

THE ECONOMIC PHILOSOPHY OF  
GEORGE GUNTON

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Lillian Makatura Gottsegen  
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**THE ECONOMIC PHILOSOPHY OF GEORGE GUNTON**

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THESE

## PREFACE

Although George Gunton was an economist, this paper is not an economic treatise, nor does it attempt a definitive study of all of his economic ideas. Such a specialized study belongs in the province of the professional economist, and is not one which the student of literature is equipped to handle. But, any knowledge of the literature of a specific period is incomplete without some understanding of the major intellectual dilemmas and syntheses which give to an era its peculiar character and coloring. By using George Gunton as a focal point, this study has attempted to capture something of the mood of the great upheaval in the American social sciences at the end of the nineteenth century, which resulted from the impacts of the various forces of science, industrial conditions, political agitation, and foreign influences. I have tried to separate in Gunton's ideas the unique and the representative, and have dealt more fully with those economic doctrines which best reflect the swirling economic currents of his age.

The short history of economic thought in America which appears in this thesis may suffer from certain shortcomings, either through oversimplification or faulty proportion. But I have been unable to find a cogent history of economic doctrines which deals exclusively with American, as distinct from European developments. For this section I found most useful L. H. Haney's History of Economic Thought and C. Gide and C. Rist's History of Economic Doctrines for general analysis, and Joseph Dorfman's Thorstein Veblen and His America for invaluable factual material.

The magazine which Gunton started in 1891 was called the Social Economist until 1896, when the name was changed to Gunton's Magazine. I have assumed that the unsigned articles were either written by Gunton himself, or received his approval as editor, and hence represent his opinions.



I wish to express my thanks to the staffs of the Michigan State College Library, the Michigan State Library, and the John Crerar Library for their friendly cooperation. I appreciate all the aid extended by the graduate faculty of the English Department, and I am also indebted to Professor V. E. Smith of the Department of Economics for his helpful advice. For suggesting the subject of this study, and for his sympathetic supervision, my deepest thanks go to Professor Russel B. Nye.



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## INTRODUCTION

Perhaps at no time in American history has there been such radical and widespread change on both the physical and intellectual levels, permeating every class of society, as in the latter part of the nineteenth century. Not only was the basic structure of American institutions slowly changing, but the more nebulous stream of prevailing ideas and faiths was also soon to be swept off in startling new directions. The rush of events was so rapid that most Americans were quite unaware of the significance of the passing of the frontier and of the exceedingly swift and irresponsible expansion of industry; they trailed behind, panting and a bit short of breath, dragging behind them the clumsy garments of outworn philosophies. They did not realize that the day of the golden American dream was already at its zenith and was about to fade.

In spite of the American tradition of change and unpermanence, strengthened by the influence of a beckoning frontier, the average American was not quick to grasp these changes. He showed in the seventies a remarkable persistence in clinging to the old faith in individualism and progress, and an equally remarkable capacity for patience with or blindness toward the glaring abuses of the day. As one historian has said,

The great body of wage earners was conservative along social and political lines. America was not fertile soil for sowing seeds of radicalism. The fact that from 1860 to 1908 the Republican party was victorious in all but two presidential elections bears witness to the fundamental conservatism of farmers and laborers as a class.<sup>1</sup>

Parrington also declares, "In the eighties American social thought was still naive and provincial."<sup>2</sup>

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<sup>1</sup> George M. Stephenson, American History Since 1865, 101-2.

<sup>2</sup> Vernon Parrington, The Beginnings of Critical Realism in America, 245.



Hardly more than the average American did the intellectual escape from the confusion and perplexity of the Gilded Age. He did not, as he should have done, emerge immediately as a forceful leader with a clear vision of the times. Far too many intellectuals were evading the real problems of the day by busying themselves in theories and abstractions.<sup>1</sup> And even those who did hazard a role of action, bred as they were in the refined and genteel tradition of the pre-1860 Golden Age, shrank from the grosser contacts of political and industrial class strife.<sup>2</sup>

The genteel culture of America was no better than bankrupt in presence of brutal reality, quite unequipped to interpret the sprawling America that was transforming itself before its eyes into something it hated but did not understand.<sup>3</sup>

The optimism and disinterest of the majority of the people appear all the more striking when we examine a realistic picture of what was actually happening in America. That in the midst of tremendous plundering, graft, political scandals, exploitation, panics, most of the people should have remained so hopeful, so untouched by real despair, so avid for polite sentimental literature, so captivated by the Horatio Alger stories --- this fact suggests the defiant refusal of a basically troubled people to be disillusioned.

There were, however, the important exceptions to the rule; the minority who were troubled by what they saw and who actively voiced their disapproval.

Amidst the ruck and clamor of the times a tiny note of criticism was listed up, timid and uncertain at first, but growing more confident and more strident as the decade grew older. It was not searching criticism. Sooner or later it was pretty certain to run into a blind alley of moral indignation, overlook-

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<sup>1</sup> Parrington, op. cit., 104.

<sup>2</sup> Merle E. Curti, The Growth of American Thought, 525.

<sup>3</sup> Parrington, op. cit., 159.



ing the major issues and leaving the vital factors of the problem unconsidered. Yet such as it was --- shallow and feeble enough often to excite wonder in a later generation --- it marks the rise of a spirit of skepticism towards the blowsy doctrine of manifest destiny that since the fifties had been blowing about the land.<sup>1</sup>

The early criticism of the seventies and eighties rose mainly from those who had suffered directly from the evils of a cut-throat, competitive society. There were many obscure men, labor leaders or occasional radicals like Wendell Phillips, who met the industrial problems squarely. Yet the cities were themselves at odds in determining just what the basic and most vital problems were, and what the cures. There were, too, some intellectuals who faced up to the problems honestly --- whether pessimistically, as Henry Adams and James Russell Lowell, or optimistically, as George William Curtis, who felt that a good solution would be civil service reform to drive out the corrupt spoils system. Still others, like Edwin Lawrence Godkin felt that paternalistic government was the worst evil;<sup>2</sup> and that the remedy lay in the intellectual's resumption of civic leadership.<sup>3</sup> There was particular significance, however, in the growing discontent of farmers and workers who began to cry "unfair" and to join protest organizations aimed at curbing flagrant abuses and protecting their interests. The Grange was formed in 1867, the Knights of Labor in 1869, and the Greenback Party in 1876. Yet the numbers of farmers and laborers who recognized the need for organized action were pathetically few. Only small groups really became active in the fight outside of moments of crisis such as the general strike.<sup>4</sup> Long before the Haymarket affair had crystallized public resentment, majority opinion generally regarded the worker as a trouble-maker

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<sup>1</sup> Parrington, op. cit., 137.

<sup>2</sup> Ibid., 183-9.

<sup>3</sup> Curti, op. cit., 526.

<sup>4</sup> Stephenson, op. cit., 97, 100, 102.

or "anarchist." Against the wall of prejudice raised by the power of corporate wealth, conservative churches, and antagonistic legislators, the feeble outcry of labor opposition was muffled.<sup>1</sup> Most of the discontent of the two decades from 1876 to 1896 was manifested by independent farmers, who were waging private political wars with capitalists and financiers, though they had not yet formulated a cohesive philosophy.<sup>2</sup> All of these men voicing dissatisfaction, scattered and diverse as their opinions were, shared one thing in common. They looked at the facts of the economic, social, and political scene before them. And it was these early protests and efforts at stemming the tide of ruthless expansion that cleared the way for the later, dynamic generation of muckrakers and reforms.

We have seen the two main reactions to the drastic changes in economic, social and political conditions of the later nineteenth century --- complacency and indignation. We have now to analyze the chief aspects of the great shift in American industry that fomented such radical changes in the composition of society and later in its patterns of thought.

If the War of 1812 introduced the factory system, the Civil War effected an Industrial Revolution, and it is this development of the Industrial Revolution which has been the outstanding feature of American economic life in the half century after 1860.<sup>3</sup>

Here is an understandable cause for the national optimism that characterized America in its transition from an agrarian to an industrial society. Until the eighties agriculture had been the most important source of wealth. By 1890 manufacturing had forged to the front; by 1900 the total value of manufactured goods was more than twice that of agricultural products. Along with this remarkable industrial expansion came a corresponding growth in

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<sup>1</sup> Stephenson, op. cit., 105-6.

<sup>2</sup> Charles A. Beard, Contemporary American History, 147.

<sup>3</sup> Harold U. Faulkner, American Economic History, 473.



in economic independence. The United States was growing rapidly self-sufficient, no longer dependent on Europe for manufactured articles. The high protective tariff and steady stream of immigration from Europe, supplying a needed cheap labor market, created most propitious conditions for developing the natural resources and agricultural wealth, free from foreign competition.<sup>1</sup> In addition to these factors was the discovery of revolutionary techniques for producing steel in large quantities and for refining oil. These industries blossomed into gigantic corporations, driven by shrewd, clever men who made themselves millionaires in the process.<sup>2</sup> Keeping up with the tremendous population increases caused by a propagandized immigration that filled up the cities and overflowed into dismal slum areas, and that struck out hopefully into the western expanses of Wisconsin and Minnesota, was the feverish construction of railways across the nation, followed by their consolidation into lines and particular systems.<sup>3</sup> The contribution of railroad expansion to the development of industry and agriculture, both of which leaned heavily on cheap and swift internal transportation, was very great.

The scandal of the *Crédit Mobilier* outfit, a sham company organized to defraud the government of money granted for construction purposes, brought to light the infamous profiteering and graft practised by the railroad magnates, and even incriminated highly-placed legislators for accepting bribes in return for silence. Yet no punishment was meted out.<sup>4</sup> There were many other instances of corrupt practices and questionable ethics that went along with the new techniques of finance capitalism.

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<sup>1</sup> Faulkner, *op. cit.*, 478, 483.

<sup>2</sup> John D. Hicks, *A Short History of American Democracy*, 444-7.

<sup>3</sup> Beard, *op. cit.*, 29-30.

<sup>4</sup> *Ibid.*, 31.





Men like Jay Gould and Daniel Drew controlled railroads not to serve the public, improve the property and make legitimate profits, but to manipulate the stock to build their fortunes.<sup>1</sup>

Yet the blame cannot be levelled only at the business man for his stock watering, market manipulation, and illegal practices. The success of his ventures depended in large degree on his ability to manipulate legislators. If there was a General Robert C. Schenk who participated in a scheme to sell thousands of dollars of worthless stock to innocent British investors, there was also a Boss Tweed maintaining his corrupt political power by sheer bribery. At least the latter was punished.<sup>2</sup> And on the national scene, President Grant's administration presented no better example to the nation. The growing influence of wealth and big business on government was so noticeable that the Senate was commonly referred to as the "House of Lords,"<sup>3</sup> or as "Millionaire's Club."<sup>4</sup>

One of the most outstanding features of industrial development in the eighties, however, was the trend toward the concentration of business. Trusts became a popular form of organization by which large rival companies could consolidate their interests, eliminate ruinous competition, and virtually establish a monopoly. Whether or not this movement toward consolidation is inevitable in free capitalistic economy, this has been a marked trend in American economic life. The growth of large scale business made large scale production and marketing possible, introduced new labor-saving machinery, and developed highly efficient production methods by putting division of labor into effect.<sup>5</sup>

The advent of the huge corporation and trust also marked a new era in the lives of workers. Personal contact between owner and employee became

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<sup>1</sup> Faulkner, op. cit., 595.

<sup>2</sup> Hicks, op. cit., 463, 465-7.

<sup>3</sup> Stephenson, op. cit., 133.

<sup>4</sup> Richard Hofstadter, The American Political Tradition, 166.

<sup>5</sup> Faulkner, op. cit., 519, 525, 533.

impossible by virtue of the mammoth proportions of the business.<sup>1</sup> The accumulations of vast fortunes by captains of industry, while verifying the American dream of success, really dramatized the poverty and low state of the working man, and sharp class divisions began to form where few had been before.<sup>2</sup> The massing of workers in the slums of cities had another effect on them also. They were able to mingle, exchange ideas, and become slowly educated to the need for labor organizations to deal with the powerful combines that represented the employer.<sup>3</sup> The bitter strikes of 1877 and 1886 with the subsequent ruthless suppression by state and federal troops testified to the miserable position of the worker, exploited by employers, labelled "hoodlums, looters, communists, loafers, incendiaries, and felons" by a jeering press, and unrepresented by a government and legal system that pandered to the interest of capital.<sup>4</sup>

In the rural areas, farmers too were finding the new, turbulent conditions difficult to keep up with.

So significant has been the industrial advance since 1860 that it has obscured an agricultural development quite as momentous. The half century from 1860 to 1910 witnessed an agrarian revolution which included both the introduction of agricultural machinery and the increased adoption of scientific farming ... Spurred on by the Homestead Act, by migration from Europe, and by all of the influences which have advanced our frontier, the agricultural domain was pushed westward until most of the usable land was preempted.<sup>5</sup>

This rapid physical expansion plus the introduction of new machinery caused overproduction and low prices, creating hardships for the farmer. The high interest rates charged by eastern capitalists on money that farmers had to borrow to equip their farms was another sore grievance, for as prices fell,

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<sup>1</sup> Faulkner, op. cit., 552.

<sup>2</sup> Beard, op. cit., 143.

<sup>3</sup> Faulkner, op. cit., 552-3.

<sup>4</sup> Stephenson, op. cit., 106-7.

<sup>5</sup> Faulkner, op. cit., 447.

the value of money increased, and many unfortunate farmers, unable to keep up payments, lost their property to the financiers. Exceedingly dependent as they were on the railroads, they were also at the mercy of exorbitantly high short haul rates, careless handling of products, and the gouging middlemen of the grain exchanges. They suffered too from the financial panics, depressions, and a deflating currency.<sup>1</sup>

In spite of all these signs of a new economic era of consolidation and stratification and in spite of the numerous sources of alarm and indignation, the worker, the farmer, and the laborer accepted their depressed position willingly enough as only a temporary one, and as part of the natural order of things. Each accepted these conditions because the golden promise of the American dream still shed its radiance for him, overshadowing the growing cracks in the economic system. He was unaware that the character of the American dream had also undergone a change. Originally idealistic and based on a romantic heritage of equalitarianism and Emersonian individualism, it had now become corrupted into a crude code to justify selfish acquisitive desires, responding to the demands of an aggressive, assertive business class. Moreover, the fact that it was the business man who now set the pace and moral tone in society also had repercussions on the intellectual climate of the times. The professional classes, which had formerly taken the lead, were now relegated <sup>to</sup> a subordinate position, and many intellectuals, among them journalists, teachers, lawyers, ministers, began almost unconsciously to defend the ideals and standards of the ascendant class, elevating the value of property, forsaking the cause of liberal arts for that of "practical" studies, and praising the philanthropy of the rich.<sup>2</sup>

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<sup>1</sup> Faulkner, op. cit., 447-8.

<sup>2</sup> Curti, op. cit., 503, 517-20.



By far the most significant factor in reinforcing and completely justifying the rationale of predatory business ethics to the people was the application to the social sciences of the Darwinian-Spencerian theories of organic evolution. By this transfer of concepts, ruthless competition in business became merely a human counterpart of the laws of struggle, adaptation, and survival constantly operating in nature. Thus, he who survived was, by implication, the most fit to rule. Andrew Carnegie was only expressing a commonly accepted maxim when he said, "... while the law (of competition) may be sometimes hard for the individual, it is best for the race, because it insures the survival of the fittest in every department."<sup>1</sup> Another writer defended the competitive principle thus:

It would be strange if the "captain of industry" did not sometimes manifest a militant spirit for he has risen from the ranks largely because he was a better fighter than most of us. Competitive, commercial life is not a flowery bed of roses, but a battle where "the struggle for existence" is defining the industrially "fittest to survive."<sup>2</sup>

These ideas came to be associated with the new philosophy of Social Darwinism, which was actually based on the Spencerian version of the evolutionary theory, and which postulated an optimistic doctrine of progress and of laissez faire. Industrialists and intellectuals alike found the concept of a natural, ordered progression of events extremely palatable, because it helped to account for the great transformations of a shifting society, and also because it provided a convenient excuse for justifying the status quo and preventing unwanted government interference. The doctrine of design and progress was further enhanced by the reconciliation of the evolutionary theory with religious beliefs. Henry Ward Beecher and other liberal theological leaders accepted and propagated the idea that evolution har-

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<sup>1</sup> Andrew Carnegie, The Gospel of Wealth, 4.

<sup>2</sup> Quoted in Curti (571) from Henderson's "Business Men and Social Theorists," American Journal of Sociology, I, (1896), 385, ff.

monized with the essentials of Christian belief. The young philosopher, John Fiske, was even more influential with his lectures, teaching that natural laws had direction and purpose, and were God's method of achieving his divine will in society.<sup>1</sup>

Thus the position of the captain of industry was not only made secure by virtue of his wealth and influence, it was also supported by the laws of nature, since he was the fittest and had therefore survived, and by the sanction of God since the progress of society was planned and regulated by divine power. Who would be so impious as to defy the law of nature and the will of God?

This was the general nature of the scene that greeted George Gunton, who was newly arrived from England in 1874, penniless and minus his wife and eight children.<sup>2</sup> Against this background of economic, social, and political turbulence, he was to play his role as labor leader and conservative political economist. This was a fertile period for new developments in the social sciences in the United States, for the great industrial boom had created conditions that caused growing dissatisfaction with the complacent, Classical economic doctrine that had formulated all the economic laws of the universe once and for all, and that regarded all the disturbing facts which did not fit into the picture as necessary deviations.<sup>3</sup> Once the rebellion had started, it did not take long for all manner of thoughtful men to come up with a variety of economic ideas modifying or openly challenging the preconceptions of the classical school. The wealth of economic literature produced in this period reflects the same confusion and gropings for a consis-

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<sup>1</sup> Curti, op. cit., 550-1.

<sup>2</sup> Dictionary of American Biography, 55.

<sup>3</sup> Richard T. Ely, Ground Under Our Feet, 152.





tent theory of capitalism which English and continental economists had undergone a few decades before.<sup>1</sup> Now, America was coming of age, and among the rising new crop of economic thinkers was George Gunton.

Today George Gunton is little known. His works have not been reprinted and are difficult to come by. He rates in most economic histories perhaps a sentence, a passing reference, or a footnote. He is forgotten because his ideas, so widely circulated in his time, were soon outmoded and died with the past. Then too, more arresting economic thinkers have crowded him into obscurity. Those who are remembered are those who had ideas that were radical and shocking in their day, but whose ideas have become accepted axioms today. For these reasons, the work of Gunton has been largely forgotten.

