

Hamilton, Harvard, and the German Historical School: A Short Note¹ on a Curious History

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Abstract

Hamilton's reputation remains high among modern historians and political economists. Yet, his ideas borrowed only the most superficial aspects from Smith's *Wealth of Nations*, replacing the mechanism of unintended consequences with the intentional and observable phenomena of historical experience. That shift in approach had a profound, though little-recognized influence on ideas in Germany, from whence they returned to influence current academic thinking in unexpected ways.

JEL Codes: B1, B3, B4, N11, N14, L2

Keywords: Alfred Chandler, Alexander Hamilton, Friedrich List, Fritz Redlich, Gustav Schmoller, German Historical School, New Organizational School, Wilhelm Roscher

Alexander Hamilton's reputation has waxed and waned, but one judgment appears fairly constant: his place as the American founding's leading thinker on finance and political economy. And yet, his specific efforts moved exactly contrary to the core contribution of Adam Smith; namely, Smith's refinement of the idea of the "invisible hand," where rational self-interest leads to the unintended flourishing of others. But still, generations of scholars have affirmed Hamilton's sagacity as an economic thinker (Knott 2002, pp. 6–7, 221–23). Most recently, Thomas McCraw, a prominent member of the now not-so-new "New Organizational School" of interpretation, reaffirmed that judgment (McCraw 2012, p. 93). Why is it that the Hamiltonian turn takes such prominence in scholarly circles? The intellectual connections are closer than one might think.

¹ Due to space considerations, this essay was reduced from a longer research project.

Hamilton was well aware of Smith's particular arguments of unintended consequences, having quoted *The Wealth of Nations* at length in his report on manufactures, but he was insistent that America could not wait for the off chance that markets might foster certain industries naturally. As a consequence, he crafted arguments from history and experience for the political promotion of manufactures. That effort proved important to the development of another line of thought: The German Historical School, the central tenet of which was that economic phenomena needed to be seen and understood in their concrete manifestations in time, and not primarily through abstract logical relations. Usually one hears of statist influences moving from Germany to America. In this instance, the ideas went in the other direction. Even more curiously, they returned to America by way of Harvard through the New Organizational School, of which Thomas McCraw was a late prominent member.

Thus when McCraw reviews Hamilton's career in *The Founders and Finance*, it is in fact Hamilton's own perspective come back to interpret itself. Reconsidering the schools' origins sheds light on the reasons why conceptualizing the unseen and unintended has proven so difficult. The spirit of Hamilton's theoretical impatience has gone hand in hand with modern academic inclinations (Lamoreaux, Raff, and Temin 2003, pp. 404–33).

I. Hamilton's Turn to History

Many have argued that Hamilton's break with Smith was not as profound as early protectionists had originally portrayed, and in certain particulars, this argument is true enough. Hamilton did not *reject* Smith *in toto* (Hacker 1957, pp. 150, 168; Chernow 2004, pp. 347, 376–77.) Against the French physiocrats who privileged agriculture, Hamilton found Smith's argument for the efficacy of the division of labor quite useful, even employing the very words of *The Wealth of Nations* (Bourne 1894, pp. 328–44; Rabeno 1895, pp. 317–18). But to emphasize this point misses a far more fundamental disagreement. The original aim that prompted Hamilton's thinking was the desire for a more powerful central government. That aim predated the U.S. Constitution and was vigorously pursued in 1781–82 in the *Continentalist Essays*, where he attacked directly the idea of the unplanned and the unseen (Vernier 2008, pp. 169–200).

