

The Economic Thought of Eugene Rotwein

By Tom Velk, McGill University

For presentation at the August 3 lunch time event of the 31st meeting of the Hume Society, Keio University, Tokyo, Japan, August 1 – 7, 2004

INTRODUCTION

Professor Eugene Rotwein died in February 2001. He was my major professor and later my friend. As Smith said of Hume (see Bruce (1961), "Ayn Rand's 'For the New Intellectual'," *New Individualist Review* 1 (3): 21), Gene was a wise and virtuous man – as he said of himself, in the manner of Le Bon David, and using his version of the language of Japan, he was a man of the belly, as well as the head (I found the remark in Gene's unpublished notes for a speech delivered in Japan, 1958 – 60). As I hope to show below, he understood Hume so well because his own mind was predisposed to analyze economic behavior according the rules implicit in Hume's economic and political essays.

I am not the only scholar to have benefited from Gene Rotwein's study of Hume. His 1955 edition of Hume's economic essays, David Hume: Writings on Economics, (I will be quoting from the 1970 Edition, University of Wisconsin Press, ISBN 0-299-01324-3, Madison Wisconsin 53701: first published in 1955 by Thomas Nelson and Sons, and the University of Wisconsin Press) specifically the long "Introduction" to the collection, has ever since been the standard analysis of the link between Hume's historical and philosophical writings, and the economic and political essays. Gene's work has a reputation among Hume scholars unmatched by any other economist: indeed, he ranks among the most important modern scholars of Hume's economics. Carl Wennerlind has written an email to Professor Rotwein's widow as follows: "As a Hume scholar I have profited enormously from the work of your husband. His interpretation remains amongst the best ever produced".

(Following are other examples of the regard in which Rotwein is held: "Eugene Rotwein has produced the most important commentary on Hume's writings (1955 pgs xi – cxi) so far published." Note #4, pg. 36, in Professor A. S. Skinner's "David Hume: Economic writings" Discussion papers in Economics no. 9201, Department of Political Economy, University of Glasgow, Glasgow G12 8RT, January 1992. Robert W. Dimand, Department of Economics, Brock University, St. Catharines, Ontario, Canada, in his paper "David Hume on Canadian Paper Money" as presented to the Canadian Economics association meetings in Ottawa, June 1, 2003, says: "The modern literature on Hume as an economist began with, and continues to rely heavily upon, Eugene Rotwein's edition of Hume's Writings on Economics (Rotwein 1955/1970) and on Rotwein's monograph-length "Introduction" to the collection, which was based on his University of Chicago doctoral dissertation supervised by Frank Knight and Jacob Viner and which in turn was the basis for Rotwein entries on Hume in the *International Encyclopedia of the Social Science* and the *New Palgrave: a Dictionary of Economics*. At least until Skinner (1993), Rotwein (1955/1970) remained without rival as an overview of Hume's economics. The nine essays reprinted by Rotwein ... and Rotwein's selection of relevant extracts from letters from and to Hume became the accepted canon of Hume's economic writings. ... with rare exceptions, ... writers on Hume as a monetary economist have relied exclusively on Rotwein's 1955 variorum edition ... or on the 1985 Liberty Fund reprint of Hume (1752) ... they accepted Rotwein's edition of Hume as the definitive corpus of Hume's economic writings." (Pages 4 and 5).

Gene's interest was motivated by his belief in the high merit of Hume's didactic method of describing a real-world model based on history, peopled by a wide range of types of psychologically complex individuals, whose interactions give even the most modern and sophisticated reader deep insight into a long list of standard problems of economic policy making, including growth, economic evolution and development, inflation, government debt, international capital flows, specialization and trade, economic planning and control, money