Yet there is great value in studying his contribution to the economic thought of his time. He represents an interesting combination of both the reactionary and enlightened thought of this period. Certain aspects of his thought cling fast to the rigid rules of the Classical school; yet his theories also embrace the new scientific approach of the inductive school. He was a sincere champion of both the workingman and the millionaire, and as such, he represents a quixotic union of the two most sharply opposed groups of the day. Gunton anticipated certain fairly modern ideas in his emphasis on labor as consumer, and his justification of the reasonableness of an eight-hour working day greatly aided the cause of labor. However, because of his spirited defense of trusts, he was also an important apologist for the wealthy industrialists, who were under withering fire at the turn of the century. Gunton's doctrines became widely known through the distribution of his magazine the Social Economist, founded in 1891, the beginning of the critical era. He also helped to found an institute for the study of

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<sup>1</sup> Eric Roll, A History of Economic Thought, 464.



political economy. In a period of rival economic philosophies and rival magazines, great controversies and lively verbal battles, we can learn much about the nature and force of the opposition to more radical thought by an examination of the position of a man whose ideas were, on the whole, fairly representative of the times.

GUNTON  
AND THE RISE OF ECONOMIC SCIENCE  
IN THE UNITED STATES

Gunton arrived in the United States at a time when the study of political economy was just beginning to emerge from a prolonged period of inertia and stagnation. The economists, themselves, had been largely responsible for the painful lack of vitality in the economic science of the sixties and seventies. They were, on the whole, an extremely narrow and doctrinaire lot, and precluded the possibilities of new developments by their advocacy of and slavish adherence to the doctrines of the British Classical school.<sup>1</sup> Nor did they respond to the small but growing public dissatisfaction with industrial conditions, but continued solidly to maintain the absolute validity of the eternal "laws" of economics, and the necessity for a thoroughgoing policy of laissez faire on the part of the government. In describing this unhealthy state of affairs, Francis A. Walker, first president of the American Economic Association, later commented:

... while Laissez faire was asserted, in great breadth, in England, the writers for the reviews exaggerating the utterances of the professors in the universities, that doctrine was carefully qualified by some economists, and was held by none with such strictness as was given to it in the United States. Here it was not made the test of economic orthodoxy, merely. It was used to decide whether a man were an economist at all.<sup>2</sup>

The reaction against orthodoxy was comparatively late in arriving in America, having started years earlier in Europe, partly because of the abject reliance on the English Classical school, and also partly because of the subsequent isolation of the American intellectuals in the field of econo-

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<sup>1</sup> Lewis H. Haney, History of Economic Thought, 716-7.

<sup>2</sup> Quoted by Richard T. Ely in Ground Under Our Feet, 127.



mic thought.<sup>1</sup> Once the standard had been set up, and the laws formulated once and for all, there was little need for communication among the recognized economists. In their orthodoxy, they steadfastly ignored the heretical works of more radical American writers, such as Raymond, Carey, and Henry George, as well as those of the great European left wing thinkers, such as Sismondi, Saint-Simon, Louis Blanc, Bastiat, Proudhon, Engels, and Marx.<sup>2</sup> With only such meagre requisites needed, economists had inclined toward the opinion that no special training at all was necessary for the teaching of political economy, and, that anyone was qualified and fit for the task who had some little interest and at least one "good" textbook. Amasa Walker, father of Francis and also an economist, had written in his day, "Although desirable that the instructor should be familiar with the subject himself, it is by no means indispensable."<sup>3</sup> And Francis Walker had further described the prevalent attitude of economists toward their field:

I don't think that I exaggerate when I say that, among those who deemed themselves the guardians of the true faith, it was considered far better that a man should know nothing about economic literature, and have no interest whatever in the subject, than that, with any amount of learning and any degree of honest purpose, he should have adopted views varying from the standard that was set up.<sup>4</sup>

So hardened was the condition of economic science that the work of any man who deviated from orthodoxy was considered valueless.<sup>5</sup>

Since economics suffered from petrification, there was little reason to hope for popular interest. The teaching of political economy had become barren, and was frequently labelled the "dismal science" or "dry bones," particularly because of the pessimistic tone of the Manchesterian Classical

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<sup>1</sup> Ely, op. cit., 129.

<sup>2</sup> Vernon Farrington, The Beginnings of Critical Realism in America, 105.

<sup>3</sup> Haney, op. cit., 718.

<sup>4</sup> Quoted in Ely, op. cit., 127.

<sup>5</sup> Ely, ibid., 126.

school.<sup>1</sup> The people could see no practical value in such abstract, cut-and-dried theories, which could not adequately explain or handle the disturbances of the new industrial era. When it came to practical matters, they ignored the economic theorists in the colleges.<sup>2</sup> One writer has described this cleavage between theory and fact quite well.

The opinion prevails far too widely that political economists must be mere doctrinaires and must contend for some set of opinions and some course of policy. Critical study of phenomena is as unpopular as free thinking in religion.<sup>3</sup>

Certainly few of America's great men --- Franklin, Jefferson, Hamilton --- who had possessed some economic talent, had ever devoted themselves to working out a complete system of economic theory, finding themselves too busy with solving the immediate and practical problems.<sup>4</sup> Yet, while popular attention avoided the study of theoretical economics as dull and hateful, interest was growing in specific economic problems, which were becoming more insistent and more crucial every day. It is in the sphere of practical economics that we find the major American achievements. As a critic of the times pointed out:

Speaking generally ... the men best qualified to stand in the front rank of American Economists are not the authors of systems or general theories, or textbooks of principles, but writers on special subjects ... Only since the Civil War has America begun seriously to apply its mind to economic questions and the number of powerful intellects it has brought to bear on them is a remarkable phenomenon in the history of philosophy.<sup>5</sup>

In the light of these facts, George Gunton, was in certain respects, particularly well prepared for his career as a popular leader in American economic thought. He was, first of all, a practical man rather than a

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<sup>1</sup> Ely, op. cit., 125.

<sup>2</sup> Parrington, op. cit., 104.

<sup>3</sup> Ely (quoting Folwell), op. cit., 125.

<sup>4</sup> Ely, op. cit., 123.

<sup>5</sup> Quoted in Haney (718) from Cliffe Leslie's "Political Economy in the U. S.," Fortnightly Review, 1880.





purely speculative philosopher, and therefore fitted into the vital tradition of pragmatic, American economic thinkers. This aspect of his personality may easily have been reinforced by his lack of formal schooling, for he had been forced early in life to rely on his own experience and wide reading to satisfy his thirst for knowledge.<sup>1</sup> While Gunton might have felt keenly the lack of such education, it was not necessarily a drawback for him in a country where the novus homo was the rule, rather than the exception, even though a new professional class was arising.<sup>2</sup> Moreover, he probably gained in intellectual independence by being forced to trust his own judgment and decide things for himself.

The fact that Gunton was a British emigrant must also have contributed to his special ability to analyze the American scene, for he possessed a valuable frame of reference, a basis for comparison. He was quite familiar with English industrial developments and economic history, so that he brought to the American labor scene a substantial background,<sup>3</sup> as well as the fresh outlook of a foreign observer. However, like many another immigrant before him, he found so much of promise in America that his opinions were, on the whole, rather more optimistic and hopeful than otherwise.

One further aspect of Gunton's activities contributed to his competence as an economist. He gained a great deal of insight from his experience as a labor leader. Although his complete optimism seems at times to belie any personal experience with real industrial strife, he was well acquainted with the bitter and violent struggles between labor and management. When he was active among textile workers in a Massachusetts Weavers Union, not only was he blacklisted for his share in the unsuccessful strike, but also his wife

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<sup>1</sup> Dictionary of American Biography, 55.

<sup>2</sup> Haney, op. cit., 718.

<sup>3</sup> Who Was Who in America, 496.

and children, who were now in the United States, were ostracized in the community so that it was impossible for him to get a job, and life was miserable for them all. Gunton finally did get work through the intercession of his labor associates, Ira Steward and George McNeill, with Governor Butler. Eventually in 1878 he became manager of a newspaper composed of a merger of the Labor-Standard and the Fall River Labor Journal, but the paper collapsed in 1882. While he was in Massachusetts, Gunton worked to put through an amendment of a ten-hour act, which the Massachusetts legislature had passed in 1874, restricting the labor of women and children. The penniless emigrant from England had become so immersed in American affairs, that in 1880, six years after his arrival, he ran for the Massachusetts legislature on the Greenback ticket. And by 1887, he had produced his first substantial work, Wealth and Progress.<sup>1</sup> America had been both kind and cruel to the political economist. Gunton apparently weighed the two treatments and found this country benevolent.

Before we can attempt to estimate with any degree of validity the original parts of Gunton's thought and his proper niche in the history of ideas, it would be well to pause and examine the major doctrines and the shift in economic theory that marked the last quarter of the nineteenth century as well as the opening of the twentieth, here in America. After a brief exposition of the basic tenets and implied assumptions of the American brand of Classical economics, which were so dogmatically accepted and applied, we will be better able to interpret the reasons for the wave of opposition which began to rise and threatened to inundate the sturdy bulwark of Classical doctrine. The revolt swept in a whole new outlook in methodology, as well as philosophy, and penetrated all the social sciences. While Gunton was moved

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<sup>1</sup> Gunton declares in the Preface that the book was originally projected as a combination of his own and Ira Steward's work. However, at the sudden death of his friend, Gunton found his notes of such an incomplete nature that the book is chiefly the result of his own work and ideas.



by the refreshing current to adopt the new approach, he still clung fast to the old traditions, and his magazine emerged as a formidable reinforcing plug in the weakening dike of conservatism.

### The American Version of Classicism

Classical economics, as received in America via Adam Smith, Ricardo, and the English school, was firmly based upon the concept of laissez faire. In practice, economists followed the principle faithfully, the one major deviation being their support of a high protective tariff. That, however, was due to special conditions.<sup>1</sup> This firm belief in laissez faire was not necessarily occasioned by intentional conservatism but proceeded rather from the whole philosophical position of the Classical school. Nevertheless, the fact remains that the Classicist bias did have the practical result of justifying the status quo and negating all attempts at reform, since most reforms necessitate government intervention.

"Classicism," according to Haney's analysis, "is in essence the belief that 'laws' govern social phenomena, including values; ... (and) that causal 'forces' exist and tend to establish an equilibrium."<sup>2</sup> The notion of natural laws had been present in economic thought from the early days of Greek naturalistic speculations on a simple and pure order in nature, which remained yet visible although disturbed by human institutions, --- to the ordre naturel of the Physiocrats, who, to reinforce their theories, drew upon the rationalistic philosophy of Locke, Descartes, and Malebranche, as well as the discoveries in the natural sciences of Galileo, Harvey, and Newton. As one Physiocrat express it,

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<sup>1</sup> Paul T. Homan, "Thorstein Veblen," American Masters of Social Science, 231.

<sup>2</sup> Haney, op. cit., 764-5.

<sup>3</sup> Ibid, 234-5. 173-9, 754.

The social order is not the work of man, but is, on the contrary, instituted by the Author of all nature himself, as all the other branches of the physical order.<sup>1</sup>

John Pascom, a leader of the American Classical group, reveals both the absolute faith in natural laws and the deductive quality of Classical theory in this statement from his Political Economy, 1859:

Political economy is not a science varying with climate and country. There is not an English and an American political economics distinct from each other, and, in a measure, the reverse of each other. The forces of human nature, the agents of production, the arithmetic of gains, are the same everywhere, and lead to the same principles of economic action.

American economists of the early nineteenth century further developed the concept of natural laws by applying the Scottish Common Sense philosophy of Sir William Hamilton. In opposition to the skepticism of Hume, they insisted on the intuitive obviousness and universality of these laws, which they accepted as general facts and upon which they based all their subsequent reasoning.

These principles which the constitution of our nature leads us to believe, and which we are under a necessity to take for granted in the common concerns of life, without being able to give a reason for them (are) self-evident truths ... (and) anything manifestly contrary to them is what we call absurd.

By such "common sense" reasoning, competition became "a beneficent, permanent law of nature," and the right to accumulate private property, "a law of natural justice ... (because) the producer would not put forth his force and ingenuity if others deprived him of their fruits." Not only was the power of nature invoked, but the will of God was also cited as sanctification. As the Reverend A. L. Chapin wrote in his popular 1878 revision of Bishop Wayland's 1837 economic text, "It is obvious, upon the slightest reflection,

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<sup>1</sup> Quoted in Haney, op. cit., (178) from Mercier de la Riviere, L'ordre Naturel, p.30.

<sup>2</sup> Quoted by L. L. Bernard, Origins of American Sociology, 79.

<sup>3</sup> Joseph Dorfman, Thorstein Veblen and His America, 22.

<sup>4</sup> Quoted by Dorfman, ibid., (p. 19) from Hamilton's edition of Thomas Reid's work, An Inquiry Into the Human Mind, on the Principles of Common Sense.

<sup>5</sup> Dorfman, op. cit., 23.



That the creator has subjected the accumulation of the blessings of this life to some determinate laws.<sup>1</sup> And the Reverend Lyman Atwater, lecturer on economics at Princeton, another member of the large group of theological economists, declared with sincere reverence: "Civil government, the family, tenure of property ... are great ordinances of God for the social regulation of man."<sup>2</sup>

Obviously, if such practices belonged to the natural order of the world, and were, moreover, sanctified by God, it was wrong of man to try to interfere, and laissez faire could be the only right course. Any attempts to alleviate the dreadful poverty of the poor, or to "relieve the natural penalties of indolence and improvidence" as Chapin put it, could only result in "unexpected and severe evil."<sup>3</sup> Thus was the idea of laissez faire justified and perpetuated.

A second fundamental assumption which American economists had borrowed from Classical economics was the concept of the "economic man,"<sup>4</sup> a hypothetical creature who was completely governed by a few fixed, powerful instincts, and on the basis of whose absolutely uniform and predictable behaviour all economic phenomena could be explained. The problem of motivation had to be reckoned with, since the laws postulated as absolute and universal had originally been deduced from such observations on the nature of man and his probable conduct.<sup>5</sup> Adam Smith had singled out self-interest, or "the natural effort of every individual to better his own condition," as the mainspring of economic activity. He had felt, moreover, that an "invisible hand" guided man to achieve the best possible results in society.<sup>6</sup> For John Stuart Mill,

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<sup>1</sup> Quoted by Dorfman, op. cit., 23.

<sup>2</sup> Ibid., 26.

<sup>3</sup> Ibid., 24.

<sup>4</sup> Bernard, op. cit., 521.

<sup>5</sup> Haney, op. cit., 214, 757.

<sup>6</sup> Quoted by Karl W. Bigelow, "Economics," History and Prospects of the Social Sciences, 350.

too, self interest had been the motivating force in economic life,<sup>1</sup> a self interest based upon the hedonistic psychology of utilitarianism, which found human economic behaviour automatically controlled by the desire to achieve pleasure and to avoid pain. As he expressed it, political economy deals with men "solely as a being who desires to possess wealth" and "makes abstraction of every other human passion or motive," except the two "perpetually antagonizing principles to the desire of wealth; namely, aversion to labour, and desire of the present enjoyment of costly indulgences."<sup>2</sup> And Walter Bagehot had written of the Classical attitude toward motivation, "Dealing with matters of 'business', it assumes that man is actuated only by motives of business."<sup>3</sup>

The majority of American economists had asserted virtually the same ideas, juxtaposing the idea of natural laws upon this hedonistic conception of human nature. Such an outlook was corroborated by the common sense philosophy expounded in works like Joseph Haven's Moral Philosophy. The Classical economists held that the basic and natural desire of man was "happiness" or "self-love," and his greatest pleasure, the ability to exert power. This could be best achieved by the possession of wealth, which is also an innate desire in the mind. Thus the pursuit of wealth could lead to man's greatest happiness, and he had a natural right to the "possession and enjoyment of whatever he may, by his own industry or good fortune, or the gift of others, have honestly acquired."<sup>4</sup> This is the same kind of rationale in defense of property which animated the Fourteenth Amendment,<sup>5</sup> and indicates to what extent economists were defending the values of the

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<sup>1</sup> Bigelow, op. cit., 361.

<sup>2</sup> Quoted by Dorfman, op. cit., 74.

<sup>3</sup> Quoted by Bigelow, op. cit., 361.

<sup>4</sup> Dorfman (quoting Haven), op. cit., 21.

<sup>5</sup> Harold U. Faulkner, American Economic History, 517.



status quo. Although John Stuart Mill favored laissez faire, he had criticized the doctrines of Hamilton's common sense philosophy for holding up conventional and favorite dogmas as intuitive truths, and for hallowing these intuitions with the authority of God.<sup>1</sup>

The logical consequence of this kind of reasoning based upon an "economic man" was to separate ethics from economics, and to justify a narrow treatment of economics as merely a science of wealth and individual profits.

All men in the pursuit of values desire the largest returns with the least labor. Deny this assertion, and the reasonings of Economics would at once fall to pieces. But this assertion is so direct an expression of instinctive and rational action, conforms to completely to our experience among men, as to be readily and safely accepted as a universal principle ... Enterprise enforces the largeness of the return, indolence the lightness of the labor. It matters not to what mean, or to what magnificent purpose the values secured by labor are to be devoted, the law of their acquisition remains the same.<sup>2</sup>

This careful distinction between ethics and economics is perhaps more clearly stated in this quotation from Arthur Latham Perry, another influential leader in the Classical school:

As a science, it (political economy) does and must discuss and decide all questions upon economical grounds alone. As a science, it has no concern with questions of moral right. If it favors morality, it does so because morality favors production. It favors honesty because honesty favors exchange. It puts the seal of the market upon all the virtues. Moral science appeals only to an enlightened conscience, and certain conduct is approved because it is right, and for no other reason. Political Economy appeals only to an enlightened selfishness, and exchanges are made because they are mutually advantageous, and for no other reason. Each of these two sciences therefore, has a distinct basis and sphere of its own. The grounds of Economy and morals are independent and incommensurable."

The Classical economists also reveal an implicit faith in man's rationality, and assume that man not only recognizes, but also follows his

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<sup>1</sup> Dorfman, op. cit., 26.

<sup>2</sup> John Bascom, Social Theory, 130.