Smith's well-known line of argument that each “is led by an invisible hand to promote an end which was no part of his intention” illustrates how deeply important the unseen results of human activity

are to the economic question (Smith 1776, p. 456). That was not an argument that fit well with Hamilton's aims. "There are some," he wrote in the fifth *Continentalist*, "who maintain that trade will regulate itself, and is not to be benefited by the encouragements or restraints of government. Such persons will imagine that there is no need of a common directing power." Indeed, he wrote, "This has become one of those wild speculative paradoxes, which have grown into credit among us, contrary to the uniform practice and sense of the most enlightened nations." The essence of such "uniform practice," as Hamilton emphasized, was the observable and the obvious, not the unseen and unintended. The argument that followed exuded economic nominalism: "Contradicted by the numerous institutions and laws *that exist everywhere* for the benefit of trade, by the pains taken to cultivate *particular branches* and to discourage others, by *the known advantages* derived from those measures, and by the *palpable evils* that would attend their discontinuance, it must be rejected by everyman acquainted with *commercial history*" (Vernier 2008, p. 187, emphasis added).

This was all about what "exists everywhere," of "numerous institutions," of "particular branches," of "known advantages," of consequences that are immediately "palpable." And here was the initial turn to experience to counter such logical speculations as found in Smith to make the case for government policies to promote domestic industries: "And in questions which affect the happiness of these States, all nice and abstract distinctions should give way to plainer interests, and to more obvious and simple rules of conduct" (Vernier 2008, p. 192). These "more obvious and simple rules of conduct" would be the ones found in "commercial history," the time-honored rules of mercantile policies respecting trades, tariffs, and institutions adapted judiciously to specific types of manufactures. It was this idea that Hamilton set at the heart of his promotion of American policy in the 1790s. *The Report on Manufactures* was an extension and expansion on the themes of the fifth *Continentalist*.

Starting where that essay left off, Hamilton detached Smith's argument for the division of labor from its basis in the unintended consequences of individual exchanges to the active intervention of specific political institutions of the nation and its various offices. He retained Smith's listing of the more obvious and *sensible* advantages to be derived from specialization, but his explanation of how such benefits came into being was anything but Smith's:

Whatever room there may be for an expectation that the industry of a people, under the direction of private interests, will upon equal terms find out the most beneficial employment for itself, there is none for a reliance, that it will struggle against unequal terms, or will of itself surmount . . . the advantages naturally acquired from practice and previous possession of the ground, or . . . by those from positive regulations and an artificial policy (Syrett 1966, p. 269).

What followed surveyed the perceptible, known barriers, both natural and artificial, that must be overcome and, more specifically, the steps governments could take that “appear to be materially connected with the prosperity of manufactures.” From this perspective, the acting agency in the improvement of the economy became *not* the unintended consequences of private pursuits, but the intended policy interventions of nations: “It is a primary object of the policy of nations,” he wrote, “to be able to supply themselves with subsistence from their own soils; and manufacturing nations, as far as circumstances permit, endeavor to procure, from the same sources, the raw material necessary for their own fabrics.” He also wrote, “To secure such a market, there is no other expedient, than to promote manufacturing establishments” (Syrett 1966, pp. 257, 259).

Not to put too fine a point on the matter, he drew special attention to the political aspects of political economy wherein the means of both defense and wealth needed to be considered together, for the “possession of these is necessary to the perfection of the body politic; to the safety as well as to the welfare of the society. The want of either is the want of an important organ of political life and motion; and in the various crises which await a state, it must severely feel the effects of any such deficiency” (Syrett 1966, p. 291).

The key move was to counter Smith’s narrative by limiting the salience of unintended consequences. Once a nation reached an advanced state of commercial development, free trade might make some sense, but where this is not the case, such a policy would render the United States “the victim of a system, which should induce them to confine their views to Agriculture and refrain from Manufactures . . . and such could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorize them to aspire” (Syrett 1966, p.

263). From this perspective, as McCraw noted, Smith's argument was an argument in favor of Britain (McCraw 2012, p. 55). For America, he proffered a different maxim, "well established by experience:" The "superior steadiness of the demand of a domestic market for the surplus produce of the soil, is alone a convincing argument of its truth" (Syrett 1966, p. 293).