and interest, banking and finance, the links connecting economic with political success, the changes in social and political psychology connected with and necessary to fundamental economic change, and even laying out the proper standards for statistical analysis as found in "On the populousness of Ancient Nations." In the last mentioned essay, and exhibiting a spirit I know Gene would wish were more common among modern economists, Hume first subjects the numbers he finds reported in documentary history to a most skeptical and searching scrutiny, based upon his "uncommon sense", formed by his knowledge of history, his understanding of human nature, and, after subjecting the entire enterprise to the requirement for internal consistency, he radically adjusts the numbers, finally making his successful argument for the proposition that the population of Antiquity was not greater than it had become in his time. Hume wrote of the futility of establishing a permanent regime of equal incomes, stating that very quickly the variety of motives and manners among men would, soon after such an attempt was made, reestablish a spectrum of wealth holding: here is an always timely example of the operations of the mix of "causes of labour" and economic psychology that Rotwein argued were central to Hume's discussion of economic behavior. Hume tells us "Of all sciences there is none, where first appearances are more deceitful than in Politics." (Rotwein, "Of the Populousness of Ancient Nations", pg. 127) Rotwein did his best to convince the other members of the economics profession that a Humean style of analysis is correct strategy when discussing modern policy problems.

What were the central points Gene made? Many Hume scholars now agree with his central contention that all of Hume's work is systematically unified. Quite a few economists agree with Gene's other observations, but these views are still sometimes subject to debate, at least among politicians and opinion makers.

First, Rotwein reports Hume's view of the connection between morality and material wealth: For Hume, luxury was OK. Hume was a man of the belly and head, too. Pursuit (and that part is important) of the good life is itself good; and, as long as active policy or the inertia of tradition, religion and renunciatory morality do not prevent it, is inevitable in a trading community. Why? Because trade, growth and change will awaken and enliven man's otherwise slumbering need for action, taste for risk, and curiosity about an unknown future. Justice for Hume is not innate, but a consequence of certain accidents. Human beings are weak as individuals, lacking the lion's power. We have relatively large appetites, in contrast to the simple needs of the Ox. We have a generous nature, but it is limited. Social organization is a remedy, giving us more power and ability by aggregation and specialization, while providing security for those possessions, which might be wrested, from us. The security afforded by a system of justice recommends itself to us after there arises "general sense of common interest" in secure property, rights and obligations. "A man's property is some object related to him. This relation is not natural, but moral, and founded on Justice. 'Tis very preposterous, therefore, to imagine, that we can have any idea of property, without fully comprehending the nature of Justice, and shewing its origin in the artifice and contrivance of Man. The origin of justice explains that of property." (Mossner's Treatise, pg. 542) Rotwein remarks upon the implications of this argument: "...it was the growth of economic decentralization and individualism associated with this (economic) revolution (the market system of widespread trading rather than self-sufficiency) that was primarily responsible for the growth of political liberty and Parliamentary government. ... the new merchant class, 'the middling rank of men' ... are 'the firmest basis of public liberty' for they 'submit not to slavery' " Their class interest means they wish neither to be tyrants nor to be tyrannized; they demand equal laws, to protect their property. (Rotwein, pgs. ci – cii)

Second, Rotwein sees Hume's greatest analytical contribution as his focus on dynamic growth and change, inspired by his study of history as forward looking without being utopian or prophetic. Rotwein sees this dimension of Hume's contribution as superior to the more static analysis of Smith and later economists who write in the classical tradition. It is a bit puzzling to me, and I am certain it would be equally so to Gene, to read a recent essay in a Federal Reserve publication, claiming that Hume's analysis was one of

“comparative statics”, and Smith’s was not. (The essay writer states: “Although Hume had insights into many important economic issues, his analysis was primarily one of comparative statics, or examinations of equilibrium positions. He seldom discussed in detail the microeconomic adjustment processes that occur between these equilibriums, with the exception of his essay *Of Money*.” — Robert L. Formaini (Senior Economist), writing in Federal Reserve Publication *Economic Insights*, Public Affairs Department, Federal Reserve Bank of Dallas, P.O. Box 655906)

I think Rotwein would say the reverse of Formaini. Hume examines an economic world in motion, while too many in the economics profession, as Rotwein saw things, were then and are now concerned with “equilibrium”. As Rotwein pointed out, Hume believed a world at rest was a totally different thing from a market undergoing growth and change. The desire for “liveliness”, and the other causes of labor make the competitive challenge of trade, for example, lead to a new level of saving and investment. Unlike the case in a static, traditional society, an idle, ruling indolent class does not eat up the profits from active dynamic trade. The key actors in the trading state are fully occupied, quite distracted from wasteful consumption by the excitement of the new game, its risks and uncertain rewards, and its unknowable future.