<sup>3</sup> Quoted by Bernard, op. cit., 29.

best interests rationally. "Every man is the proper person to order his own affairs."<sup>1</sup> This elevation of self-interest went hand in hand with an assertive individualism and a reaction against government interference. A man was justified in consulting merely his own private desires in pursuing economic and public aims, because whatever gave him pleasure was good for him, and since society was conceived as simply an aggregation of individuals, whatever was good for the individual was good for the state.

### The Turning Tide

As is usual when one set of ideas becomes too authoritarian and narrowly dogmatic, a movement of reaction is not long in coming. Classical economics had survived because it explained the status quo and satisfied the ruling classes. But the status quo had changed and a revolt was definitely brewing against economic orthodoxy. Parrington has described the occasion of the revolt thus:

By the end of the seventies the complacency of the Gilded Age was disturbed by the rise of pestilential heresies in the shape of new economic dogmas. The surplus-value theory of Marx and the unearned-increment theory of Henry George were spreading widely through America, to the unsettlement of susceptible minds; and the Knights of Labor were preparing to launch a general attack against the whole system of capitalistic exploitation.<sup>2</sup>

There had been some early pre-Civil War criticism of classical dogmas in the works of Henry Carey and the nationalist school.<sup>3</sup> Carey had attacked the idea of the "economic man" and the wages-fund doctrine. But in spite of a staunch protectionist stand, he had remained primarily a defender of laissez faire, too. Moreover the impact of Carey's attack had been arrested by a whole new group of conservative postwar economists who objected to his exaggerated pessimism and propagandistic style, and who

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<sup>1</sup> Bascom, *op. cit.*, 130.

<sup>2</sup> Vernon Parrington, *Beginnings of Critical Realism*, 111.

<sup>3</sup> *Ibid.*, 105.

concentrated their effort on returning to the "sound economic principles" of Smith, Malthus, and Ricardo. They had found in Bastiat's Harmonies Economiques, translated into English in 1860, an invaluable defense of their position, for it provided an apologia for the ascendant commercial and financial interests in its individualism, optimism, and espousal of laissez faire. Classical economists from Pascom to Sumner were familiar with this work.<sup>1</sup> Thus even early criticism was either ignored or soon forgotten, and the day of rebellion was pushed further off into the future.

The inception of the revolt and consequent great shift in economic thought occurred about the year 1835. In addition to the stagnant state of economic theory itself, the radical changes in the industrial and political scenes, with the attendant dislocations and injustices, were demanding new solutions for new problems. The labor movement, too, was growing rapidly and presenting a challenge to outworn beliefs. Henry George's phenomenal Progress and Poverty (1879) and the original contributions of Francis Walker added further stimulus to the growing atmosphere of criticism.<sup>2</sup> It was a bitter commentary that George leveled at Classical economics.

The name of political economy has been constantly invoked against every effort of the working classes to increase their wages or decrease their hours of labour...Take the best and most extensively circulated textbook. While they insist upon freedom for capital, while they justify on the ground of utility the selfish greed that seeks to pile fortune on fortune, and the niggard spirit that steels the heart to the wail of distress, what a sign of substantial promise do they hold out to the working man save that he should refrain from rearing children? ...<sup>3</sup>

And drifting across the ocean from Europe came the heady aroma of Socialism and Marxism and other new economic ideas. America became a beehive of activity, sending out eager young scholars like a swarm of bees to delve

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<sup>1</sup> Bernard, op. cit., 517-8, 521-2.

<sup>2</sup> Haney, op. cit., 719.

<sup>3</sup> Farrington, op. cit., 132, quoting from Life of Henry George.

into the mysteries of the German Historical approach, and to bring back home some of the precious pollen. After tasting the new and vibrant economics taught in Germany, the group of young Americans was impatient of a sterile and inactive Classicism that dabbled in abstractions while an economic crisis loomed on the national scene. Richard T. Ely, one of the young scholars, expressed his feelings on his return from Europe thus:

We saw a multiplication of social and economic relations among men which was changing the character of economic society. More and more this dependence was becoming interdependence. The forces of life were getting beyond the control of individuals. It was not a question of what we wished, but a question of shaping and directing the forces of life so as to prevent a disaster. Everything that was happening was making it inevitable that we should get away from laissez faire as a condition of prosperous survival.<sup>1</sup>

One should not overlook still another force contributing to the new intellectual era --- the impact of science on the social sciences. Interestingly enough, the science of the seventies and eighties gave birth to two completely divergent currents of thought in the economic field. One led immediately and directly to a powerful defense of conservatism and laissez faire via a tough, deterministic social philosophy concocted upon biological evolution and the theory of natural selection.<sup>2</sup> The other contributed, though less directly, to a critical and sceptical attitude which questioned the a priori assumptions, deductive approach, and absolutism of received economics, and gradually encouraged the growth of inductive methods and a concept of relativism. It also stimulated the development of new concepts of human behaviour and psychology, which were to affect economic theory significantly.<sup>3</sup>

Ultimately the entrenched economics were successfully undermined, but for a long period of time, when Classicism was under attack, the new ra-

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<sup>1</sup> Richard T. Ely, Ground Under Our Feet, 152.

<sup>2</sup> Richard Hofstadter, Social Darwinism in American Thought, 32.

<sup>3</sup> William A. Scott, The Development of Economics, 385.

tionale in Social Darwinism provided a formidable reinforcement for the conservative point of view.

The appeal to the authority of philosophy and classical economy in support of laissez faire came increasingly to be overshadowed by the doctrine of Social Darwinism.<sup>1</sup>

Darwinian evolution and natural selection had, at first, a general demoralizing effect, because it seemed to contradict the old, secure beliefs in Providence and the perfectability of man.

Darwinism threatened to take from the faithful all sense of security just when security was desperately needed in a civilization rapidly shifting from a rural to an industrial and urban basis. The foundations of life seemed to be crumbling.<sup>2</sup>

But soon the well-to-do and middle classes found that Spencer's optimistic social theories of the progress of society through strife and the survival-of-the-fittest, offered a felicitous rationale for perpetuating the very conditions that troubled the oppressed working classes, and justified the entrepreneur's mad pursuit of wealth and enjoyment.<sup>3</sup>

The economist who perhaps best represents the attitude of the upper class in this matter, and who used the appealing, well-knit structure of Social Darwinism as the framework for his theories, was William Graham Sumner. Bred early on the Classical concept of an automatically benevolent, free competitive system, he found it a simple matter to transfer from one absolutism to another --- that of a thoroughgoing evolutionary determinism. By Sumner's reasoning, the possession of wealth, wrested triumphantly out of industrial strife, was an infallible sign of individual superiority, and government's role, in this harsh but natural evolutionary process, must be completely passive or it would interfere with the best interests of society.

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<sup>1</sup> Merle E. Curti, Growth of American Thought, 640.

<sup>2</sup> Ibid., 548-9.

<sup>3</sup> Richard Hofstadter, Social Darwinism in American Thought; 1860-1915, 32.

Competition is a law of nature. Nature is entirely neutral; she submits to him who most energetically and resolutely assails her. She grants her rewards to the fittest, therefore, without regard to other considerations of any kind....Let it be understood that we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not liberty, equality, survival of the unfittest....What we mean by liberty is civil liberty, or liberty under law; and this means the guarantees of law that a man shall not be interfered with while using his own powers for his own welfare.<sup>1</sup>

Following this line of thought to its logical end, Sumner holds up the millionaire as the finest flower of the competitive order.

The millionaires are a product of natural selection, acting on the whole body of men to pick out those who can meet the requirement of certain work to be done....It is because they are thus selected that wealth --- both their own and that entrusted to them --- aggregates under their hands....There is the intensest competition for their place and occupation. This assures us that all who are competent for this function will be employed in it, so that the cost of it will be reduced to the lowest terms.<sup>2</sup>

In spite of the fact that Sumner apparently seems to be asserting the same conservative point of view as the earlier American classicists, by his rigid adherence to laissez faire and this defense of property rights, he did add a new element to conservative philosophy --- the aura of science and scientific method. Sumner arrived at many of the same conclusions, but he broke with the older school by his insistence on working with facts, and by his condemnation of the inadequacy of the earlier Classical methods of sheer speculation and a priori reasoning.<sup>3</sup> In a sense, while Sumner denied the validity of natural rights, he was closer to Adam Smith and the European Classicists in returning to the more inductive method that had been employed, before their words had become fossilized in the hard rock of American economic thought. For this reason he figures prominently in the revolt era,

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<sup>1</sup> William G. Sumner, "The Challenge of Facts," Essays of William Graham Sumner, II, 95-6.

<sup>2</sup> Quoted by Hofstadter, op. cit., 44.

<sup>3</sup> Sumner, Preface, op. cit., I, xvii.

although he himself completely disagreed with the direction taken by the majority of rebelling economists.

One further important aspect of Sumner's thought, which was also an extension of the Classicist tradition, was his separation of ethics and economics. At the base of his hard-bitten philosophy lay the idea, "This is a world in which the rule is, 'Root, hog, or die'."<sup>1</sup> This indifference toward the unfortunates in society, this cold "objectivity," or the even more prevalent smug faith in progress and the rightness of the order of things, did not sit well with the critical and idealistic young scholars fresh from the enlightening influence of Germany.<sup>2</sup> It was really from this group of dissenters, who formed the nucleus of the American Historical school, that the rebellion got its chief impetus, and one of their major contributions was to bring ethics back into economics. Perhaps equally important was the mere fact of the criticism they levelled at economic orthodoxy, and the new life they infused into the study of economics by their practical activities.

With the foundation of the American Economic Association in 1885, the dissenters officially opened the new era. This organization was to become the center of economic thought and stimulation.<sup>3</sup> Although the membership was not completely homogeneous in outlook for the platform had been broadened to include a variety of economic doctrines --- the majority did come from the German-trained group and included men like Richard T. Ely, John Bates Clark, Henry C. Adams, Eugene Seligman, Simon Patten, and Edmund J. James.<sup>4</sup> They had chafed at the constricting bonds of American orthodoxy

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<sup>1</sup> Sumner, op. cit., II, 127.

<sup>2</sup> Ely, op. cit., 140.

<sup>3</sup> Lewis H. Haney, History of Economic Thought, 722.

<sup>4</sup> Ely, op. cit., 121.

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and insisted that a fundamental purpose of the Association, which had been partially modelled on the German Verein für Sozialpolitik, was the fostering of complete freedom of thought and discussion at all times.<sup>1</sup> From the German economists Knies, Schmoller, Conrad, and Wagner, they absorbed the idea of a social science based upon human relationships rather than on abstract forces or laws, with man at the base of everything. If they differed on various points, they were all united in their humanitarian desires as well as in their conviction that the labor problem was a real and serious one. They were convinced the great inequalities of wealth were wrong and not to be tolerated.<sup>2</sup>

This reintroduction of ethics into American economics was significant for two reasons. First, it brought to light the growing conviction that economics could no longer be treated as an isolated and distinct field, having no relationship to politics, social life, or the other social sciences. The dissenting economists had come to see that ethical considerations could not be left out of any attempt to understand all the forces at work in society, since ethical influences were at work in society, just as economic ones were.<sup>3</sup> Thus the philosophical absolutism of orthodox economics was being tempered by the concept of relativism, and the whole structure of the absolute, universal laws of Classicism could be questioned. Economic laws might not operate in all countries at the same time and in the same way. Other factors might intervene. The second significant result of their conviction that ethics were essential was that the new economists no longer felt bound to accept the iron clad rule of laissez faire, when they saw that the industrial crisis could only be solved by collective

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<sup>1</sup> Ely, op. cit., 132-5.

<sup>2</sup> Ibid, 146.

<sup>3</sup> Ibid, 146.



action, and not by allowing competition free rein to regulate itself.<sup>1</sup>

They rejected laissez faire as not only unsafe economically but as ethically wrong.

While this criticism was based on philosophical grounds, the Historical school also attacked the methodology and scope of Classical economics. They did not oppose the deductive method per se, but they felt that it had failed to explain many of the current problems, and that the only way to tackle these problems was to study them at first hand, with no prejudiced, a priori notions about their nature. What they were actually advocating was a reliance on the scientific approach and the "look and see" method.<sup>2</sup> Moreover, they had learned from the Germans the value of using statistics in economic investigation. Thus the aim of the Historical school was to replace the abstract method of Classicism with a body of thought based on historical research and statistical analysis.<sup>3</sup> In the words of the Association's Platform:

We believe that political economy as a science is still in an early stage of development. While we appreciate the work of former economists, we look, not so much to speculation as to the historical and statistical study of actual conditions of economic life for the satisfactory accomplishment of that development.<sup>4</sup>

This new emphasis on method and scope was an important step in the development of economics. The Historical school, by its concern with facts and particularities, stressing the concrete realities of time and place, gave a new impetus to the application of practical economics, and also widened the scope of economics by using the methods of description, analysis, comparison, and induction as well as deduction.<sup>5</sup>

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<sup>1</sup> Ely, op. cit., 132-5.

<sup>2</sup> Ibid., 154.

<sup>3</sup> Haney, op. cit., 719.

<sup>4</sup> Quoted by Ely, op. cit., 140.

<sup>5</sup> William A. Scott, The Development of Economics, 316.

Almost simultaneously with the rise of the Historical school came the influence of another European school, which further broadened the scope of American economic theory by its stimulative interest in the psychology of economics and by its recognition of subjective factors as determinants of value.<sup>1</sup> This new school, headed by John Bates Clark in America, and reinforced by the Austrian economists, Menger, Wieser, and Böhm-Bawerk, represented another form of reaction against Classicism. This criticism, however, was directed only at certain weak points and served rather to revise and extend Classical theory than to replace it with a complete or opposing system. Clark and the Austrian school together exerted an important influence on the subsequent tendency of American economic thought toward psychological analysis.<sup>2</sup>

The Subjectivists, as we may call them, felt that the significance of the human factor had been overlooked in Classical economics, and that value, always considered objectively in Classical theory, had also to be considered from the point of view of human desires. The theory of marginal utility was the offspring of this new subjective approach, explaining price in terms of utility or the use value of the single unit of a commodity and reversing the accepted relation between cost and price by suggesting that cost could be determined by price, rather than vice versa. This new theory arose from the recognition of the fact that commodities are desired not in proportion to their intrinsic qualities or their significance in general, but in inverse relation to the available supply. It brought out the idea that rarity was a factor to be considered in price, and that cost might not be a determinant at all.

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<sup>1</sup> Haney, *op. cit.*, 719, 764.

<sup>2</sup> *Ibid.*, 765, 724.

<sup>3</sup> Frank H. Knight, "Marginal Utility Economics," Encyclopedia of Social Sciences, 359.

... the effective use value of any good decreases rapidly as the supply increases... The use value of a unit of either water or iron is very small, because it is so abundant that it is available for trivial uses; but it would increase almost indefinitely if the supply were reduced, while gold and diamonds would be little esteemed.<sup>1</sup>

The main achievement of the Subjective school lies in their focussing attention once more on the importance of demand as an economic phenomenon. Their best single contribution was in the field distribution, where their theory was a by-product of the changed view of cost.<sup>2</sup> As one authority on economics has written, "What the Hedonistic school has tried to do is to distinguish between the good and the bad work of the Classical writers and to retain the one while rejecting the other."<sup>3</sup>

While the Subjectivists criticized certain elements of Classical doctrines, they remained Classicists in spirit, for they continued to use the same abstract-deductive method, and tended, on the whole, to wind up espousing a hedonistic psychology.<sup>4</sup> Their tendency toward a hedonistic concept was plausible because they based their theories on the idea that a market was made up of individual and rational choices among "utilities," and that market values were arrived at by the rational, subjective selection of individuals.<sup>5</sup> Hence it is not surprising to find eventually that the Subjectivists came under the same kind of attack as the Classicists at the hands of the completely unorthodox Institutionalists.

A few words more might be said here about John Bates Clark, who is still considered by some as "the greatest constructive general theorist that America has yet produced."<sup>6</sup> Clark had in common with the Historical

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<sup>1</sup> Knight, op. cit., 359.

<sup>2</sup> Ibid., 360.

<sup>3</sup> Charles Gide and Charles Rist, A History of Economic Doctrines, 509.

<sup>4</sup> Karl W. Bigelow, "Economics," History and Prospects of the Social Sciences, 384-6.

<sup>5</sup> Haney, op. cit., 524.

<sup>6</sup> Ibid., 724.

school a thorough schooling in the German universities, and an ethical bent. On the other hand, he postulated the static state of the Classicists, although he conceived of society as an organism and recognized the complicated interrelationships of production and distribution. Moreover, Clark also emulated the Classical tradition in his hedonistic treatment of human behavior and in his support of laissez faire, which was based on his belief in the natural tendency of economic conditions to equalize themselves.<sup>1</sup> There is something characteristically American about Clark's position, for while he sincerely favored a more equitable distribution of wealth, he fell into the same easy but fatal optimism that kept American thought of the eighties and nineties from facing its problems squarely.

#### The Full Revolt

Up to this point we have really been examining only the genesis and first stages of systematic economic criticism in America. In the period from 1885 up to about 1896, which has just been under discussion, while economics had definitely emerged in America as a professional field of study and as a distinct discipline among the social sciences, it was still an infant science and needed deeper, more searching criticism of its basic structure than had yet appeared. To be sure, the Historicists were considered "radical" in their time, and did add provocative and original contributions, but they had not really questioned many of the basic assumptions and established institutions of American society. They were essentially conservative.<sup>2</sup> For example, the sanctity of private property was accepted by these economists as readily as by the most reactionary ones. They criticized laissez faire, it is true, but they suggested only moderate measures and supported only limited control by the government as a

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<sup>1</sup> Haney, *op. cit.*, 725.

<sup>2</sup> Joseph Dorfman, *Thorstein Veblen and His America*, 75.

safeguard for the people against the mammoth industrial organizations.<sup>1</sup> Socialism, which was a powerful counteracting force in Europe in the forties, came to exert influence in the United States only after 1885,<sup>2</sup> and, at that, was so diluted and watered down in the works of the average writers, who had abstracted only portions of the theory, that it cannot be said ever to have been a powerful force in professional economics. The more radical doctrines of agrarian and proletarian economics were not at all represented in American colleges, and most professional economists followed either the subjectivist school of John Bates Clark or Marshall's eclectic version of Classicism.<sup>3</sup> Haney suggests that the buoyantly expanding economy of America was greatly responsible for the lack of popularity of the more left-wing European doctrines.