Three theoretical turns thus served to counter Smith's unintended consequences: (1) focusing on the perceptible and intentional structures, or those relations that "appear to be materially connected with the prosperity of manufactures," (2) shifting the emphasis from the individual to *national institutional or collective interests*: "to the perfection of the body politic; to the safety as well as to the welfare of the society;" and finally, (3) identifying practices "well established by experience," or that which has been "generally acknowledged." These were, in fact, the main points that would later define the German Historical School.

II. The German Historical School²

Most treatments of the German Historical School begin with Wilhelm Roscher. A student of Leopold Ranke, Roscher brought the concerns of early nineteenth century historicism to bear on economics, with all of its attendant concerns for explaining causation and agency in history. This last point has often been obscured by numerous confusions attendant on the meaning of historicism, but for our purposes, it can be narrowed down to the challenges of understanding historical context (Herkless 1987, pp. 166–79; Priddat 1995, pp. 15–34). When seen in this light, the potential attraction of Hamiltonian ideas in favor of the seen over the unseen becomes apparent. When Hamilton disparaged the "wild speculative paradoxes" of Smith's economics, he enunciated impatience with theory that appeared to predetermine the outcome of policies before they were even implemented. That point would strike a receptive chord in the context of Roscher's Germany, but how and when?

Roscher shared the historical project of Ranke in full, but his distinctive academic mark was struck in its application to economic ideas. His efforts mapped closely the three Hamiltonian points just

² The author is aware of the debate over the existence of the German Historical School for reasons of both historical context and theoretical definition, but due to space considerations, cannot enter into that controversy here. For the historical context challenge, see Tribe (1995, p. 3). For the debate over definition, see Pearson (1999, 2001) and Caldwell (2001).

outlined, but where Hamilton thought mainly in terms of national political institutions, Roscher embraced cultural and social institutions as well. What is not recognized is how much he was in fact indebted to Hamilton's initial intellectual efforts in political economy. The connecting tie that is often overlooked is Friedrich List, who sojourned in America between 1825 and 1830.

III. Friedrich List in the Hamiltonian Context

There has been a longstanding recognition of the similarities of Hamilton's *Report on Manufactures* and List's various writings. Encouraged by the Marquis de Lafayette to accompany him on his final visit to America, List took the opportunity to avoid the ongoing legal persecution that followed his efforts at various political reforms in Germany, staying in the United States from 1825 to 1830. A staunch early advocate of German national unity, List was attracted to the basic orientation of Hamilton but had entertained only vague doubts about the efficacy of international free trade prior to America (Henderson 1983, pp. 51–67).

List favored a German toll (*Zollverein*) or, more accurately, a commercial union or zone (*Handelsverein*), which is not necessarily synonymous with favoring free trade except in the sense that trade would be left *internally* free within the nation. Hamilton had the same idea for the United States. Since List can be shown to have contemplated protective duties as early as 1819, some have discounted the importance of Hamilton's influence (Hirst 1909, pp. 137–45; Eiserman 1956; Grundberg 1957, pp. 708–10). But the point is not that Hamilton invented protective tariffs. Even Smith had had limited room for them. Rather, as Ugo Rabbeno pointed out in 1895, his influence went to stimulating List's more thoroughgoing rationale for protectionism (Rabeno 1895, pp. 325–54; Notz 1926, pp. 249–65; Tribe 1995, p. 44). This point needs emphasis (Harlen 1999, pp. 733–44; Culbertson 1911, pp. 127–58).