Third, Rotwein reminds us that Utopian lethargy has no place in Hume’s stories of growth, change and development. Gene tells us that such societies, for Hume, have no reward for risk takers, no challenge for gamblers, no inspiration for the lively, no employment for the other causes of labor and a surplus, if any exist, inadequate to support the armaments needed by the Magistrate to carve out a place in the world for the nation. Economic motivation for Hume is far more than a matter of maximizing pleasure and minimizing pain. There is a mix of partly inconsistent “causes of labor”, the relative quantities of psychological factors comprising the mix itself being a matter subject to dynamic change, understandable, and to a degree predictable, after a careful study of “natural history”. Rotwein also made it clear to readers of his essays that Hume’s explanation for society’s dynamic path focused on organization, as establishing order, justice and security, while never forgetting the importance – after the establishment of what we would today call a community under law – of liberty. The capacity of Hume’s economic writing to encompass the moral questions of the establishment and social evolution of justice, liberty and order were, for Gene, in stark contrast with the silence of modern economics when it comes to making such connections.

Finally, Gene used Hume’s argument that empirical causation is a matter of constant conjunction to make a famous case for “realism” in economic model building. (See Eugene Rotwein, “On the Methodology of Positive Economics”, Quarterly Journal of Economics, (QJE) 73, November 1959.) Just as Hume believed should be the case for philosophy, Gene believed economics should follow an “experimental method” when searching for guides to action, and should therefore avoid analytical techniques employing fictions or “inventions” rather than “experience”.

At the time Gene entered into that fray, discussion seemed to end in a draw, but today’s economists have become much more Humean than they then were. Experimental economics – for which a recent Nobel Prize was awarded – explicitly rejects simple assumptions about “pure” self-interest, and requires the careful examination, reporting and rationalization of real world behavior. Quite often the “causes of labor” and other economic behavior so revealed run counter to what the old models assumed. It turns out that realistic statements of the causes of economic behavior – which were not sought after in the tradition that Gene challenged – not only were at variance with the old assumptions, but the consequences of this real behavior were also in conflict with past predictions.

Rotwein’s timing was perfect for Hume scholarship. The economic and political essays had been out of print for two generations when he published his “Introduction”. The essays had

attracted little attention in the years leading up to the Rotwein collection, particularly in contrast to the History and the Enquiries. Mossner's biography, published only months before Rotwein's collection, gives only a few pages to discussing them. But since Gene made the connections among the entirety of Hume's output, some scholars have even come to think that the Essays are the mature work, for which the youthful philosophical efforts were a prelude. (Gene reminds the reader that for Grieg (J. Y. T. Greig, David Hume (London: J. Cape, 1931), p. 166) "the 'true Hume' was the Hume of the essays and that the Treatise 'really was a youthful aberration, a sort of accident in David's life.'" Quoted on page 118 of Rotwein, "David Hume; Philosopher-Economist," The Southwestern Journal of Philosophy, vol. VII No. 3, summer 1976).

On the other hand, Rotwein's message to economics was less well timed. His call for an approach to political economy based on complex albeit piecemeal reality rather than malleable models came just at the time the profession began a long romance with extravagant predictive model building combined with an exaggerated faith in the possibility of from-the-top economic management and control. Now that a great many scholars have a matured interest in Hume the political economist, and the economics profession has become more modest in its claims to be a science of the art of policy design, Rotwein's explication of the Humean method might make a more balanced contribution. For example, Yale's mathematics Professor Benoit B. Mandelbrot, of fractal fame, with co-author Richard L. Hudson (formerly managing editor of the Wall Street Journal's European Edition) wrote in their book The (Mis) Behavior of Markets: A Fractal View of Risk, Ruin and Reward; (2004, Basic Books, as excerpted in the WSJ, July 27, 2004, Pgs c1 and c6), "One problem with almost all economic and financial research is limited information ... you can never see what other firm's customers are doing". The problem being, they might be doing – indeed are likely doing – quite unexpected, surprising and – at least before the fact – entirely unpredictable things. The extent to which financial observers are surprised has a Humean dimension, going well beyond simple utility maximizing self-interested behavior. Mandelbrot and Hudson approvingly paraphrase market theorist Richard Olsen (who says he does "quantum theory for finance"): "Orthodox economics is all wrong ... people aren't rational, and they don't all think alike. Some are quick trigger speculators ... some are hedging risk ... some are Central Bankers ... others are long term investors ... each one, operating on his own time scale, comes together at one moment of trading, like ... a rainbow spectrum focusing onto one white point ..." He (Olsen) then "...looks for moments when the short term traders are moving opposite to the long term investors..." and Olsen then employs what he claims to be a money-making trading strategy, premised upon the inconsistent collection of diverse motivations guiding others in the market with him. Today's economists are willing to think about more "realistic" pictures of market behavior than they did when Rotwein wrote about economic reality.