The absence of so widespread and acute a condition of class antagonism and the evils accompanying it may explain in part the slight importance of Socialism to date. It was characteristic of American economics at the end of the nineteenth century that relatively little difference of opinion was to be found as to the tariff and government control in general, neither being entirely condemned.<sup>4</sup>

If the early insurrection against orthodoxy did not produce a complete regeneration of economic theory, it did accomplish something else of a positive nature. It clarified the points of possible controversy and helped to define and draw up the new lines of battle. The two major controversies of the day involved the inductive-deductive question and the abstract-applied methods problem. The former had been sharpened by the healthy attacks of the Historicists, but still was weighted in favor of the deductive method. The latter dispute had been intensified as a result of the increased interest and activity of a number of economists in practical affairs. Spurred

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<sup>1</sup> Dorfman, op. cit., 62.

<sup>2</sup> Haney, op. cit., 506-7.

<sup>3</sup> Paul T. Homan, "Thorstein Veblen," American Masters of Social Science, 233.

<sup>4</sup> Haney, op. cit., 723.

on by the renaissance of interest in economic problems, they had plunged in- to the thick of the battle with a sense of dedication, studying the rail- roads, the trusts, the currency situation, and trying to get their con- crete solutions put into effect through political activity. Many of them were called to serve in government commissions and boards.<sup>1</sup> Then there were a host of other economists, who either disapproved or who simply pre- ferred the theoretical approach and avoided any involvement in political affairs. Their energies were directed instead in search of the laws of value and distribution which might operate in a hypothetical competitive system.<sup>2</sup> Thus the revolt was already beginning to produce its cathartic effect on the "dismal science." It remained for the controversial figure of Thorstein Veblen to carry the rebellion to its logical conclusion by re- turning economic theory once more to its pristine state of illimitable com- plexity.

The new school of economic thought headed by Veblen and growing up in the years subsequent to the publication of The Theory of the Leisure Class in 1899, came to be known as Institutionalism. Although the term applies only to this specific group of American economists in this particular epoch, it is by no means a completely original or isolated development, for there had previously been elements of the institutional approach in all the social sciences both in Europe and America.<sup>3</sup> What makes Institutionalism differ- ent from the other schools of economic thought, however, is its bolder, more thoroughgoing application of science and scientific method to economic theory. Veblen's extreme acceptance of relativism and induction represents a complete reaction against the old orthodoxies, and thus completes the or-

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<sup>1</sup> Haney, op. cit., 735.

<sup>2</sup> Homan, "Thorstein Veblen," American Masters of Social Science, 233.

<sup>3</sup> Homan, "The Institutional School," Encyclopedia of Social Science, 388.

bit of dissenting doctrine in its path from partial criticism to complete rejection of absolutism and deduction.

The result of Veblen's relativistic approach was that economics, which had once been abstracted from moral philosophy and singled out as a distinct field of study, now came to be studied in the light of its manifold relationships to other fields of thought, such as anthropology, sociology, and psychology. The Institutionalists were, in this respect, only advancing a bit further a path already marked out by the early German Historical school, whose members had also realized that the study of economics had to be re-oriented back into the total framework of knowledge.<sup>1</sup> Ingraham, an English economist of much the same convictions as the American Historicists had said,

A separate economic science is, strictly speaking, an impossibility, as representing only one portion of a complete organism, all of whose parts and their actions are in a constant relationship of correspondence and reciprocal modification. Hence, too, it will follow that, whatever useful indications may be derived from our general knowledge of human nature, the economic structure of society and its mode of development cannot be deductively foreseen, but must be ascertained by direct historical investigation.

If the relativism of the Institutional approach was not novel, Veblen's concept of the truly scientific nature of economics, and his application of the evolutionary sciences of biology, anthropology, and psychology, to economics was definitely new. Veblen had found in Darwinism and the theory of evolution not merely a means of explaining and describing the dynamic processes of social change and growth, but also the basis for a new understanding of human nature and behavior. Earlier economists using the principle of evolution had applied it literally to the social sciences with a heavy hand, in order to defend the status quo. It affirmed for them

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<sup>1</sup> Haney, op. cit., 743.

<sup>2</sup> Scott, op. cit., 515.

the dictum that whatever is, is right. Veblen's use of science was different, and proved fruitful of new ideas and method. Hofstadter points out,

While other economists had found in Darwinian science merely a source of plausible analogies or a fresh rhetoric to substantiate traditional postulates and precepts, Veblen saw it as a model by which the whole fabric of economic theory must be rewoven. The prevailing line of thought had said that the existint is the normal and the normal is the right, and that the roots of human ills lie in the acts which interfere with the natural unfolding of this normal process towards its inherent end in a beneficent order. In so far as economists had taken hold of Darwinism, it was only to fortify this theoretical structure. Henceforth economics was to abandon such preconceived notions and devote itself to a theory of the evolution of institutions as they are.<sup>1</sup>

What Veblen objected to in other economists was their underlying attitudes toward their field. They were neither objective enough, nor skeptical enough to be truly scientific. Too many of them were dissatisfied with a bare cause and effect relationship and sought for some ultimate, systematisation of facts. This had been the fault of the Classicists, according to Veblen. More serious still, most of them unconsciously and with no attempt to counteract the subtle influences, had assumed the predispositions and outlook of past eras, even while they were still convinced of their objectivity because of their use of statistics, gathering of facts, or their staunch refusal to support any overall integrating system.<sup>2</sup> In his famous essay, "Why Is Economics Not an Evolutionary Science?," which laid bare the weaknesses of his contemporary economics as he saw them, Veblen wrote:

The difference between the evolutionary and the pre-evolutionary science lies not in the insistence on facts ... Nor does the difference lie in the absence of efforts to formulate and explain schemes of process, sequence, growth, and development in the pre-evolutionary days ... The difference is a difference of spiritual attitude or point of view in the two contrasted generations of scientists. To put the matter in other words, it

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<sup>1</sup> Hofstadter, op. cit., 132-3.

<sup>2</sup> Thorstein Veblen, Introduction, Portable Veblen, 20.



is a difference in the basis of valuation of the facts for the scientific purpose, or in the interest from which the facts are appreciated.<sup>1</sup>

Veblen felt that, in his own time as well as historically, most of the economists automatically acquiesced to the existing state of affairs, and took for granted the notions which most needed proving. They also assumed the existing allocation of wealth and power, so that their efforts at economic analysis could be little more than "taxonomy," defining and demonstrating the existing distribution of income among various factors of production. The moral implication of such thinking was, of course, that the existent system became the best possible system of income and distribution, and that the richness of the rich and the poorness of the poor seemed necessary and good for society.<sup>2</sup>

While Veblen attacked orthodox economics for being unskeptical and unscientific, he proceeded to build up his own relativistic, volitional theory. He completely denied the existence of iron economic laws and felt that economics must deal with the realities of man-made institutions, which, since they had grown and developed, could change.<sup>3</sup> Veblen regarded institutions as decisive factors in determining human behavior. Moreover, he considered it imperative in the social sciences that real human nature be understood and dealt with. A vague abstraction of a man, a rational diagram of the economic man's behavior would not do. Economics must deal with people and facts as they are, not with a world created out of normalized data.<sup>4</sup> Economics was, for Veblen, a study of men in their constant adaptation to their natural and social environment, and a study of the origin and development of institutions.

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<sup>1</sup> Veblen, op. cit., 218-9.

<sup>2</sup> Ibid., "Introduction," 20.

<sup>3</sup> Ibid., 31.

<sup>4</sup> Paul T. Homan, "Thorstein Veblen," American Masters of Social Science, 265.

To lend authority to his view of human nature, Veblen drew upon the work of psychologists William James, Jacques Loeb, and John Dewey, and proceeded to attack the Classical and Subjectivist "hedonistic man," who reacted automatically to pleasure and pain stimuli, and was incapable of doing anything more about them than to react. Veblen was convinced that men always desire to act, that the goals of action are set by man's instinctive propensities, and that instincts are relatively stable and permanent.<sup>1</sup>

Economic action is teleological, in the sense that men always and everywhere seek to do something. What, in specific detail, they seek, is not to be answered except by a scrutiny of the details of their activity; but, so long as we have to do with their life as members of the economic community, there remains the generic fact that their life is an unfolding activity of the teleological kind.<sup>2</sup>

This passage reveals not only the changed concept of human nature --- which was possible for the Institutionalists because of the swift developments in modern psychology --- but also something of the scientific approach and its opposition to preconceived notions of every sort. No assumptions are made as to possible human behavior without some data or facts, except, perhaps, the one basic assumption that change is inevitable and that all life is dynamic. The insistence on change also affected their attitude toward the idea of laissez faire, which they rejected as inadequate. Things change, and in definite predetermined directions because of the existence of certain institutions and various other social factors. But because a simple cause and effect relationship can be studied, the economist can, through his knowledge, alter the course of events and better the condition of society. As a result of the Institutionalists' interest in practical affairs, one economist has written of them,

Their orientation is primarily a welfare and reform orientation. Centering their attention upon the mutability of institutional

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<sup>1</sup> Homan, op. cit., 245.

<sup>2</sup> Veblen, "Why Is Economics Not an Evolutionary Science?", op. cit., 234.

structure, they quite generally regard their function as that of bringing disinterested human intelligence to the guidance of social change.<sup>1</sup>

From the days of being an abstract, speculative, unpopular branch of philosophy, American economics had developed to a full-blown, highly-developed technical tool in the hands of modern economists. The Institutionalists are among the most active ones today. Of their contribution, it had been said with scholarly understatement: "So far one effect of the movement has been to wear down the entrenched authority of the orthodox discipline, until it no longer can be regarded as providing the exclusively correct explanation of economic phenomena or the exclusively accredited instruments of economic analysis."<sup>2</sup>

While the influence of Institutionalism has been far reaching and beneficial, stimulating research and analysis and infusing new and relevant ideas into the study of economics, it cannot be expected ever to completely replace the older system of Classicism. It suffers from certain shortcomings of its own, some of them inherent in the nature of its method. The very criticism Veblen made of Classicism --- that it sought to find a systematic, theoretical explanation of all the facts --- shows a flaw in Institutionalism, for it has been unable to construct any complete organon of economic thought, and hesitates even to formulate any general laws of change. The Institutionalists have been more concerned with specific matters of public policy than with developing economics as a pure science.

The tendency has been for institutional economics to make a virtue of its shortcomings. It has not regretted its inability to construct economic laws; on the contrary it has neglected and tended to deride studies largely dependent upon formal economic logic.<sup>3</sup>

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<sup>1</sup> Paul T. Homan, "The Institutional School," Encyclopedia of Social Science, 371.

<sup>2</sup> Ibid, 392.

<sup>3</sup> Ibid, 390.

For the fullest development of economics as a scientific discipline, there is still need for the stabilizing influence and imaginative theory of the Classical approach. The Institutionalists, after all, have come no nearer to establishing economics as an exact science. As Gide and Rist point out in their excellent work, it is not necessarily the aim of science to draw an exact realistic picture of society. Every science must have some generalizations, some general postulates. A science must in the long run be explanatory, not merely descriptive. Nor can one method be used at the expense of another.<sup>1</sup> Schmoller once said, "Induction and deduction are both necessary for the science, as the right and left foot are needed for walking."<sup>2</sup>

As for the Institutionalist reliance on cause and effect --- can cause and effect ever be definitely proven? The relationship can be suggested, but that is all. It seems, therefore, unlikely that the disagreement over method and what is the more truly "scientific" approach will ever be resolved. Most modern economists, however, feel that both views are equally essential.<sup>3</sup>

#### Gunton's Position

We have examined the development of American economic thought, in its progressive and reactionary tendencies, from the post-bellum period up to fairly recent times. It is now possible to attempt an analysis of George Gunton's major ideas, to see what part he played in the history of economic thought. From the preceeding sketch of the outstanding doctrines of the times, we should have a clear enough picture of the dominant economic

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<sup>1</sup> Charles Gide and Charles Rist, A History of Economic Doctrines, 404.

<sup>2</sup> Quoted by Gide and Rist, op. cit., 401.

<sup>3</sup> Gide and Rist, op. cit., 400-4.

ideas to be able to distinguish where Gunton's theories are merely repetitive and represent existant notions, and where he has evolved a new concept by his own peculiar combination of prevailing doctrines.

Looking first at Gunton's chronological position, we can observe that the years of Gunton's most significant literary activity extended from 1887, when Wealth and Progress appeared, to 1905, when Gunton's Magazine, having flourished for fourteen years finally expired. This was an extremely active period for economists of all points of view,<sup>1</sup> and one in which the Classicists were hard driven by the increasing barrage of attacks from all quarters. Gunton was greatly influenced by the telling criticism of the dissenters, and his work does reveal the impact of a stormy atmosphere and period of transition.

Gunton's economic philosophy is really the product of the two major warring doctrines of this period. He was a Classicist in his desire for a logically unified system, and his belief in the operation of absolute, universal laws. He was a dissenter in his eager application of scientific method and statistics, and a dynamistic psychology. Gunton's major problem as an economist was the same one that faced the other economists of his day --- what to believe when the axioms of Classical doctrine no longer fitted the facts of industrial civilization? From his own personal experience, Gun-

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<sup>1</sup> Note: The years from 1883 to 1890 alone produced a flood of economic treatises and witnessed the rise of the professional journal. In 1883 appeared F. Walker's Political Economy; in 1884, Ely's The Past and Present of Political Economy and H. C. Adams' Taxation in the United States; in 1885 J. B. Clark's Philosophy of Wealth, S. Newcomb's Principles of Political Economy, S. N. Patten's Premises of Political Economy; in 1886, Bemis' Cooperation in New England, and the Political Science Quarterly and the Quarterly Journal of Economics; 1887, Laughlin's Elements of Political Economy; 1889, Ely's Introduction of Political Economy; 1890 Annals of American Academy of Political and Social Science, Journal of Political Economy. This is only a listing of the more outstanding, broader works. There are a great many more which could be listed.

ton could see that it was impossible for any intelligent person to cling any longer to outmoded Classical theories in the face of great industrial and political changes.

In the Preface to his Principles of Social Economics, Gunton admitted the lag in economic theory; he blamed it on the fact that the accepted theories really belonged to the hand-labor conditions of the seventeenth and eighteenth centuries, and bore no relation to nineteenth century industrial society. He recognized that feudal economics had been oriented toward the land-owners point of view, and Adam Smith's theories toward the middle class point of view. Quite correctly he concluded, "... it is in the needs of the masses that the economics of the future must be studied and statesmanship determined;"<sup>1</sup> and that "... through an effort to apply erroneous ante-factory theories to factory conditions political economy has for three quarters of a century been made a gospel of cheap labor and an enemy of social advance."<sup>2</sup>

Yet, while Gunton considered himself in the vanguard of the revolt of practical and scientific-minded men, and felt that he had deviated far from orthodoxy, it is only the superficial characteristics of his work that testify to the influence of the Historicists and the inductive method. Gunton did not alter the basic structure of his theories as radically as the Historicists did in order to fit the facts. It is this rather artificial imposition of scientific method upon a preconceived framework that leads one to conclude that Gunton was basically Classical in outlook, and conservative in bias.

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<sup>1</sup> George Gunton, Principles of Social Economics, vii.

<sup>2</sup> Ibid, viii.

However, before we try to analyze these two diverse tendencies in Gunton's philosophy, and to place him in relation to the newer developments in economic thought, perhaps it would be most useful to examine first that aspect of Gunton's economic theory which was most original and for which he is best remembered. Such an examination would serve two purposes. First, it should throw some light on Gunton's method of arriving at his conclusions, whether he is primarily inductive or deductive in method. Second, after we have a notion of the limited extent of Gunton's originality, we will be able to appreciate just how representative a figure he is, and we can then proceed with greater clarity to the problem of what Gunton owed to the prevailing doctrines of the Classical and the dissenting schools.

As we approach the more original part of Gunton's thought, we will want to keep in mind Gunton's background as a labor leader. It is significant that Gunton's first book, Wealth and Progress, was written not primarily as a contribution to purely speculative thought, but was animated by Gunton's and Steward's desires as labor leaders to find an acceptable solution to the critical labor problem. The solution they had hit upon, and had experimented with while in Massachusetts, was that of a shorter working day to improve the conditions of the worker, and even to further the well-being of the manufacturer. Yet Gunton had no wish to claim support for a measure on simply humane and ethical grounds. He was too hard-bitten a realist to attach himself to a cause for purely emotional reasons. Thus the whole purpose of the work, Wealth and Progress, was to give a philosophical and economic justification for the specific reform he advocated; to prove to recalcitrant employers that economically it could be to their advantage to shorten the working day. They could both follow their own interests and accomplish a good deed at the same time.

Gunton did not content himself only with advocating particular measures. He went on to develop a whole logical structure of economic philosophy upon which to base his specific reforms. In 1891, four years after Wealth and Progress, appeared Gunton's Principles of Social Economics, his first treatise dealing with the purely theoretical side of economics. This book is deeper, riper, and more speculative than the first, but it is primarily just an extension and amplification of the same principles which were outlined in the earlier work. We find the point of view on specific issues in Gunton's Magazine, some years later, also substantially the same. The intimations of the essentially pragmatic nature of Gunton's thinking is suggested in the fact that he should formulate and build a whole theory on the basis of a particular reform, an early notion. Actually, his most original contribution to economic thought was this very particular doctrine that animated and motivated his whole speculative theory. E. R. A. Seligman, a noted contemporaneous economist, pointed out in his review of Wealth and Progress, that Gunton's main thesis --- i.e., that wages depend on the standard of living --- had been advanced by earlier writers like Smith and Ricardo. "But no one has hitherto made it the central point of the doctrine; no one has hitherto erected it into the fundamental law of wages; no one has hitherto added the important corollary that production depends on consumption and that distribution is a necessary part of the process of production. In this consists the importance of Mr. Gunton's contribution to the science of economics."<sup>1</sup>

The main argument of Gunton's thesis runs like this. The condition of the workers ought to be improved because "... poverty, ignorance, and

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<sup>1</sup> E. R. A. Seligman, Review, Political Science Quarterly, II (1887), 629.



vice give despotism, while wealth, intelligence, and morality give freedom ... (and) social progress depends upon improving the material conditions of the masses."<sup>1</sup> However, while Gunton is agreed as to the real existence of the problem of poverty, he does not feel that it is primarily a problem of distribution. If you take from the rich and give to the poor, you are levelling out society and destroying that disparity and "social differentiation" which is a cause of and a sign of progress. "While all progress is change only those changes are progressive which tend to further social differentiation."<sup>2</sup> There would then be no new desires because of dull equality, and all progress would cease.