Much of Hamilton's influence was soaked up from the intellectual context of the day (Rabeno 1895, p. 319; Hirst 1909, pp. 115–17). Hamilton's *Report* had set the terms of debate in America, and his intimate involvement with industrial boosterism, most notably through the founding of the Society for the Establishment of Useful Manufactures (SEUM), helped ensure his intellectual legacy. Hamilton's close associate and cofounder of SEUM, Assistant Treasury Secretary Tench Coxe, the person responsible for most of the *Report's* factual data, had also been a founder of the Pennsylvania

Society for the Encouragement of Manufactures and Useful Arts (originally the Philadelphia Society for the Promotion of National Industry) with Mathew Carey (Peskin 2003, pp. 114–18, 154, 164, 216; Cooke 1975, pp. 369–92). It was this organization that List joined soon after arrival, and which twice republished Hamilton's *Report* during List's active tenure. It would be strange indeed if List had not been directly and intimately aware of its contents (Hirst 1909, p. 115).

More specifically, a close reading of both Hamilton's state paper and List's *Outlines of American Political Economy* reveals the centrality of Hamilton's three tactical moves to List's entire project—three points that informed List's thinking only after his involvement in the society (Rabeno 1895, p. 320; Notz 1931, pp. 51–54). That the *Outlines* was written at the invitation of the vice president of the Pennsylvania Society, Charles Ingersoll, underscores the connection, but it runs deeper. Ingersoll asked List to respond directly to Thomas Cooper's very popular free trade tract of 1826, *Lectures on the Elements of Political Economy* (Notz 1926, p. 253).

Cooper had been a staunch Jeffersonian of the early republic who had suffered six months in prison and a hefty \$400 fine under the Federalist sponsored Sedition Act. That experience honed Cooper's dislike of Hamilton, the recognized leader of the Federalists (Malone 1923, pp. 76–81; Hoffer 2011, pp. 28–30). When he eventually assumed the position of professor of chemistry and political economy at South Carolina College, he took pains to discredit Hamilton's legacy in his *Lectures*, a barely veiled attack on the Hamiltonian program. What followed was a catalogue of errors. Near the middle of the list, Cooper took up Hamiltonian themes, using terms often associated with the former secretary. To Hamilton's point about perfecting the *body politic*, Cooper countered that politics "are not essentially a part of Political Economy." He belittled the "deplorable mistake" of "considering a nation as some existing intelligent being," and instead returned the discussion to the unplanned, individualized order of Smith (Cooper 1826, pp. 15–19, 23; Notz 1926, p. 19).

Contra the maxim of experience, those "sure signs" of national splendor, Cooper insisted that individual moral agency gave to economics qualities akin to the self-directing phenomena of "mechanical and chemical philosophy." Against the three Hamiltonian points noted above, he posed a natural order, the individuality of interests, and the logic of cause and effect. If nothing

else, List absorbed the Hamiltonian perspective merely by arguing the reverse of Cooper (Notz 1926, p. 23).

More interestingly, however, List adopted Hamilton's specific use of the phrase "productive powers," words that Hamilton took directly from Smith's discussion of the measurable benefits of specialization, and did so for the same reason: to move the causal explanation of those benefits from Smith's basis in unintended consequences to the palpable, visible effects of institutions (Notz 1931, p. 55). Where Cooper derided the focus on the political, List extolled and expanded on it. Where Cooper contended for the operation of individual interests, List put back the interests of government and nations. Where Cooper proffered the logic of cause and effect, List championed historical experience.

In the political and institutional category, List responded directly to Cooper: "Indeed, so wrong are those adherents of the Scot's theory, that in spite of the very name they chose to give their science, they will make us believe that there is nothing of politics in political economy." On the contrary, he went on, "If their science is properly called political economy, there must be as much politics in it as economy, and if there is no politics in it . . . it is then nothing else but economy." And like Hamilton who had insisted that the perfection of the body politic embraced "the safety as well as the welfare of the society," List observed that "national wealth is increased and secured by national power." Individuals, he went on, might be very wealthy indeed, but if the nation possesses "no power to protect them, they may lose in one day the wealth they gathered during ages" (Hirst 1909, p. 161).