Unfortunately, Gene died without a final statement of his mature view of Hume, and he did not always point out the Humean element in his other work. Herein I intend to put things right, at least in a preliminary way.

To investigate the sources of Rotwein's thinking about Hume, and with the help of Gene's wife Anneliese, I have collected the manuscript copy of his thesis, (the source of his "Introduction",) along with many related documents. Rotwein wrote his thesis at the University of Chicago, under the direction of Jacob Viner and Frank Knight, two of the foremost economists of their day. Gene's editor made valuable suggestions for the "Introduction", although the basic insights there are likewise found in the thesis. Gene produced, at about the same time as his "Introduction", a separate essay on the debt the economics profession owes to certain 18th century philosophers. That paper was circulated, but only in a philosophical "newsletter" at Chicago. Gene has several other essays relevant to this paper that had limited circulation. I have used them here.

From the very beginning of his academic work, Gene had a Hume-like style of analysis, which is to say his analyses were based on factual history, and he assumed real human actors operate under the guidance of a complex combination of motivations, not easily captured in any simple formula. Like Hume he was not drawn to utopian schemes that promised quick solutions to complex problems, and like Hume, he told a story (when examining a real world problem) complete enough for readers to form their own opinions of the underlying process -- although Gene, like Hume, was not so indirect as to fail to supply his own explanation of process and motive. Rotwein's work is still considered important, as indicated by the many references to it still being made in the current literature. One reason for this longevity is the Hume-like spirit that guided his thinking, even before the time he began to work on Hume. Below, I report the evidence supporting these remarks.

In short, Rotwein said Hume was the "outstanding philosopher-economist of the 18th Century" because of the broad and dynamic quality of Hume's writing. Rotwein admired Hume's ability to build up a picture of economic behavior from an amalgam of history, the contradictions found in human nature, and the complexities of "Human Understanding," all the while including the effects of a morality that went beyond the purely utilitarian.

THE BEGINNINGS

Eugene Rotwein was born in New York in 1918. He graduated from Abraham Lincoln High School in 1935, earned his simultaneous BA and MA degrees in Integrated Liberal Studies at Wisconsin in 1939 where he became a member of Phi Beta Kappa with an A average, except for one C in Physical Education. He immediately then enrolled in the graduate economics program at Chicago, and in 1941 he moved to Washington D. C. to enjoy a dissertation scholarship at Brookings. In 1942 he went to the OPA, where he remained until 1944. He taught at Elmhurst College in Illinois from 1944 until 1947, when he moved to Wisconsin. He obtained his Ph.D. from Chicago in 1950. He published his "Introduction" in November of 1955, gathering excellent international reviews from a wide variety of influential economists. Supported by a Carnegie Grant, he visits Columbia in 53 – 54, and later, between 58 – 60; he is a visiting professor at Kobe University in Japan. He makes several contributions to the literature of industrial organization, writing about mergers and bank concentration for the Fed in 1961 and 62, and Monopoly power in Japan in 1964. He debates the importance of realistic assumptions in economic model building in a series of exchanges centered around 1962. In 1964, he left Wisconsin, and moved to Queens College of the City University of New York, where he remained until retirement. He continued to think about Hume throughout the remainder of his career, publishing in 1968 the David Hume entry in the International Encyclopedia of the Social Sciences (The Macmillan Company and The Free Press), "David Hume, Philosopher-economist" in 1976, in The Southwestern Journal of Philosophy, and writing "David Hume" for the New Palgrave Dictionary of Economics in 1987.