Poverty is not a question of mal-distribution of wealth, as the Socialists aver, but is due to the fact that the aggregate of wealth produced is not large enough. "... the true remedy for poverty is not to be found in any scheme for the artificial manipulation of profits, rents, or taxes, however equitable, because at best such an operation would only be a transfer and not an increase of wealth."<sup>3</sup> The answer lies in greater production, not in re-distribution. Gunton feels that it is a universal law in economics that the greater the total amount of wealth produced, the more equitable will be its distribution. As the rate of production is increased, the amount of wages paid will increase, and the workers will have more money to buy the new goods and satisfy their newly-acquired wants. "Therefore the quantity and quality of wealth permanently produced at any given time under normal conditions will ultimately be determined by the effectual desires and wants of the community."

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<sup>1</sup> George Gunton, Wealth and Progress, 378.

<sup>2</sup> George Gunton, Principles of Social Economics, 22.

<sup>3</sup> Gunton, Wealth and Progress, 5.

<sup>4</sup> Gunton, Principles of Social Economics, 80-1.

Since production is dependent on consumption, on what people will want and buy, Gunton sees the starting point in the whole industrial cycle resting upon the desires and wants of the individual workers. "The individual is the initial point of social movement."<sup>1</sup> Yet wages cannot, must not be increased arbitrarily in the hope of stimulating new desires and wants. Since he has had no change within him, in his own personal wants and desires, the worker would choose to work less rather than spend the increased sum, or he would only spend the increased salary consuming alcoholic beverages. Increased desires and wants must precede any real wage increase; only if his social appetites are increased and enlarged can the worker profitably use an increase in wages. Thus "... the standard of living is the law of wages," and people are paid in accordance to their needs and desires. The economic law of wages is that the laborer's pay cannot be permanently much above his wants --- which are expressed in his standard of living --- because wants are the motive and measure of efforts, and wages are the price given for effort. This whole elaborate network of logic has been constructed to show that:

The first economic duty of society and government is constantly to stimulate desire....If our Indians could only be made to want houses and steam machinery and good clothes enough to work for then the Indian problem would solve itself in a single decade. If the Southern negro could be made discontented with his slovenly hut, his scanty clothing and food, the race problem would dissolve; if our own poorer classes could only be made to crave better homes, better amusements, better food, with better surroundings, the problem of poverty would soon disappear, since they would universally begin to get them.<sup>2</sup>

Now the whole problem of what to do about poverty has been narrowed down to one simple question --- how can we enlarge the social wants and de-

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<sup>1</sup> Gunton, Principles of Social Economics, 311.

<sup>2</sup> Ibid., 440-1.

sires of the masses? The answer to this is to increase the social opportunities of the workers, to increase their leisure time for education and study, to develop their tastes for culture and art. "Wherever man's social opportunities have been the most restricted, his wants, tastes, and desires are the most limited, and his industrial and political character has made the least progress, and vice versa."<sup>1</sup> Gunton's solution for increasing the opportunities of workers, hence their desires, their wages and ultimately their consumption --- which will keep the manufacturers happy and so balance society --- is to inaugurate an eight-hour day with no cut in wages. A reduction in the hours of labor will give the worker the necessary leisure to cultivate and develop new tastes and wants. Moreover, the businessman will be insuring his own success by improving the well-being of the worker. As a result, since no portion of society can continuously improve without progress of the whole,<sup>2</sup> Gunton concludes that the total progress of society will thus be assured, by adopting an eight-hour working day. This theory was Gunton's most significant contribution to economics.

What is original in this contribution is not so much the fact of Gunton's support of a shorter working day, but the manner in which he justified it, for there were many groups who advocated this measure on purely ethical grounds and had no particular economic rationalization in mind. Gunton achieved his rationalization through a fusion of Classical and Historical methods. For one argument, he relied on the Classical concept of individualism, with its assumption that the interests of the individual coincided with those of the state. At another point, he attempts to demon-

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<sup>1</sup> Gunton, Wealth and Progress, 203.

<sup>2</sup> Ibid., 4.

strate historically, by using facts and figures, that his law of wages has always operated in society. Thus, much of the originality of Gunton's theory arises from his peculiar combination of prevailing economic doctrines. While he ventured into the new avenues of thought, science, induction, relativism, he really only seized upon the new ideas to use them in vindicating the old, conservative platitudes of economics and the nature of society. This fact becomes quite clear if we note that Gunton's defense of the eight-hour day was the only radical position he took; on all the other issues where he took a stand, Gunton favored the reactionary side and found himself in harmony with the millionaire capitalists.

There are several definite points of similarity between Gunton's philosophy and that of the dissenting Historical economists. Most outstanding is the emphasis on science and scientific method. Gunton was convinced of the necessity for treating economics as a scientific study, replacing emotional prejudice with objectivity and dispassion. He was further convinced that there were laws of economics, or at least cause and effect relationships, which were discoverable through a close study of history and through the application of statistics. Once the economist had arrived at these relationships, he did not have to stop with merely asserting their validity, as Classical economists had done; he could back them up with facts and demonstrate their validity. In propounding his own law of wages --- that wages are dependent on the standard of living --- Gunton painstakingly traced the rates of wages and the cost of living through English economic history, quoting the prices of staple articles and listing the wages in key industries. He also made specific comparisons between the rates of English wages and those of other countries.<sup>1</sup> In this

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<sup>1</sup> Gunton, Wealth and Progress, passim.

respect, Gunton was departing from the American Classical tradition of simply announcing a law as received truth and ignoring the problem of establishing its accuracy. For the Classicists the cogency of an argument had been sufficient. A theory was accepted because its soundness was evident to any sane man, because one's common sense told one it was true. Gunton was enough of a practical man to demand more convincing evidence than an appeal to common sense, and so he followed the ways of the inductive economists in this matter.

Of course, not all of the economists who supposed themselves to be using "inductive reasoning" and a truly "scientific" method were, in fact, really doing so. Some of Gunton's "facts" are neither reliable nor facts. For example, he writes in the "Preface" to his Principles of Social Economics:

In the following pages I have endeavored to discuss the principles of social economics from the nineteenth century point of view. If the facts of modern experience are to be the court of final appeal, the great fundamental fact to be recognized in our society is the democratic basis of industry.<sup>1</sup>

This is an assumption which Gunton never attempts to prove, historically or otherwise; he simply expects the reader to accept it as intuitively obvious. There seems to be some confusion in Gunton's mind as to just what a fact is, and what is scientific about fact-gathering. The scientific method was, of course, still a novel tool; its use was not completely understood by either the Historicists or Gunton. Nor is there complete agreement today as to exactly what the scientific method is in the field of economics. Accepting Veblen's analysis of the scientific approach as not being limited just to a specific method, but depending upon a whole state of mind --- skepticism, inquiry, disinterest --- we cannot too severely

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<sup>1</sup> Italics are Gunton's, p. viii.

censure this misunderstanding on Gunton's part of just how scientific methodology is applied to social studies and the frame of mind it necessitates.<sup>1</sup>

Although Gunton was not correctly applying the inductive historical method as we know it today, many of his contemporaries, lay and professional, were impressed by what they considered to be his scientific approach. E. R. A. Seligman has no complaint to make of his method, commenting that Gunton's theory is consistent, broad, with a wide foundation, and that he tests his law thoroughly by statistics and by history. Seligman does suggest that Gunton relies too heavily on one set of statistics, but otherwise approves. "... (Gunton's) method is truly historical and inductive; his style is free from sentimentalism, his conclusions are conservative and without crotchets."<sup>2</sup> The North American Review found Gunton's work notable "... for its close backing of all theory by practical demonstration." Perhaps the most significant comments are those from the Boston Journal, the Eastern Argus, and the New York Star, which reveal the common confusion about the nature of scientific, inductive method. The Boston Journal states, "The author develops his theory by historical illustration and demonstration." The Eastern Argus writes, "(Gunton) announces the natural laws which lie at the basis of the labor problem, elucidates them by historical data, and enforces their soundness with a logical cogency that carries conviction." The New York Star is the most outspoken, "No one can rise from the reading of 'Wealth and Progress' without the profound conviction that it contains the first attempt ever made to put the claim for an eight-hour system on a truly economic and scientific basis."<sup>3</sup>

<sup>1</sup> Veblen, "Why Is Economics Not an Evolutionary Science," Portable Veblen, 218-9.

<sup>2</sup> E.R.A. Seligman, Political Science Quarterly, II (1887), 697-9.

<sup>3</sup> The extracts from these reviews are quoted at the end of Gunton's Principles of Social Economics.

A second point of resemblance between Gunton and the Historical school is their adoption of the evolutionary point of view regarding the growth and development of society. This was the period when Darwinism was really beginning to penetrate into most of the economic ideas of the time. However, the evolutionary approach, like the inductive method, did not always lead to the same results, nor did it have the same meaning to conservatives and radicals. For Herbert Spencer and the Social Darwinists the evolution or growth of society meant a development from homogeneity to heterogeneity and implied the idea of progress.<sup>1</sup> For the more liberal economists, the Historicists, the evolutionary idea had meant, more simply, detailed description and a developmental, historical explanation of the evolution of economic institutions, a scientific study similar to that of biology.<sup>2</sup> They were concerned with growth, but made no assumption of progress. The Historicists were, in fact, quite bitterly opposed to the Spencerian philosophy of social evolution, and Ely had denounced this theory for misleading too many economists.<sup>3</sup>

Gunton's adaptation of the evolutionary view was, unfortunately, closer to Spencer's than it was to that of the Historicists. However, he did follow the notions of the latter to a certain extent, as we can see by this quotation from his "Introductory Remarks" in the first volume of the *Social Economist*.

A better society cannot be invented, it must be evolved. The constitution of nature as already fixed must furnish the great lines of human advance...The principles of human society are revealed in the history of human affairs. Indeed the history of the past is the only safe text book for the future.<sup>4</sup>

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<sup>1</sup> Richard Hofstadter, *Social Darwinism*, 24.

<sup>2</sup> Gide and Hist, *op. cit.*, 404.

<sup>3</sup> Hofstadter, *op. cit.*, 21.

<sup>4</sup> Gunton, "Introductory Remarks," *Social Economist* (1891), 6.

This idea is fairly similar to the concept of the Historical school that, "We must have some knowledge of the previous stages of economic development if we are to understand the economic life of the present."<sup>1</sup> But Gunton had read Spencer and Fiske and had taken up their evolutionary concept that the development of society was exactly comparable to the biological process of growth, and that growth meant progress. It is revealing to notice how easily and unconsciously Gunton slides into a substitution of the term "progress" for that of "growth."

... the growth or progress of organisms, both vegetable and animal, consists of a series of structural changes from a relatively simple to a relatively complex state of organization.<sup>2</sup>

The doctrine of evolution is simply a theory of growth as distinguished from that of special providence. It teaches that whatever may have been the origin of things, progress towards higher forms of existence in all classes of phenomena takes place in accordance with a law of cause and effect, and that higher and more complex types of formation and the existence of new functions, appear only under conditions favorable to their development.<sup>3</sup>

The question of Gunton's theory of progress is an interesting one, but it may more properly and more fully be taken up later in connection with his optimism and his Classical ideas.

Returning to the idea of growth, we find that a natural result of metaphorically comparing the growth of society to that of a biological organism, is the concept of society itself as an organism. Spencer had arrived at this idea by pushing his analogy to its logical conclusion.

Thus do we find, not only that the analogy between a society and a living creature is borne out to a degree quite unsuspected by those who commonly draw it, but also that the same definition of life applies to both. Thus the union of many men into one community --- this increasing mutual dependence

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<sup>1</sup> Gide and Rist, op. cit., 403.

<sup>2</sup> Gunton, Principles of Social Economics, 4.

<sup>3</sup> Ibid., 293.



of units which were originally independent --- this gradual segregation of citizens into separate bodies, with reciprocally subservient functions --- this formation of a whole consisting of numerous essential parts --- this growth of an organism, of which one portion cannot be injured without the rest feeling it --- may all be generalized under the law of individuation.<sup>1</sup>

This concept of society as an organism was also frequently adopted by economists of a historico-sociological basis, such as the Historicists.<sup>2</sup> Gunton himself explicitly repudiated Spencer's theory of organism, not only because such a view elevates society above the individual and hence contradicts industrial individualism, but also because he felt that it was not a necessary corollary of the theory of evolution. "Society is not an individual organism, but an association of individual organisms."<sup>3</sup> Gunton further elaborates his position:

So far from being an organic entity, society is only the systematized environment of associated individuals by whom and for whom it is created, and upon whose state of industrial, social, and intellectual development its existence, form, and character depend.

Nor is this view inconsistent with the doctrine of evolution. This theory does not involve the assumption that society is an organism. Evolution simply implies a progressive movement from a less to a more definite, coherent, orderly state of existence.<sup>4</sup>

Yet while he specifically denies the theory, at certain points in his economic philosophy, Gunton does seem to make the assumption implicitly to complete his argument. For he does conceive of society as having a kind of unity, in which the various parts make up the whole and are interrelated with each other. What happens in one area of society affects what happens in another. For example, Gunton held that no one class of society could

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<sup>1</sup> Quoted by Gunton in Principles of Social Economics, 301.

<sup>2</sup> Lewis H. Haney, History of Economic Thought, 725.

<sup>3</sup> Gunton, Principles of Social Economics, 5.

<sup>4</sup> Ibid., 305-6.

continuously improve at the expense of the others without the deterioration and decline of that society. All classes must progress and move forward simultaneously.<sup>1</sup> Similarly, for social progress to take place, the overall development is dependent on the advances made in three separate fields of activity --- the material, intellectual, and moral. Each element represents and controls a different phase of society, having its specialized function and area, yet the three are mutually dependent, and advances in all three are necessary for total social advance. According to Gunton's way of thinking,

If the development of any one of these elements should be promoted at the expense of the rest, it must necessarily fail of its function because not one of them can permanently exist without the sustaining influence of the others. The increased production and accumulation of wealth, for example, could not continue without the increase of intelligence to devise the means necessary to produce it, and a corresponding advance in the social integrity to sustain it. A general advancement of the intelligence is impossible without the relative elimination of poverty and vice; and no considerable advance in ethics can take place without a previous increase in material well-being.<sup>2</sup>

Yet Gunton does not consistently believe in the organic unity of society, and the point where his unity breaks down is where he begins to diverge philosophically from the Historical school. Gunton does not conceive of all the parts of society in vital relation to one another. For this reason, he did not arrive at a vision of the relativity of economic study and its necessary relationship to other areas of thought, as the Historicists had. Gunton felt rather that economics existed as an autonomous and separate entity, having no direct connection with politics or ethics. He was in favor of good government but he felt that the sphere of governmental activity should be confined strictly to political matters

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<sup>1</sup> Gunton, Wealth and Progress, 4.

<sup>2</sup> Gunton, Principles of Economics, 16.

and the delegation of powers. He was concerned for the welfare of the poor, but felt that one's ethical convictions had no place in a science of economics. However, he was convinced that as the economic, or material, life improved, all the other areas of life --- the political and social --- would also be improved automatically.<sup>1</sup>

In contrast to Gunton, the Historical school had felt that economic life could not be isolated from political and social life, since it influenced the latter aspects of society, and was in turn modified and limited by them. Gide and Rist describe this feature of Historical thought thus:

The economic action of man must influence his surroundings. The character of such action and the effects which follow from it differ according to the physical and social, the political and religious surroundings wherein they are operative. A country's geographical situation, its natural resources, the scientific and artistic training of its inhabitants, their moral and intellectual character, and even their system of government, must determine the nature of its economic institutions, and the degree of well-being or prosperity enjoyed by its inhabitants.<sup>2</sup>

Gunton agreed only partially with such thoroughgoing relativism. He agreed that the industrial well-being of the worker affected his capacity for political freedom and ethical behaviour; but he was not concerned with the converse half of this truth --- namely, that the nature of a government and the prevailing mores and social attitudes can regulate or affect the potential industrial well-being of the worker. This blind spot of Gunton's comes out quite clearly in such a statement as this:

The most superficial acquaintance with the history of the United States is sufficient to show that our republican institutions are the consequence, and not the cause, of our material prosperity. The Republic was born of the social and intellectual character growing out of a long period of previous industrial

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<sup>1</sup> Gunton, Principles of Social Economics, 17.

<sup>2</sup> Gide and Rist, op. cit., 403. Italics my own.

prosperity, and this prosperity was due to causes long antedating the slightest observable democratic tendency in our political institutions...This industrial prosperity made the development of the social and intellectual character of the people inevitable.<sup>1</sup>

The fact that Gunton did not follow the Historicists in their progression from an evolutionary point of view to that of a relativistic one, indicates again very clearly his fundamental alienation from them and his basic conservatism. The whole basis of their similarity had depended upon the universal influence of science and their common experience of it, and, where they disagree and diverge, it is because of their differing conceptions of exactly what science and scientific method meant. The idea of evolution and change had led the Historicists and Institutionalists to embrace a relativistic outlook, and they had probably been strengthened in this attitude by their strong distaste for the static quality and authoritarianism of Classical doctrine. To Gunton, however, evolution suggested a basic stability in the laws of social growth, and the absolute existence and operation of these laws. But the significant fact is, that the relativistic approach led to a criticism of the old accepted standards and, as a result of this skepticism, encouraged a healthy desire to intervene and do something about evil conditions. On the other hand, those who built a positivistic philosophy upon the evolutionary idea, as Spencer had, inevitably wound up professing a belief in progress and defending the natural order of the status quo. This is exactly what Gunton came to profess, although he stoutly maintained his objectivity, his scientific method, and his good will toward the poor in society. While we can not question his motive, we have questioned his method to reveal

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<sup>1</sup> Gunton, Principles of Social Economics, 58.

that wherever Gunton's philosophy loses its superficial resemblance to that of the Historical school, the basic structure of the older Classical doctrine and methodology emerges triumphant.

In order to discuss the Classical aspects of Gunton's theories, we must first clarify and master a subtle problem which presents itself at this point. When we elucidated the similarities between Gunton's ideas and those of the Historical school, there was a definite, circumscribed body of thought, held by that particular group, against which to contrast Gunton's thought. The Historicists had been united in their agreement as to their revolt against orthodoxy, and their revolt took a definite shape and pattern. When we come to assessing the Classical element in Gunton's thought, we are not so fortunate in having any one group against which to measure his ideas. The older generation of orthodox American economists, although they were the foremost proponents of Classicism in America, represented a specialized brand of Classicism and cannot be taken as a norm. Moreover, the newer school of marginal-utility economists, whom we have designated as the Subjectivists, were also basically Classical and traditional in their approach and methodology. It should be recognized then that when we discuss the "Classical" elements in Gunton's thought, we are referring to those ideas which all these groups have in common, and are using the term "Classical" in its broadest and most original sense. "Classical" would also mean, by implication, the approach opposed by the Historicists, since they were avowedly anti-Classical. This method of analysis should enable us to determine the salient points of agreement between Gunton and both the orthodox economists and the Subjectivists --- to detect what is basically Classical in all three --- without leading us to assume falsely any idea of exact congruence in all parts of their doctrines.