This assertion moved directly to the extrapolation of the category of interests. Rather than personal agency, the focus was to be, as Hamilton had argued, on the "policy of nations." This then formed the foundation of the category of the historical: To know the specific conditions of the nation in question required knowledge of its history: "In regard to the expediency of protecting measures, I observe that it depends entirely on the condition of a nation whether they are efficacious or not." One had to look to context, to the palpable, knowable, sensible, perceivable attributes—again, so very much like Hamilton. "Nations," he went on, "are as different in their conditions as individuals are. There are giants and dwarfs, youths and old men, cripples and well-made persons; some are superstitious, dull, indolent, uninstructed, barbarous; others are enlightened, active, enterprising, and civilized." From these observable differences, List

raised the historicist's objection: "How wise men can apply general rules to these different bodies, I cannot conceive" (Hirst 1909, pp. 162–65). The remainder of the *Outlines* was an application of historical descriptions to illustrate the various policies of nations in the past and to reveal what worked and what did not, from England to Spain to France, and finally, to America.

Once again, the conclusion was Hamilton's, albeit expanded and elaborated. List used the *Outlines* as the springboard for his magnum opus, the *National System of Political Economy*, published in Göttingen in 1842. In this work, the historical became the essential organizing principle of the study (Notz 1926, p. 263).

When List had completed the *Outlines*, the Pennsylvania Society sponsored a dinner in his honor. In the ensuing speech, List's affinities for the Hamiltonian program are made explicit. Both he and Hamilton faced similar problems—Hamilton with respect to the United States and List for Germany. Both were attempting to forge stronger national unions from smaller, semiautonomous states, with deep local and regional loyalties. Others have pointed out that List rarely if ever cited sources on which he relied, but here he uncharacteristically referenced the "celebrated work" of Hamilton (Henderson 1983, pp. 72–89).

His appreciation of the society's recognition of the *Outlines* was genuine, but he was set on a return to Germany, which he did in 1830, becoming a promoter of greater German economic integration and railroad construction—the same sort of boosterism he had undertaken in America. Gathering up his notes and the *Outlines*, he began to compose his *National System*. An essential part of List's critique of Smith was that he had assumed the naturalness of progress from individual agency without the active intervention of political institutions. Like Hamilton, List insisted that such an approach would leave undeveloped nations in a condition of dependence on English industry. Such "cosmopolitan economics," as he called it, forgot the political and institutional dimension within which individuals were historically imbedded (Hirst 1909, pp. 291, 292–93, 296–98). It was this set of ideas that List brought back to Germany and which Roscher needed to address before undertaking his own foray into political economy.

IV. Back to Germany

That Roscher took his inspiration from List is an issue easily missed, given his highly critical review of List's *National System*. But

the connections are clear. When Roscher wrote, in almost apologetic tones, to Ranke of his desire to move from studying antiquity to historical political economy, he specifically noted List's prior occupation of the field. His desire was not to overturn List's attempt to ground economics in history, but to do the same more effectively (Roscher 1842, pp. 1177–216; Roscher 1908, pp. 383–86).

In preparation for that task, Roscher produced a long review of List's work, one that clearly served as an outline for his own project. Indeed, Roscher's research followed the same basic pattern. His reviews published in successive issues of the *Göttingische Gelehrte Anzeigen* in 1842 preceded his initial foray in 1843, the *Outline of Lectures on Political Economy according to the Historical Method* (*Grundriss zu Vorlesungen über die Staatswirtschaft nach geschichtlicher Methode*), much like List's own *Outline of American Political Economy* (1827) had preceded his, *The National System* (Henderson 1983, pp. 144–55). In a later review, Roscher expressed his admiration for List for initiating the right questions, and approved wholeheartedly of List's nationalist sympathies. That List frequently mistook cause for effect was not so important for Roscher as the overall effort: to resist the perceived determinism of Smith's notion of self-interest, or, as he put it, to be "a leading opponent of every materialist explanation" (Roscher 1877, pp. 44–82, esp. 51).

