they defend no selfish monetary, economic, or class interests, unlike the parliamentarians and publicists who attack them. These aggressors, however deserving they may be, are in the midst of a battle of social interests. Their judgment can never appear to be entirely impartial. The independence of academic teachers guaranteed by the constitution and administrative law – the fortunate result of our university constitution – enables the representatives of the science of the state to feel independence, both in upward and downward directions as well as towards the right and the left. May they be mistaken in individual details, may some so-called practitioners be superior to them in special knowledge in this or that branch of the economy: It is supported by the greatest probability that, if they agree on certain basic features and trends of social reform despite all other personal differences, it is probably the result of the real progress of science and not of one-sided partisanship for a particular class. And furthermore we can

add, as far as certain feelings of sympathy with the working classes may have crept into the judgments of academic teachers, the question remains whether this is not in accordance with the great ideals and the legitimate politico-social trends of our time. The point of view of social reform that they occupy is neither that of one-sided workers' interest, nor that of entrepreneurs or capital. It is a point of view that has arisen from the revival of the religious and ethical forces of our time, from the powerfully grown identification with the state,<sup>XLIV</sup> from the increased sense for law and justice. The social questions mark our time and that of the coming century with their trademark. More powerful than in any previous era, the age-old question pounds on the gates of societies how to reconcile individual and common interests, freedom and justice, property and work, the aristocratic position of the powerful and the rich with the democratic position of the masses. It is necessary to seek and justify the individual reforms which have kept Germany on the path of progress with a sober, scientific sense – while holding equal distance to the reactionary preservation of everything hitherto existing and also to utopian, hasty plans for renewal.

All great ideal achievements of humanity – Christianity, the development of law over millennia, the ethical duties of state authorities as they develop above all in Germany and Prussia – point us to the same path of reforms which the imperial addresses<sup>XLV</sup> of 1881 and 1890 have marked out for us. German science has done nothing but attempt to offer causal justification for these ancient, ethical-religious and legal-state imperatives, and to provide strict proof of the truth.

For this very reason, its victory is to be hoped for despite the existence of all opposing selfish interests. May the details of the measures be disputed, the direction of the whole is no longer.

### Annotations

- I “Wissenschaftsrichtungen”.
- II “englische Naturlehre der Volkswirtschaft”.
- III “um die Lehrstühle kämpfen”.
- IV “Staatswissenschaften”.
- V “Richtungen und Lehrmeinungen”.
- VI “diese sich bekämpfenden Lehren”.
- VII “die Welt und ihre Zusammenhänge zu erkennen”.
- VIII “Werdegang der menschlichen Erkenntnis”.
- IX “die Führung der wissenschaftlichen Arbeit übernehmen”.
- X “Wissenschaften, wo hauptsächlich noch verschiedene Theorien einander gegenüberstehen, seien in Methode und Erkenntnismitteln zurückgeblieben”.
- XI “einige der jüngsten Sozialwissenschaften”.
- XII “Gegensatz der älteren universalen und der jüngeren speziellen Wissenschaften”.
- XIII “menschlich gesitteter Gesellschaft”.
- XIV “als Klammern das Einzelne seiner Erkenntnis”.
- XV “sich der ganz gesicherten empirischen Feststellung entziehen”.
- XVI “Ideenkreis”.
- XVII “gedankenlose Polyhistorie und flache kameralistische Receptierkunst”.
- XVIII “die rationelle Bemeisterung dieses toten Stoffes”.
- XIX “individualistische Naturlehre der Volkswirtschaft”.
- XX “die konstruktive Philosophie aus der ersten Hälfte des Jahrhunderts”.
- XXI “überschätzen unsere heutige Erkenntnismöglichkeit”.
- XXII “ein gut Teil der realistischen, bodenständigen Wurzeln und Säfte”.
- XXIII “eine vom Staat und Recht losgelöste abstrakte Wirtschaftsgesellschaft”.
- XXIV “Die liberale Naturlehre der Volkswirtschaft”.
- XXV “das harmonische Uhrwerk der Tauschgesellschaft”.
- XXVI “gleichsam als einen objektiv technisch-natürlichen Prozess, als den Werdegang des Kapitals darzustellen”.
- XXVII “unter grob sinnlicher Überschätzung der äußeren Glücksgüter”.
- XXVIII “des freien Verkehrs”.
- XXIX “verstandesmäßige Schriftsteller”.
- XXX “Formelsprache”.
- XXXI “partielle feststehende Wahrheiten”.
- XXXII “feste Größenvorstellungen”.
- XXXIII “Zwillingsgeschwister eines unhistorischen Rationalismus”.
- XXXIV “aus dem humanen Idealismus eines Adam Smith in den harten Mammonismus der Manchesterschule”.

XXXV “in der epigonenhaften Ausspannung der alten Theoreme”.

XXXVI “halb psychologische, halb wirtschaftliche Untersuchungen über die Wertlehre der Welt”.

XXXVII “die Höhepunkte der gesellschaftlichen Gärung”.

XXXVIII “voraussetzungslos oder wenigstens viel voraussetzungsloser als früher zu forschen”.

XXXIX “methodische Einzelforschung”.

XL “den Schleier von dem Bilde zu Saïs zu ziehen”.

XLI “Geschäfts-Nationalökonomie”.

XLII “Grundwissenschaften”.

XLIII “weder strikte Smithianer noch strikte Marxianer können heute Anspruch darauf machen, für vollwertig gehalten zu werden”.

XLIV “aus dem machtvoll angewachsenen Staatsgefühl”.

XLV “die kaiserlichen Botschaften”.