Gunton had by no means aligned himself with the older generation of American Classicists, who had so enervated the study of economics that,

Instead of being the beacon-light of industrial and social affairs, the source to which all may turn for safe instruction and hopeful guidance --- it is the "dismal science" which students avoid, statesmen and capitalists disregard, citizens ignore, and laborers discredit.<sup>1</sup>

Gunton was, in fact, more critical of this brand of Classicism, with its dogmatic axioms and lack of touch with reality, than he was of the Historical school, with whose rebellion he sympathized. Gunton rather belonged to the newer group of Classical economists, the Subjectivists, who based their theories on accepted Classical principles, yet introduced innovations on the theory and extended the scope of Classical economics. In common with John Bates Clark, Frank Fetter, Irving Fisher, and Simon Patten, George Gunton stressed the importance of the human element in economics, recognizing that values are determined by human desires. In making human want the ultimate causal force in economic life, as they did, they tended to focus their interest more on the process of consumption than of production, and in this respect too, Gunton was very similar to them. However, this question of human desire and the psychology of consumption belongs to the more novel part of this group's theories, and suggests more where Gunton and the Subjective economists extended and added to Classical theory than it adds to our knowledge of the basic Classicism of their philosophy. Leaving the discussion of want and desire for a later point, we will take up first the basic Classical precepts in which Gunton and the Subjectivists and the orthodox economists generally agree.

An outstanding characteristic of Classical doctrine is its animating drive toward harmony and unity, a feature quite noticeably lacking in the

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<sup>1</sup> Gunton, Principles of Social Economics, v.

thought of the Historical school. This difference in outlook indicates very clearly the antithetical drives of the two schools of thought. Gide and Rist give a rather helpful analysis of this fundamental opposition:

The study of economic phenomena may be approached from two opposite standpoints, which we may designate the mechanical and the organic. The one is the vantage-ground of those thinkers who love generalizations, and who seek to reduce the complexity of the economic world to the compass of a few formulae; the other of those writers who are attracted by the constant change which concrete reality presents.<sup>1</sup>

Gunton was primarily attracted to the mechanical approach, since it permitted him to develop an underlying harmony and completeness in his thought, and did not prevent him from making generalizations. The inductive economists were, of course, quite restricted in this respect and frequently wound up putting forth no generalizations at all. Gunton had deviated from them consciously for this reason, because he felt that their contribution, while significant so far as it went, was limited merely to criticism and had little to offer in the way of constructive policy or theory.<sup>2</sup> As a result, Gunton's historical analyses are of little original value, because he was more interested in using the facts to demonstrate his own theory than he was in correctly observing causal relationships; but he did make useful contributions in theory by his emphasis on consumption.

This belief in the underlying harmony and simplicity of causes in the springs of social action is a concept fundamental to all Classical economists. It is a primary characteristic which definitely marks off that which is not Classical from that which is, and in this respect Gunton clearly belongs to the Classical school. Such harmony is possible only if one believes in the automatic operation of natural laws or economic forces at

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<sup>1</sup> Gide and Rist, op. cit., 401.

<sup>2</sup> Gunton, Principles of Social Economics, viii.

the base of all economic action --- laws which operate universally and eternally because the elementary needs of mankind are everywhere the same.<sup>1</sup> Thus economic laws, which have been discerned through reason and abstracted by deductive logic, such as the law of wages, self interest (the hedonistic principle), the law of growth and development, the law of competition, the law of prices, are indispensable to Classical doctrine, which presupposes the setting up of such laws as prerequisite assumptions upon which to proceed. Gunton, too, relies on similar natural laws, although he believed they operated at a slower pace than many other Classicists, feeling that,

Cause and effect in economic movements are seldom prominently in view at the same time. The operation of natural law in economics is so slow and gradual that the causes of any real and permanent change in ... industrial conditions is invariably to be sought for in circumstances that have ceased to be prominent long before the effects are generally observable.<sup>2</sup>

Not all Classicists accepted the same laws as true and universal, but the fact of their postulating such abstract laws remains.

Gunton not only believed in natural laws and their harmony; he also had firm faith in their beneficence and their leading to the overall progress of society. To believe in harmony and to believe in progress --- these are the identifying marks of an optimist, and optimism was not a primary characteristic of Classicism, but a secondary one, as the pitch and quality of the voice are not essential to the determining of sex. Eastiat and the French Optimists, for example, believed that, "The general laws of the social world are in harmony with one another and in every way tend to the perfection of humanity."<sup>3</sup> While Gunton agreed with this, there were many Classical economists who did not accept this at all, who did

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<sup>1</sup> Gide and Rist, op. cit., 366.

<sup>2</sup> Gunton, Wealth and Progress, 146.

<sup>3</sup> Gide and Rist, op. cit., 337.



not believe that these laws operated either to the benefit or the detriment of society. Those economists who had been truest to the principles of the early great masters, Smith, Malthus, Ricardo, did not make normal judgments on these laws, but merely accepted their existence. Such economists were rarely optimistic, more often pessimistic.<sup>1</sup> It should be remembered, then, that Gunton's optimism was not necessarily a product of Classicism, but was equally the offspring of Spencerian Darwinism.

While Gunton's optimism was not all purely Classical in its derivation, it is inextricably bound up with his Classicism, giving shape and direction to his thought. It is this optimism which permits Gunton to rely so completely on these natural laws not only to maintain the balance and equilibrium of society, but also to cause it to advance. We see his rather naive faith that society, left to itself, will develop in the proper direction in his analysis of the industrial problem. Gunton denies that the industrial crisis is caused by any flaw intrinsic in the capitalist, competitive system, or from any weakness in human nature. The fault lies in the general misunderstanding, on the part of both the employer and the worker, of the true laws of economic relations. Mal-distribution, poverty, and business crises are all the result of people's acting contrary to the laws of nature and so upsetting the delicate balance.<sup>2</sup>

Also because of his optimism, Gunton dismissed from his theory all those Classical laws which seemed to him pessimistic, and hence inadmissible on both moral and economic grounds. Gunton criticized the doctrines of Mill, Ricardo, and Malthus, that supply and demand regulates price, and that wealth is only a material good.<sup>3</sup> He objected to the gloomy conclu-

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<sup>1</sup> Gide and Rist, op. cit., 360, 2.

<sup>2</sup> Gunton, Wealth and Progress, 358-9.

<sup>3</sup> Gunton, "Introductory Remarks," Social Economist, I (1891), 2.

sions of the Malthusian rent law, and denounced the wages-fund doctrine that there is a certain limited amount of money which the capitalist is able to spend on wages, and that wages can therefore only be increased by decreasing the number of laborers or by decreasing the wages of some others.<sup>1</sup> Gunton claimed that this doctrine was too easy a tool for employers to put off workers' demands for raises.

It is his optimism, too, that stimulated Gunton's aversion to strife in society. Harmony is the natural underlying condition of society. So should relations be between worker and capitalist, if they would properly recognize their true relation to each other.

... vast industrial warfare is no more needful than was the vast predatory warfare of early tribes to their own safety and well-being...The conflict is one of conditions misunderstood, of situations explained after a false and misleading theory.<sup>2</sup>

Gunton did not countenance either the gospel of strife propounded by the Social Darwinists or the Marxist interpretation of the conflicting interests of classes and the ultimate necessity for revolt. For one thing, he was not convinced that a state of absolute free competition was always conducive to the survival of the fittest.

The idea that free competition always develops the highest possibilities by enabling each to do that for which he is best fitted, is ... misleading. The popular idea of free competition is that it means an unconditional struggle for existence among individual units, and that is the sense in which the term is usually employed by economists. This view is commonly regarded as the application of the doctrine of natural selection to society; and hence the policy of laissez faire is claimed to be based upon the doctrine of evolution...If it were true that in physical phenomena an unconditional struggle of units always produces the highest types and the greatest progress, it would not follow that the same should be true in society. But it is by no means clear that

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<sup>1</sup> Gunton, Wealth and Progress, 35-6.

<sup>2</sup> Gunton, "Introductory Remarks," Social Economist, I (1891), 2.

this is true even in the physical world....(U)nder a regime of pure laissez faire --- the action and reaction of blind physical forces --- progress may have been greatly retarded, while inferior types for ages perpetuated their existence by preventing the development of superior types.<sup>1</sup>

Furthermore, Gunton was so firmly convinced of the similarity of interests of all classes, that he considered all radical reformers who dramatized class antagonisms and vilified the wealthy classes to be anarchists and socialists, possessed of distorted and exaggerated visions of the evil nature of the capitalist, and deceiving naive, innocent workers into betraying their own interests.<sup>2</sup> Gunton seemed to feel that the harsh, unflattering picture of the millionaire which these reformers contemptuously painted was intentionally drawn in a hard, glaring light that would magnify minor blemishes and result in an ugly portrait. When Gunton turned his sympathetic gaze upon the millionaire industrialist, he saw a much more pleasant figure, representing the blessings of prosperity and signifying a bright hope for the worker. Gunton could see no antagonism between the interests of the rich and poor in a democracy, because he felt that a democracy embraced the welfare of the whole community.<sup>3</sup> Thus Gunton's rosy optimism and desire for harmony led him to a false analysis of the nature of the industrial problem, and made him a conservative thinker in his vindication of the millionaire.

Not only did Gunton's application of the Classical doctrine of harmony and natural law result in his opposition to any doctrine which suggested strife or imbalance in society ---, it also led him to resist reform generally since he could place little faith in short cuts to harmony, or

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<sup>1</sup> Gunton, Principles of Social Economics, 288-90.

<sup>2</sup> Gunton, "Introductory Remarks," Social Economist, I (1891), 5.

<sup>3</sup> Ibid, 6.

court decrees to achieve the social millennium.<sup>1</sup> Gunton felt that, "A better society cannot be invented, it must be evolved."<sup>2</sup> The safest policy would be to rely on the operation of natural laws, which were absolute and universal.

Yet Gunton was not so optimistic as to rely completely on these laws, important and significant though they were. For society could only advance easily if people followed their true economic interests, which were in absolute accord with the natural laws of economics. Gunton recognized that people do not always know their own true interests nor the laws of economics, but allow themselves to be persuaded and confused by the rantings of mistaken reformers.

Now the method of social advancement which is rapidly going on as at present conducted is chiefly one of social warfare. Capitalists strive with workmen, and workmen rail against capitalists as if they were born enemies. The man that has is regarded as the foe of the man that has not. Corporations are held to be hostile to the public weal, and government is frantically invoked to repress the greed of private enterprise. Preventive legislation on all subjects loads down the statute books with inoperative provisions, class declaims against class, the farmer organizes against the money lender, and the manufacturer against the railroad, interest conflicts with interest and the air is full of the cries of the various combatants as if an internecine strife were calling our citizens to go forth to battle for their rights.<sup>3</sup>

Instead of looking to politicians or demagogues, who have little or no knowledge of economic matters, for political solutions to economic problems, the people should turn instead to reliable economic experts who are trained to handle industrial problems. The Social Economist, in an unsigned article presumably by Gunton, had nothing but harsh words for labor groups that attempted to solve their economic difficulties by trusting in people like Henry George, Edward Bellamy, or others whom Gunton did not consider

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<sup>1</sup> Gunton, "Introductory Remarks," Social Economist, I (1891), 5.

<sup>2</sup> Ibid., 6.

<sup>3</sup> Ibid., 2.

to be trained economists, yet who nevertheless had solutions for all manner of problems. Gunton also reprehended labor groups for having political aims, because, as he pointed out painstakingly, such groups proceeded on the false assumption that social evils arise from political causes, whereas they are really due to strictly economic conditions. Thus, they would scarcely be likely to accomplish any good for their group, and frequently caused much harm by their mistaken interference, as the Farmers' Alliance had done.<sup>1</sup>

This careful separation of economics and political activities is characteristic of Classicism in general, for the method of abstracting economic laws from other fields of activity and thought was intrinsic to the deductive approach of Classicism, although directly counter to the relativism of the Historical school. Such a method assumes the absolute validity of the laws it maintains, their complete independence of any forces outside themselves, and their freedom from any restrictive limitations. It is on the basis of such Classical reasoning that Gunton denied the complete interrelationship between government and economic life, as has been pointed out earlier. Since he viewed economics as the science of a particular, specialized field, Gunton could not see that political events or developments have any connection with what goes on in industry. Reform in the government does not make for reform in the industrial world, according to Gunton. Most important of all, the material prosperity of the worker is neither dependent upon nor affected by his political liberty.

Freedom does not consist in the mere absence of legal barriers, but in the actual power to go and do. The poor can never be free in any true sense of the term. Whoever controls a man's

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<sup>1</sup> Gunton, "Political Labor Parties," Social Economist, I (1891), 36-40.

living can determine his liberty. Freedom means independence, which nothing but wealth can impart.<sup>1</sup>

Because of this Classical reliance on the absolutism and independence of natural laws, Gunton also crossed off other social phenomena as not being directly concerned with the economic well-being of the worker. Industrial reform cannot be achieved through currency reform either, just as political reform has no effect on the worker's lot. Currency fluctuations may impede business, but it has no effect on wages, which are governed and controlled by the worker's standard of living and not by any other factors.

No industrial or social improvement could be produced by any change in the quantity or quality of the currency, for the obvious reason that money, as such, having no other function than a medium of exchange, sustains no important economic relation to the social forces which determine the amount of wealth produced or the amount of the laborer's income.<sup>2</sup>

There can be no question of the basic Classicism of Gunton's economic theory once we have clearly apprehended his belief in the existence and operation in society of causal forces (natural laws) and their tendency to establish an equilibrium (harmony) in society. The natural laws which Gunton finally accepted, after rejecting, revising, and amending some of the older Classical orthodoxies like the wages-fund and supply and demand theories, were the laws of free competition, self-interest, wages, rent, profit, and the law of growth and development or social progress.<sup>3</sup> Is it not quite evident now, how Gunton would naturally advance to the belief that all social welfare and progress are dependent upon the unhampered operation of these absolute and universal laws? Gunton was convinced the

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<sup>1</sup> Gunton, Wealth and Progress, 205-6.

<sup>2</sup> Ibid., 214.

<sup>3</sup> Gunton uses these last two terms almost interchangeably, as we have previously noted.

laws would operate, whether people recognized them or not, and therefore, to enhance progress, it was their duty to study them and to aid their development by acting in accordance with them. We cannot be wholly dependent on the laws to perform miracles, Gunton admitted, because they are frequently hindered by men's ignorant interference and hindrance. Moreover, since all social progress is dependent on the material and economic welfare of society, and no political reforms can have any permanent effect if large masses of people are poverty-stricken, it is the duty of everyone to aid the operation of the laws.<sup>1</sup>

The progress of society is achieved, then, not so much by great political reforms, as by non-interference with the natural sequence of events. Here we see Gunton's basic conservatism plainly revealed at last, and can inspect more critically the pseudo-enlightened purpose of his magazine, which was "...to aid in promoting the natural advancement of society by contributing to a better understanding of the principles which always have governed and always must govern industrial and social progress."<sup>2</sup> This is obviously an essentially conservative policy for an economics magazine to adopt, both in its assumptions and in its lack of a definite program of action. For not only does Gunton immediately assume, in the use of the term "natural advancement," the assured progress of society, as a matter of course and through natural laws, but also the only course of action that he contemplates is simply to promote this progress, or at least not to impede it, by helping to develop a better public understanding of the natural laws, or "principles," which control progress. What is this but a disguised form of laissez faire? Earlier in the course of

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<sup>1</sup> Gunton, Wealth and Progress, 205-8.

<sup>2</sup> Gunton, Social Economist, I (1891), 1.

this paper, the point was made that Classical theory, especially as interpreted and applied in America, led to political conservatism. We have now seen the same phenomenon occurring again in tracing Gunton's Classicism.

Actually Gunton did not profess to believe in a strict laissez faire policy, as, for example, William Graham Sumner did. Contrary to what we might expect, Gunton spent several pages in his Principles of Social Economics specifically refuting the idea of laissez faire as a thoroughgoing governmental policy. Quite correctly he pointed out that, while laissez faire had been accepted as a guiding rule by most leading economists, it had never been inductively established from any study of industrial phenomena as a principle in society. He was aware that it had originally been seized upon purely as a protest against the paternalistic mercantile system, and not for its absolute validity as natural law. Gunton even admitted that, "... the claim that the theory of laissez faire represents a universal principle in nature and society, and is entitled to the same unquestioning acceptance in economics that is accorded to the principle of gravitation in physics, is wholly unwarranted."<sup>1</sup> Gunton rejected laissez faire (at least nominally) because he disagreed with the assumptions made by Classical economists in justifying it. They had postulated that self-interest was a universal quality in human nature, that each person knew his own interest best and would be sure to follow it if left alone, and that free competition always permitted the best to survive. Gunton agreed with the principle of self-interest, but was not convinced, as we have seen, that people always know their own interests or that competitive strife is the most desirable economic system.<sup>2</sup>

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<sup>1</sup> Gunton, Social Economist, I (1891), 1.

<sup>2</sup> Ibid., 286-7.



Gunton's final reason for the rejection of laissez faire is that it is unscientific:

Considered as a fundamental principle in statesmanship, laissez faire is essentially unscientific. It is necessarily negative, while statesmanship is positive. All government, order, and progress imply affirmative action, and therefore are the opposite of laissez faire. Science is essentially aggressive; it implies the active policy of investigating, knowing, and controlling things....Instead of adopting the rule of laissez faire, and waiting till nature produces the desired result, we have learned to bring the particular forces together in just such relations as will produce that result much quicker....

Since affirmative statesmanship is necessary to government, and government is necessary to civilization, it is a contradiction in terms to speak of laissez faire as the basis of statesmanship. The science of government is not the knowledge of what not to do, but it is the knowledge of what to do and how to do it....So long as government exists it must have a function --- a sphere of action. Scientific statesmanship implies a knowledge of the principle by which that action should be directed.<sup>1</sup>

Gunton goes further to reprimand those who maintained a belief in laissez faire for the sole reason that "the history of state interference with industry is the history of mistakes."<sup>2</sup> That is still no justification for inaction in the present, he states.