The main problem for Roscher was that List was really a man of affairs and not an academic. He considered him inconsistent and unsystematic, but nevertheless headed in the right direction, to the study of larger institutional and collective factors in economic history. That List may have ascribed too much to nationalism and the need for national unity was more the product of his being a journalist than any fundamental problem with method (Roscher 1877, p. 52). The historical turn remained essentially the same. At the conclusion of his first review, Roscher noted that List had performed the great service to economics of taking into account political and cultural forms (Roscher 1842, p. 1212). That Roscher would pinpoint these aspects of List illustrates the degree to which German historicism, à la Ranke, had heightened Roscher's appreciation of the theoretical-historical problem.

V. Return to Sender

From Roscher forward, the historical turn worked its way through a number of later writers on political economy, including Gustav Schmoller and Werner Sombart, in fairly direct fashion,

eventually coming back to America by way of Sombart's student, Fritz Redlich. While not formally Roscher's graduate student, Schmoller had credited the older scholar with having had the most formative influence on his work and thought, and Roscher gratefully acknowledged the recognition (Schmoller 1888, pp. vii–x, 147–71; Thompson 1942, pp. 417–18). From Schmoller to Sombart to Redlich, the linkage is both direct and clear. While each may have differed in certain important respects as to subject and theoretical particulars, each tried to assert the importance of concrete tangible institutions, the need to emphasize collective over individual interests, and the necessity of grounding policy in historical experience.

During Redlich's studies in the interwar years, he met Sombart personally, attended his lectures, and would consistently recommend his works on historical theory. On arrival in the United States, just prior to the Second World War, Redlich set about to focus on defining the historical attributes of entrepreneurship, producing some of the most interesting and perceptive histories of American banking in the mid-twentieth century. Invited by Joseph Schumpeter and Arthur Cole to come to their Research Center in Entrepreneurial History at Harvard in 1952, he brought with him the whole theoretical apparatus of the German historical tradition (Redlich 1964, pp. 12–14).

Palpable, knowable intentionality in a given context led Redlich to favor biographical elements within a thick description of institutional structures. For him, there was something more tangible and immediate to experience in this form, and it marked his distinctive turn in American financial history (Redlich 1964, p. 197). It was in the midst of this work that Redlich came into contact with a young Alfred Chandler working on his dissertation of Henry Poor in the stacks of the Harvard Business School's Baker Library. In a memorial for Redlich written by Alfred Chandler and Kenneth Carpenter, the authors recalled Redlich as "the major intellectual force" behind the Research Center and that "His was its most creative mind" (Carpenter and Chandler 1979, pp. 1003–07).

VI. Alfred Chandler and the New Organizational School

Chandler is generally recognized as the early leader of the movement variously called New Institutionalism or the New Organizational School, but Chandler himself pointed to Redlich: "One of the prime movers in the new institutional history that

combined entrepreneurial, business history and sociology surely was Fritz Redlich” (Carpenter and Chandler 1979, p. 1005). The direct influence on Chandler was unmistakable.

A comparison of Redlich’s 1952 essay, “American Financial Institutions: Bank Administration, 1780–1914,” with Chandler’s pathbreaking 1959 essay, “The beginnings of Big Business in American Industry,” shows the same concerns with the visible, perceivable structures of business institutions; the powerful influence of culture; and the need to see decision-makers embedded in their historical contexts. Their relationship eventually produced two joint essays for the *Business History Review*. One in particular focused on the topic of the entrepreneur to reveal the changing structures of business that gave to middle management the key entrepreneurial decision making role within the late nineteenth-century corporate enterprise. The essay foreshadowed Chandler’s larger works revealingly titled *Strategy and Structure* in 1962 and *The Visible Hand* in 1977 (Redlich 1952, pp. 438–53; Chandler 1959, pp. 1–31; Redlich 1971, pp. x–xi; Chandler and Redlich 1988, pp. 117, 118–39; McCraw 1987, pp. 160–78, esp. 172).