This long passage has been quoted for two reasons. For one thing, it is useful to observe Gunton's verbalized attitude toward laissez faire and the kind of logic he employs. Secondly, it would be extremely difficult otherwise to demonstrate the fact that Gunton really did not reject laissez faire at all, either logically or for practical purposes, in spite of his sanctimonious pose of liberalism. The main argument Gunton presents in this passage rests upon one basic and serious fallacy. Once it is exposed, his whole position of liberalism begins to crumble.

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<sup>1</sup> Gunton, Social Economist, I (1891), 1.

<sup>2</sup> Ibid., 286.

The fallacy lies in the way in which Gunton uses the terms "laissez faire" and "statesmanship," for he has set them up as being diametrically opposed to each other, and mutually exclusive. "Since affirmative statesmanship is necessary to government, and government is necessary to civilization, it is a contradiction in terms to speak of laissez faire as the basis of statesmanship." But is this dichotomy really valid? What Gunton means by "statesmanship" is obviously government, or control. What he means by "laissez faire" is non-control, or anti-government. By posing the two as equated terms, Gunton really has forced the meaning of "anarchy" upon laissez faire --- since it is supposedly opposed to government. Yet laissez faire is by no means commonly thought of as representing no government at all, or total lack of control. The difficulty becomes clear when we consider exactly what is meant by "laissez faire." "... the Classical school ...thought of laissez faire neither as a dogma nor a scientific axiom. It was treated merely as a practical rule which it was wise to follow, not in every case, but wherever a better had not been discovered."<sup>1</sup>

Laissez faire, then did not represent total opposition to all government. It merely suggested a policy to be followed within government; and within a very special field within government --- the economic. Thus, the significant question to ask would be whether or not the government should pass legislation restricting industry, not whether there should be government or laissez faire, and Gunton is careful not to bring up that question at this point in his discussion. Yet we know from our earlier examination of the reform question that Gunton felt practically nothing could be achieved in industry through the enactment of laws. He finally sums up his attitude toward governmental interference by pointing out that the important

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<sup>1</sup> Gide and Hist, op. cit., 362.

question is:-

...whether the desired end can be more surely obtained by intervention than by the unaided operation of unconscious forces. And this will depend entirely upon whether those who manipulate the conditions understand the laws of the phenomena with which they are endeavoring to deal, and therefore can correctly predicate the result. Ignorant or unscientific interference may be worse than laissez faire. But this by no means implies that laissez faire is superior to scientific regulation.<sup>1</sup>

What Gunton means by "scientific interference" presents another problem in definition. From our knowledge of his confused understanding of science and scientific method, we might be permitted to doubt its objectivity. The fact that Gunton insisted that natural laws which he had postulated were valid and absolute, and that all economic action must be in accordance with these laws, should provide a clue as to the "scientific" nature of Gunton's anticipated "interference." For example, he objected to socialistic reforms not on their individual merits or demerits, but because he felt they were, as a whole, trying to anticipate, not impose social evolution; the function of the true social scientist, according to Gunton, was to ascertain the laws by which society moves from simple to complex and act accordingly.<sup>2</sup>

Actually, the only sort of economic policy that Gunton seems really concerned with, judging from his emphasis on the importance of the political rulers involved, is that which places government in the hands of the right people --- i.e., the people whose concept of the "scientific" principles of economics would coincide with Gunton's. Since he feels that the wealthy classes not only do, but should rule democratic society, because they are obviously the most capable and successful, it is apparent that to him the right people are the wealthy people. If the right people

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<sup>1</sup> Gunton, Principles of Social Economics, 232.

<sup>2</sup> Gunton, Wealth and Progress, 215-6.

<sup>3</sup> Ibid., 216-7.

are not in control of the government, then Gunton really prefers a laissez faire economy because "ignorant or unscientific interference may be worse than laissez faire."

We can further demonstrate Gunton's basic allegiance to the laissez faire idea by examining his positive statements on the role of government:

...it is the duty of the state to promote in every way possible the development of the individuality of its citizens, increase their mutual dependence upon each other and to decrease their dependence upon government....Paternalism fails to promote this end, because it tends to lessen instead of increase the activities and responsibilities of the individual.<sup>1</sup>

...the controlling principle in public policy should ever be to minimize the necessary sphere of governmental action and authority, and to maximize<sup>2</sup> the possible sphere of individual action and responsibility.

Do these statements sound like the words of a man who is opposed to the principle of laissez faire? Not only do they reveal his dislike for government control in his summary dismissal of paternalism but they also show Gunton's basic emphasis on individualism, a feature which invariably accompanies an espousal of laissez faire. It is because the economist does have so much faith in the individual's ability to do for himself, that he desires no governmental restrictions. Gunton's faith in the individual is not unlimited, but he prefers individual action to collective action of any sort.

On general principle, individual action and responsibility are preferable to state action or collective authority, because they possess the maximum possibility of directness, efficiency, economy and equity. State action...is necessarily indirect and arbitrary.<sup>3</sup>

Gunton's ideas on laissez faire, complex as they may seem, are the key to his economic position. Moreover, they are important insofar as

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<sup>1</sup> Gunton, Principles of Social Economics, 311.

<sup>2</sup> Ibid., 312. (Gunton italicizes this statement).

<sup>3</sup> Ibid., 313.

they demonstrate his basic conservatism and his alliance with the Classical school of individualism, notwithstanding his own protestations of liberalism. Both laissez faire and individualism are essential attributes of Classicism, as are the belief in the absolutism of natural laws and the abstract-deductive method. Gunton's reliance on these ideas form another significant link connecting his theories to the Classical tradition.

Part of the reason for the difficulty of extracting a clear cut statement of intent from Gunton's works on the question of laissez faire, lies in the fact that there is a basic split or confusion in his thought concerning the issue of centralization or decentralization. This split is clearly the result of the abstract-deductive method of Classicism which compartmentalizes, and frequently succeeds in isolating really related factors from one another, as in the Classical division between economics and ethics. In this case, the separation is the familiar one between politics and economics. Gunton did not oppose political reform of industrial conditions because he was intentionally conservative. His opposition came, rather, out of his conviction that politico-social progress is something quite different from industrial progress --- the two operate on separate planes and lead in different directions. On one plane, there is social progress which relates to man's political and ethical life. On another, there is economic progress, which relates to man's industrial life.

Progress in politics and society ... may be defined as the tendency to increase the sovereignty of the individual and diminish the arbitrary authority of the state by establishing greater democracy of administration. In economics it may be defined as the tendency to centralize industrial administration and responsibility, de-individualize the laborer as a producer, and socialize the results in better and cheaper products.<sup>1</sup>

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<sup>1</sup> Gunton, Principles of Social Economics, 14.

Where gunton opposes centralized control in the political realm, he maintains that centralization and de-individualization in industry is a good thing, since it results in an increase in overall efficiency and in the worker's capacity to produce wealth cheaply. Besides contributing to industrial progress, centralization also helps indirectly to increase the worker's social individualism.

As the laborer's industrial individuality diminishes, the influence of his social and political individuality increases . . . . In order . . . to maximize man's social individuality, it is necessary to minimize the expenditure of his physical energy. This is precisely what the division of labor, the concentration of capital, and the development of the factory system promote.<sup>1</sup>

There is a certain amount of truth in Gunton's observation that as a worker gains in economic security he becomes better equipped to improve himself socially, and to play a more active role as a citizen. This is admittedly a plausible result of the development and concentration of industry. But what of the important corollary to the growth of mammoth corporations and the centralization of business --- that the larger the business, the greater the power, political and otherwise, they will wield simply by virtue of their wealth and influence; and that this tremendous power of the bested business interests can to all practical purposes completely negate not only the individual worker's increased awareness of liberty but also his actual liberty?

There is no economic or social reason why the rise of improved methods of production should be inimical to social progress... There is nothing in the division and concentration of labor and the use of machinery that necessarily involves the physical deterioration of moral and social degradation of the laborer.<sup>2</sup>

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<sup>1</sup> Gunton, Principles of Social Economics, 11-12.

<sup>2</sup> Gunton, Wealth and Progress, 356-7.

This may also be true, but on the other hand, there is no more reason to assume its implied converse --- that material prosperity will necessarily guarantee the intellectual and moral growth of the worker. From our knowledge of the industrial conditions of Gunton's time and the shameful amount of graft in the government, we can with more justice doubt the completely beneficial effects claimed for industrial centralization.

Gunton's separation of political and industrial progress also results in a false one-way causal relationship between the two fields of activity. While industrial progress is assumed to aid political development, political activity is assumed to have no bearing at all on economic progress.

... the popular idea that pervades the literature and forms the basis of statesmanship of the period, which ascribes our superior civilization to our democratic institutions ... is radically and fundamentally false. It is not true that our superior civilization is due to our democratic institutions; it is not and never was true that liberty enlightens the world.

On the contrary, our democratic institutions are the natural consequence of our industrial prosperity and superior civilization; and liberty, like morality, instead of enlightening the world, is the golden result of the world's being enlightened by the material and social progress of society.<sup>1</sup>

It is partly because of Gunton's disbelief in the power of government to alter industrial conditions that he adopted the laissez faire approach, and laissez faire is, after all, only one practical solution, among others, which an economist settles upon to solve the economic problems of society. The answer to the question of whether or not the general welfare is increased by intervention or non-intervention depends entirely on the economist's own bias and his interpretation of the nature of economic problems. His decisions of what will be best for society, and what is the best method of aiding the progress of society will reveal his fundamental

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<sup>1</sup> Gunton, Wealth and Progress, 206-7.

assumptions and sympathies, so that we know to what school of economic thought he really belongs. From our previous examination of Gunton's solutions, we know that Gunton's answer to this final question of procedure was the Classical one of laissez faire, and his basic assumptions in arriving at that answer were mainly Classical. He assumed the absolute existence and operation of natural laws; he accepted the idea of an underlying harmony which tends to maintain equilibrium in society; and he adopted the abstract-deductive method in setting up his natural laws. These convictions are all intrinsic to Classical doctrine. In the fidelity with which Gunton followed them, he reveals himself to be basically a Classicist.

One final aspect of Gunton's theory remains for discussion, dealing with the question of the psychology of economic action. Here Gunton belongs more definitely to the contemporary Subjectivist school of thought rather than the Classicist, even though this school is considered an offshoot of Classicism. While Classical theory had taken up the question and postulated the abstract concept of the economic man moved by motives of self-interest, Gunton and the Subjectivists placed a great deal more emphasis on the problem of motivation and devoted much more of their time to the analysis of individual wants and desires as the wellspring of all economic action.

The significance of the individual in Gunton's theory is that he is the consumer, all social progress is promoted by increased consumption stimulating increased production and hence, the accumulation of greater aggregate wealth. Poverty is, after all, only the result of an insufficient amount of aggregate wealth. If the total wealth were increased so that the poor could have more, and none need have less, the progress of all society would be assured.<sup>1</sup> But wealth can only be augmented by in-

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<sup>1</sup> Gunton, Wealth and Progress, 5, 220.



creasing the demand for products, and this is dependent upon so unstable a thing as people's wants and desires. Gunton succeeded in perceiving order and causal relationships in human desire and so built his theory of progress on desire.

In our earlier discussion of the most original contribution made by Gunton --- his novel defense of the eight-hour day --- we were first introduced to Gunton's idea of want and desire as the critical factor motivating all economic action. This is where Gunton duplicates some of the ideas of the Subjectivists. "In practice, the subjective economists make the human want the ultimate causal force in economic life..."<sup>1</sup> Therefore it is Gunton's notions on what human wants are, how they are developed, and how they produce their effect in society with which we are concerned.

One of his elementary assumptions is that all progress is chiefly dependent upon human desires. "... the development of man's social wants, and the consequent increase in the general consumption of wealth, is the necessary precursor of social, intellectual, and moral advancement."<sup>2</sup> Here is still another reason why Gunton objects to government interference, since he does not feel that desires can be controlled. But since physical wants are limited, it is social wants which contribute to social progress, for they are unlimited. "Ultimately, then, social progress is neither more nor less than the change of human habits or, in other words, the increase of human wants, which constitute the differentiation of social character."<sup>3</sup> These wants which animate the economic drive in people cannot be simply longings or hankerings. If that were

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<sup>1</sup> Lewis H. Haney, History of Economic Thought, 583.

<sup>2</sup> Gunton, Principles of Social Economics, 27.

<sup>3</sup> Gunton, Wealth and Progress, 190-4.

true, everyone would have whatever he wanted merely by wishing for it. Wants, to be effective as economic forces, must be so strong and necessary to the individual that he suffers more pain from the lack of the desired object than from working to obtain it.

Human wants are not only the cause of social progress, but... advancement toward a higher plane of happiness can only take place on the egoistic principle of obtaining the maximum pleasure for the minimum pain.<sup>1</sup>

We must recognize immediately the familiar Classical principle of self-interest emerging in Gunton's statement. Similarly, the Subjectivists had taken up the principle and made it a cornerstone of their doctrine. The notion of self-interest rested upon common observations of the psychology of human behaviour, that man always seeks pleasure and avoids pain, getting as much of the former with as little of the latter as he can. Jevons, a leader of the Hedonistic school, had written:

Pleasure and pain are undoubtedly the ultimate objects of the calculus of economics. To satisfy our wants to the utmost with the least effort, to procure the greatest amount of what is desirable at the expense of the least that is undesirable, in other words, to maximise pleasure, is the problem of economics.<sup>2</sup>

The question of man's motivation in economic action was recognized as one of the fundamental problems that had to be solved in building any firm structure of doctrine, for did not even all natural laws depend ultimately on the behaviour of individuals to be carried out? Was it not assumed that in following his own self-interest, the individual was also acting in accordance with the general welfare, and hence, the laws of economics? We would then have to understand something about men's interests.

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<sup>1</sup> Gunton, Principles of Social Economics, 29.

<sup>2</sup> Quoted by Gide and Rist in A History of Economic Doctrines, 408.

Cairnes, an English Classical economist, recognizing the unpredictable human element at the base of any theory of economics, had suggested that even the most general economic laws could not be definitely asserted to be universal and absolute, completely independent of human will, for such laws only state what men are most likely to do under given circumstances. Gunton apparently wished to avoid this equivocal position of maintaining both the predictability and the unpredictability of human behaviour, so he repudiated the relevance of motivation in economics, declaring, "Economic law...does not recognize motives, or likes and dislikes; it is concerned only with cause and effects."<sup>1</sup> He felt that the economist could not concern himself with what men like to do, but rather with what men actually do.

Although this statement may appear to contradict what has been previously said of Gunton's interest in want and desire, it is actually in complete agreement with Gunton's whole explanation of the causes of social progress. Gunton is not really philosophically concerned with men's desires, but merely is interested in their outward manifestation in economic action. He can dismiss the intricate problem of just how men's wants and desires can be measured, because he has decided that "the amount and direction of man's effort is finally governed by his wants."<sup>2</sup> Elsewhere he writes, "Wants are the motive and measure of effort!"<sup>3</sup> Gunton has simply assumed that want and effort are identical, and that we can judge a man's desires simply from the direction and intensity of his efforts. He assumes that in order to carry out the rest of his economic doctrine, that the standard of living is the law of wages, that the worker's pay cannot be permanently much above his wants.

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<sup>1</sup> Gunton, Wealth and Progress, 40.

<sup>2</sup> Gunton, Principles of Social Economics, 80.

<sup>3</sup> Gunton, Wealth and Progress, 83.

We have already met Gunton's assertion that all progress is caused by desire. To qualify this, we must now add, "Only effectual desires cause progress."<sup>1</sup> Since Gunton is only concerned with the practical results of desire, we naturally ask, what makes desires effectual? How is their influence felt in the economic world?

...desires become economically effectual just in proportion as they grow in intensity and their non-gratification inflicts more pain than is involved in the labor necessary to satisfy them. This explains why we see in some individuals, classes, and countries, a willingness to put forth great effort, and take great risk, in order to obtain things which others, while they might gladly receive, would do practically nothing to obtain.<sup>1</sup>

When we consider why there are such differences in human desires that some are economically effectual and others are not, we are met again with Gunton's hedonistic explanation of human nature. Gunton feels that man is basically a lazy animal, refusing to exert himself except to gratify some desire. Man is also essentially conservative, disliking change, and only yielding when opposition or lack becomes more painful than acquiescence or possession. The task of stimulating new desires and wants, so as to promote progress, is not easy, Gunton feels. Men are so gregarious and imitative that social change is a slow process.<sup>2</sup> Yet, easy or not, that is the only way in which society can progress. For, increased effectual wants will encourage the manufacturer to greater output to satisfy the prospective consumption; and the increased production will mean greater aggregate wealth which is the final answer to poverty.

How, then, is the manufacturer to recognize the desires of the multitude as serious (effectual), and as no longer mere hankering? Gunton

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<sup>1</sup> Gunton, Principles of Social Economics, 81.

<sup>2</sup> Gunton, Wealth and Progress, 193.

also, poses this question: "How...is this relation between desire and effort, consumption and production, to be ascertained? How do the producers know when the desires --- or wants --- of the consumers have reached the economic --- or effectual --- degree of intensity?" If this question were answered satisfactorily by Gunton, the validity of his theory might then be established. Gunton's reply is simply: "...by the willingness of the consumer to give the necessary effort, or its equivalent, to procure the satisfaction of his wants."<sup>1</sup> He does not specifically state exactly what the "necessary effort" is, or its "equivalent". Does he mean that the consumer is willing to pay higher prices? This scarcely seems plausible, because the very purpose of encouraging increased demand is to render mass production possible so that prices will be lower and the manufactured articles will be within the reach of all. Does he mean that the consumer, as worker, should work harder? Yet, Gunton advocates a shorter working day at no decrease in pay. Further, he warns that the cost of production can only be lowered as natural forces, such as labor-saving devices, predominate over human forces in the process of production.<sup>2</sup> Gunton does not clarify any further the exact nature of how these all-important desires of the consumer are to be transmitted to the manufacturer. Yet it is just this relationship which would need most improving, since it is the crux of Gunton's theory that consumption controls production. Nevertheless, putting aside for the moment this questionable link in the chain of Gunton's argument, let us complete our examination of that part of Gunton's doctrine which concern desire and consumption.

If we assume that the consumer's wants are communicated to the manufacturer, how does that produce economic progress? Gunton's solution runs

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<sup>1</sup> Gunton, Principles of Social Economics, 81.

<sup>2</sup> Ibid., 89.

as follows:

Although desire is the initial cause of production, its effective intensity and extent are economically measured by and registered in actual consumption. Consumption being the only economic measure of want, it is the real basis and final regulator of production.<sup>1</sup>

Gunton points out that the reverse argument has been consistently held by economists, that production determines consumption, but he asserts that this is not so. While it is true that there must be a product before it can be consumed, it is also true that the product would not have been manufactured if there had been no desire for it. Gunton concludes, "Chronologically, production precedes consumption, but economically consumption precedes production and is the cause of it."<sup>2</sup> As proof of what he says, Gunton cites various examples of how workers' standard of living is always determined by and reflects their wants.

Without regard to climate, political institutions, and social conditions, wherever the cost of living is low, whether from the cheapness of things or the fewness of the wants, small wages are invariably paid.<sup>3</sup>

It is a little curious to find Gunton completely overlooking, in fact, denying the reverse relationship of the worker's cost of living and his wants. Contrary to Gunton's notion, most economists would agree that what a worker consumes is quite limited by what he earns and may give no indication at all of what he desires. There is undoubtedly some relationship between the worker's cost of living and what he consumes. But it is questionable whether that relationship is the one which affirms the idea that his standard of living is determined only by his wants, as revealed

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<sup>1</sup> Gunton, Principles of Social Economics, 31.

<sup>2</sup> Ibid., 32.

<sup>3</sup> Gunton, Wealth and Progress, 164.

in his consumption and what he buys. It seems much more likely that the worker's wants and consumption are restricted by his standard of living --- what he earns and is able to afford.

The reversed causal relationship of Gunton's theory led him to this rather peculiar analysis of why the living conditions in China were so poor. Gunton declared that the reason Chinese workers' wages were so low is that his wants are so meager; he desires no more than he gets and vice versa. The English laborer, on the other hand, developed greatly increased wants; thus his consumption increased production, which in turn raised his wages to a hundred times more than his original wage.<sup>1</sup>

Gunton's conviction of the priority of consumption was so complete that he even found the exclusive cause of business depressions in a lessening of consumption. "Production being but the economic response to consumption, it is to the influences which affect (sic) consumption that we must look for both the cause and cure of business depression."<sup>2</sup> Why consumption should fall behind and thus create a depression is the question which springs up immediately. If want is all that is required, and all men's actions are directed toward gratifying their desires, why should lack of desire exist? Gunton's reply was a rather ingenious rationalization.

In proportion as the factory system improves economically, it tends to make the laborer more and more a specialist....As ...the speed and quantity of machinery is increased, ... the strain upon his physical and nervous energy (is) intensified ....The obvious effect of all this is to deaden the springs of ambition and check the growth of new desires and superior tastes and habits of life. The laborer whose energies are exhausted in the workshop is naturally impervious to more elevating and refining influences. His leisure moments find him

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<sup>1</sup> Gunton, Wealth and Progress, 109.

<sup>2</sup> Gunton, Principles of Social Economics, 369.

physically tired, mentally dull, and hence morally and socially indifferent. The inevitable tendency of this is to cause him to gravitate towards the saloon rather than the reading room, lecture hall, or theatre for his instruction and entertainment .... (This) condition ... will inevitably result in stereotyping the social life of the masses and in checking the increase of their wealth-consuming capacity.<sup>1</sup>

It should be pointed out here that the burden of the consumption which Gunton considered as the precursor of progress, necessarily falls upon the working classes, because he conceived of an increased demand by the many, not a hearty appetite of the few. He was quite right in recognizing that for mass production and cheap output a large demand is required. "... under factory methods of production material prosperity and social welfare finally depend upon the consumption of wealth by the laboring classes."<sup>2</sup> Ultimately, Gunton felt that "It is only the multitude that can pay for the most costly."<sup>3</sup>

If the workingman's wants and, hence his consumption is so important to the well-being of society, how are they to be stimulated and increased? We must remember, however, that we are to deal only with true wants, not wishes.

A want, in the true sense of the term, is such a conscious need of an object that its absence will cause sufficient pain to induce the effort and sacrifice necessary to its attainment.<sup>4</sup>

Moreover, we are restricted to social, rather than physical wants, because the latter remain approximately the same, according to Gunton, and hence do not affect progress. Last --- the desires cannot be conscious ones, but must have become so intimate a part of the worker that they are virtually habits. Gunton's solution, then, was to stimulate the desires of the masses

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<sup>1</sup> Gunton, Principles of Social Economics, 387-8.

<sup>2</sup> Ibid., 438.

<sup>3</sup> Gunton, "Introductory Remarks," Social Economist, I (1891), 4.

<sup>4</sup> Gunton, Wealth and Progress, 185.



by increasing their leisure, and thus giving them greater opportunity for contact with an increasing variety of social influences.<sup>1</sup> Gunton felt that the concentration of population in cities was one good socializing influence. Cities not only welded together all classes in mutual dependence, but also served as centers of culture, luxury, and political freedom.<sup>2</sup> The purpose in advocating more leisure for the worker was to provide him with the spare time for reading, attending lectures and concerts, and generally increasing his "wants." This must, Gunton reasons, lead to the consumption of a wide variety of goods, especially luxury goods. One of the greatest benefits of the industrial system, as Gunton saw it, was the mass production of luxury goods, formerly prohibitively expensive luxury goods, that were now available to everyone.

All the threads of Gunton's intricately woven theory of consumption begin now to form a pattern. We can understand why, in spite of his belief that he represented the best interests of the worker, he defended the wealthy classes and did not object to trusts. In Gunton's opinion, the millionaire played a necessary role in society. He stood as an example of culture and taste, a figure of envy, to whet and stimulate the desires of the lower classes so that the manufacturers could produce and all society could advance. The average man would have no desire for certain luxuries, Gunton felt, unless he learned from the example of the millionaire, how to enjoy and appreciate art, music, ballet, and opera. Gunton believed rather correctly that the working man would not spend money on opera tickets. Without the support of the wealthy, he advised, there could be no opera.<sup>3</sup> Gunton looked upon the wealthy classes as a

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<sup>1</sup> Gunton, Wealth and Progress, 131.

<sup>2</sup> Gunton, Principles of Social Economics, 321.

<sup>3</sup> Gunton, Trusts and the Public, 64-6.

kind of intellectual aristocracy, possessing fine taste and culture, because he was convinced that culture came along with wealth. He was never moved to ask if wealth might not be gained without culture.

What we want is to encourage our own wealthy classes to expend their riches here, in America, so that satisfying their desires they shall at the same time, in spite of themselves perhaps, be promoting in the highest and most efficient sense American art, architecture and science, and American social life.<sup>1</sup>

Gunton's defense of wealth and his belief in progress were made logically possibly by his theory of consumption, which defended itself on the assumption that social wants and desires were exactly reflected in consumption. In thus focussing attention on the consumer as a motivating force in economic life, Gunton followed a course very similar to that of the Subjective economists. In addition, both he and they arrived at a subjective theory of value, and both used a hedonistic psychology.

However, on the intricate problem of cause and effect relationships, Gunton differed from the Subjectivists. In this respect he came closer to the Classicists who also suffered from similar difficulty of reversing causal relationships. While they had frequently been guilty of a circular process of reasoning, making causes effects, and effects causes depending on the particular point at issue, Gunton had also been at fault for insisting on absolute, one-way relationships. He had insisted, for example, that production determined price, whereas most economists considered the reverse relationship to be true.<sup>2</sup> The attitude of the Subjectivists, and of most modern economists, toward this problem is a more catholic one. They recognize that it is virtually impossible to treat separately the factors of production, distribution, and price, for all

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<sup>1</sup> Gunton, Trusts and the Public, 71.

<sup>2</sup> Gunton, Principles of Social Economics, 107.

are complementary.

It is obviously imperative that the vain quest for causal relations should be abandoned and that economists should be content with the statement that between cost of production and price there exists a kind of equilibrating action in virtue not of any mysterious solidarity which subsists between them, but because the mere absence of equilibrium due either to a diminution or an increase in the quantity of products immediately sets up forces which tend to bring it back to a position of equilibrium. This interdependent relation, which is extremely important in itself and upon which the Hedonists lay great store, is simply one example taken from among many where the value of one thing is just a function of another.<sup>1</sup>

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<sup>1</sup> Charles Gide and Charles Rist, A History of Economic Doctrines, 491.

## CONCLUSION

Looking at the American economic scene, from the closing decades of the nineteenth century to the opening years of the twentieth, and evaluating George Gunton's position in it, we must admit that his role was essentially a minor one. The period was tempestuous, bitterly divided within itself by the violent clash of opposing doctrines. The fixed rules and comfortable faiths of the successful classes were at last being damningly denounced. They were also, in turn, being stalwartly defended. From the ranks of discontented workers, farmers, and militant reformers arose a steady barrage of criticism, riddling the cherished gospel of wealth and success. On the economic level, the champions of skepticism and scientific method were challenging the comfortable canons of Classical economics. Gunton, feeling the impact of these conflicts, resolved the clashing forces into what he felt was a unique amalgam that would be satisfactory to both capital and labor, and put society generally, on the smoothest road to progress. Although the general welfare was uppermost in the conscience of Gunton, and he sincerely felt he was being faithful to labor and his lower class background, his deductions from the premise of wealth and happiness for everyone, as we have attempted to demonstrate, logically carried him from the liberal to the conservative side of the socio-economic fence. For this reason he was essentially aligned, not with the most vital thought currents in his time, but with a stagnant, conservative tradition that perpetuated the injustices of the status quo. Gunton was neither in the vanguard of new thought, nor especially profound in reinterpreting the old. Thus, it is not surprising that his fame died with him, and he remains a minor figure.

Nevertheless, because of Gunton's very conventionality and his eclectic habit of borrowing ready-made ideas, he possesses an importance beyond his intrinsic achievement. In his works are mirrored significant fragments of the most influential and representative ideas of his time. Studying his writings, we are continually aware, for example, of the existence of a tension caused by the invasion of scientific ideas and method into his social thought. We can also estimate something of the bitterness of the attack on wealth from the indignant manner in which Gunton rises to the defense of millionaires and trusts. Gunton reflects perfectly the prevailing mood of the American populace in his wholehearted belief in progress, individualism, and laissez faire, and these qualities increase his relevance as a representative figure. More important for the purpose of this paper, however, is Gunton's position in the great economic controversy over method and practical solutions. Here Gunton succeeded in being most representative. He exhibits in his work traces of both the early dissenting schools, the Historical and Subjectivist, and welds all the ideas together into a unified theory by applying the logical deductive method of Classicism. The primary significance of Gunton's economic philosophy, then, is that it is a combination of warring doctrines in a crucial era.

What Gunton owed to the Historical school was an increased awareness of the necessity for transforming political economy from the vague, colorless body of abstract dictums it had been, into a realistic, practical vital study of current economic conditions. They had succeeded in infusing life into the field by using the new inductive method inspired by science. Gunton, too, had felt the inadequacies of the older method of orthodox economics, and called for a new, hopeful science to replace the old, dismal one of Malthus and Ricardo.

Whenever the science which should furnish the key to nature's bounties and the light to human progress becomes unattractive to the student and repulsive to the average citizen, we may be assured that there is something fundamentally amiss with the conception and treatment of the subject.<sup>1</sup>

The Historicists had insisted on the importance of objective, dispassionate study to achieve a greater degree of scientific validity, and carried out their purpose by voluminous fact gathering and application of statistics. Gunton emulated, at least superficially, the inductive method of the Historical economists, agreeing with them that it was the only way to establish the validity of any economic law. Gunton and the Historicists were also alike in their acceptance of the Darwinian theory of evolution. However, the Historical economists simply applied the principle in order to describe the developmental evolution of economic institutions; Gunton's application of the theory was much less scientific, for he fell partially into the subtle fallacy of Social Darwinism --- and insisted that the progress of society was a scientific law. While Gunton admired the inductive economists, he felt their contribution was faulty, because they had been primarily critical, and not constructive, theorists. The Historicists had, of course, generally adopted a broad, relativistic outlook, which made the formulation of any centralized, overall theory virtually impossible for them. Gunton did not pursue their relativism very far; he still preferred to separate economics from ethics and politics, claiming that economics had to be isolated to be truly dispassionate and scientific. Gunton may not have penetrated very far into the scientific methods and purposes of the dissenting Historical group, but he did at least recognize their im-

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<sup>1</sup> Gunton, Principles of Social Economics, v.

<sup>2</sup> It is interesting to note that in the Principles of Social Economics, passim, Gunton quoted from, and so presumably read, not only Spencer's Social Statics, but also Fiske's Cosmic Philosophy, and Ward's Dynamic Sociology, all books which contain the ideas of Social Darwinism.

portance as a vital force in the development of economic science, and tried to cull what he could from them for his own purposes.

In spite of his superficial gesture toward Historicism, Gunton belonged basically, in spirit and method, to the Classical school. The idea of the absolutism of natural laws and their sublime, harmonious operation in society appealed to Gunton's own desire for logical unity and completeness. There is an admirable logic and neatness in his doctrines; so interlocked are his ideas that it is always difficult to extract one idea for discussion without drawing along a whole network of related cause and effect sequences clinging to the main notion like tangled seaweed. Classical theory exhibits a similar unity, for it too, is constructed on the same deductive principles that Gunton used to build his doctrines. Gunton's real disinterest in the inductive method is conclusively indicated in his use of deduction and logic. Further similarities between Gunton and the Classical school are the preference of a laissez faire policy in government, and separation of ethics and economics; both opinions arose out of the abstraction and absolutism of their viewpoint and their feeling that to be scientific, economics must deal with universal truths in specialized fields. Gunton is also akin to the Classical economists in their generally conservative political philosophy, objecting to control by government, repudiating charity as unscientific, and suggesting that free competition and the natural laws of economics will maintain the equilibrium of society. Gunton's own opinion is even more optimistic. For him, the method of reform is extremely simple.

Work and system, organization and struggle for better materials, more productive energies, wiser laws, clearer principles, nature better understood and made more obedient, will always be the real agencies of amelioration.<sup>1</sup>

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<sup>1</sup> Gunton, Principles of Social Economics, 440.

Not only is reform simple, but for Gunton progress is inevitable anyway.

... the world actually goes from good to better perpetually, despite ... awful predictions. Men are richer, brighter, more virtuous and happy, wiser, stronger, and healthier than they ever were, and we have simply pointed out the principles that have brought them to this finish.<sup>1</sup>

While optimism was not necessarily a feature of Classicism, it was the rule rather than the exception in America. In both his optimism and conservatism, Gunton represented the viewpoint of the average American Classicist.

What Gunton had in common with the Subjectivists, beside their basically Classical orientation, was the fact that they did ~~not~~ dissent from certain narrow and outworn dogmas of orthodox Classicism. Gunton felt, with them, that a major mistake in Classical theory had been its overemphasis on production at the expense of the equally important factor of consumption. Both Gunton and the Subjectivists were convinced that the human factor had been grossly underestimated in previous economic doctrines, and they proceeded to build up a theory which had its basic impetus in the human will. Gunton went further than most of the Subjectivist economists in asserting that all economic action springs only from the individual's desire, for his idea was that production is determined only by consumption, negating any possibility of a reverse relationship. In this respect, the Subjectivists were more sophisticated, because they recognized the interactions of all the various factors of production, distribution, and consumption and refrained from any foolhardy attempt to isolate them. In one other respect their ideas are reflected in Gunton's, and that is in their hedonistic psychology. This was, of course, not a new interpretation of human behavior, but it now assumed larger proportions since it was great-

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<sup>1</sup> Gunton, Principles of Social Economics, 432.



ly dramatized in a philosophy which made man, instead of the production of wealth, the center of economics. The idea of the "economic man" eventually came under withering attack from Veblen and the Institutionalists, because of its exclusion of motives other than the acquisitive from any consideration of economic action, and because it resulted in a static, non-volitional concept of human behavior.

It is the characteristic of man to do something, not simply to suffer pleasures and pains....He is...a coherent structure of propensities and habits which seek realization and expression in an unfolding activity.<sup>1</sup>

This brief restatement of the various parts of Gunton's economic theory which reflect the shifting intellectual currents of the times, has necessarily omitted any consideration of the originality of Gunton's doctrines. Gunton's main original contribution was his defense of an eight-hour day for the worker. Although this seems to imply a liberal attitude, Gunton's justification of the measure rested on the same sort of economic conservatism that marked the rest of his theory and enabled him to defend the trust in almost the same breath. Perhaps this truth can best be grasped by a quotation from Reverend R. Heber Newton, a supporter of Gunton's.

Underlying this philosophy of the eight hour movement, there is ... something far more widely reaching. You have given in your work a philosophy of social economics which leads on to other and larger measures of reform, indefinitely, along conservative lines. Without involving any rupture with the present social order, you point the way whereby that order may be lifted to a higher and noble one.<sup>2</sup>

Even Gunton's labor opinions reflected his conservative outlook. He was keenly aware of the unrest and dissension in the scene, but in spite of his own personal and bitter labor experiences as a union leader, he never condoned strife. Although we might expect Gunton as a worker to be

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<sup>1</sup> Veblen, The Portable Veblen, 21.

<sup>2</sup> "Letter to Editor," Social Economist, I (1891), 62. Italics mine.

antagonistic toward industrialists, he never opposed them, because they spelled for him the future success of all society. Perhaps only in a turbulent period would such a bold defense of wealth be put forward, in all its crass materialism. "To desire things is the first step in social progress."<sup>1</sup> Such a philosophy which bases all progress on material possession, applauds all concentration of industry, no matter how highly centralized, and objects to any government interference --- such a philosophy would not be accepted today without question. The rise of fascist dictators in the modern era has made such easy optimism impossible.

As an economist or as a labor leader, Gunton primarily represents the conservative point of view. Although it is frequently overlooked as a vital intellectual force in the eager search for the more dynamic, progressive ideas, conservative opinion was vigorous and strong in this period, and Gunton was undoubtedly influential.<sup>2</sup> It has not been possible, in this limited study, to present an exhaustive account of all of Gunton's ideas or of his opinions on different issues. Instead, the purpose of the paper has been to present an analysis of Gunton's major economic ideas as they reflect the development of economic thought in his time.

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<sup>1</sup> Gunton, Principles of Social Economics, 441.

<sup>2</sup> "George Gunton," Dictionary of National Biography, 56.

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