But these interesting parallels of research and aims have already been observed by Erik Reinert, who had the advantage of meeting Redlich in the 1970s while doing research at Harvard, and who quickly came to know Redlich’s intellectual background. After conversing at length with him, Reinert concluded that the “the spirit of the research at HBS [Harvard Business School] is closer to the methods of the German Historical School than to that of mainstream economics.” He went on to note, “Scholars like Bruce Scott, Michael Porter and Thomas McCraw work and publish in the huge and largely uninhabited field of meso-economics, at a level of abstraction between economics and the real world of business” (Reinert 2002, pp. 23–39).

Reinert’s reference to McCraw is apt. McCraw was both a close associate of Chandler and one of his main collaborators, working closely with him for over a decade at Harvard Business School, where Chandler concluded his long and productive career. In both an article and an introduction to a collection of Chandler’s essays, McCraw only briefly discusses Redlich’s relationship to Chandler, observing merely that Chandler’s own proclivities in matters of theory “received powerful reinforcement” from Redlich (Chandler and Redlich 1988, p. 117). I suspect McCraw’s brevity on this point exhibits the powerful pull of American pragmatism to get on with the writing of

history. And yet, looking at his scholarship, it is hard not to see the same concern to root the tangible and biographical in the context of institutional structures, just as Chandler and Redlich had done (McCraw 1984; McCraw 2012; Chandler 1956; Redlich 1951). McCraw was simply unaware or perhaps uninterested in the theoretical underpinnings of what he was doing. Interestingly, however, his continuation of the New Organizational School tradition had a remarkable consequence for his historical interpretation.

In his elegantly composed *The Founders and Finance*, McCraw found in Hamilton a remarkable prescience of mind, one might even say a kindred spirit drawn to the tangible aggregates: “His thought centered on national economic aggregates, industrial production, and finance. In addition, he understood better than any other founder—indeed, better than any other American of his generation who left enough records to judge—how everything in the national economy was related to everything else” (McCraw 2012, p. 93). How wonderful the course of history that even historians might lose sight of their own place in the turning of the wheel! Hamilton’s ideas had come home to interpret Hamilton. McCraw agreed with the need to view aggregate structures. His disposition in favor of the visible and intentional led him to eschew theoretical abstractions in the very way Hamilton had dismissed Smith.

VII. Conclusion: Back to the Future?

The usual course of past historical interpretations, both critical and celebratory, has been to note the influence on America of German social thought over the past century and a half. This essay shows that at least in one particular, the influence ran the other way, highlighting List’s development of Hamiltonian ideas, which inspired the German Historical School. That school comprised a multitude of approaches but each eschewed the application of the logic of the unseen and unintended for the tangible and intentional.

In the German case, the various approaches highlighted the problems of an empirical historical method. If you are going to displace Smithian logic with “history,” as Hamilton and List tried to do, you need to substantiate your claims—you need some way to say why the phenomena you are observing are, in fact, what you say they are. Hamilton and List made pragmatic assertions for reasons of politics, without much in the way of theoretical substantiation. While those of the German Historical School later attempted to do this, the

pragmatic strain in American scholarship simply repeats the Hamiltonian claims.

But what is a market? What is its relationship to institutions? How do you know either when you see them? Tentative steps have been taken to reopen these questions, but the orientation of current academic interest appears poised to reinvent the various approaches of the German Historical School. They ask principally about transformations of historical organizations and observable structures, without much engagement with market theory per se. In fact, the object is to get “beyond markets,” whatever that might mean (Lamoreaux, Raff, and Temin 2003, pp. 403–33). The work of certain Austrians has much to say on these matters, especially of the unintended consequences of intentional human acts. Its time this work received its due, but that would be the subject of another paper.

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³ AEA citation and reference standards do not easily accommodate historical source materials. Any questions should be directed to the author at heicholz@libertyfund.org.

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