His first publication, dated September 1945 in the Journal of Political Economy, ("Post-World War I price Movements and Price Policy") was a Humean exercise in extensive data collection, with an important public policy purpose. It certainly met Hume's test for exemption from the flames: it did contain abstract reasoning concerning quantity and number; it did contain experimental reasoning concerning quantity and number. It even would have suited the Master's admitted vanity, as it attracted attention from Chester Bowles, Walter S. Salant, Jacob Viner, and a number of prominent readers of the University of Chicago's highly regarded journal. It also influenced events. Rotwein examined the inflation experience after World War I, in order to develop an argument for a short run policy of limited price controls, to be applied at the conclusion of World War II. Testimony from the political players of the day suggested it was an important element in their efforts to establish a cautious post war price regulatory system, one that learned from the mistakes of the previous war, as laid out by Gene.

Long before he was published, and even before there was evidence of his having read Hume, Rotwein's writing displayed a skeptical attitude toward Utopian reform, an interest in the systematic linking of philosophic descriptions of human behavior and the economic implications thereof, along with a belief that historical, or empirical, or at least "realistic" economic "stories" are the proper object of economic analysis.

Gene's undergraduate training combined courses in philosophy and economics. He followed a highly regarded course of study at Wisconsin called "Integrated liberal studies." (ILS) (When he returned to Madison as a faculty member, he was a popular ILS instructor.) His student writing had a Humean spirit. Despite the spirit of the time, his term paper essay on the Webbs was skeptical and balanced; "...in conclusion ... the Webbs were indulging in wishful thinking (in writing what the young Rotwein called a "panegyric on Soviet Russia"). "They were superimposing their own beliefs upon a society basically incompatible with their own." It takes Rotwein fifty pages to come to that conclusion, and he does so after hunting down as much factual material as he can. He then compares this reality, including some speeches of Stalin, with the Webb ideal. Selig Perleman, his instructor in the course, gives Gene an "A", and he writes "A perfect performance – critical and realistic, but not cynical." In an earlier paper Gene gives Francis Bacon credit for advocating an experimental and empirical approach to scientific investigation: Gene makes it clear here that for him, sense impressions are the armature upon which a scientific ordering of observations is built, and that such orderings must be regularly reorganized as new impressions accumulate. In an undergraduate effort ("The functions of Aristotelian Logic") dated June 2, 1938, Gene writes; "...Aristotle concludes that we reach such universals through our power of sense-perception ... The principle of progression from the particular to the universal is there and we must give Aristotle credit for recognizing the necessity for observation, which is something that a good many of his followers ignored." Whether or not Gene is right about the Greek, he tells us something about himself here. He is an empiricist by nature. It is a point of view he will utilize in his later debates with Friedman and other Chicagoans.

Rotwein's undergraduate thesis, ("Wage Theory and Wage Regulation: A Critical examination of Classical and Modern Wage Theory and the Implications for the theory of Collective Bargaining", 248 pages, Univ. Of Wisconsin, 1939) an investigation of labor theory, gives more credit to Smith than he would later, and suggests – because there is no mention of any economic writer prior to Smith -- that Gene had not yet read Hume on Economics. (He had, however, taken extensive notes on Hume's causation as early as 1936.) "Adam Smith is to economics what Descartes is to Philosophy. ... He (Smith) was the first to attempt a systematic analysis of economic phenomena and it is not extraordinary, therefore, that he himself should have been confused and bewildered by chaotic data, in no way simplified by previous inquiry; thus, he sometimes speaks as though he subscribes to the wage fund theory while soon after there are already visible the seeds of its negation." (Pg. 2) Gene admires Smith for abandoning simple theory in favor of hard to reconcile fact; "... Smith, on the basis of his abstract concepts, felt (at least theoretically) constrained to subscribe to the pessimistic "iron law of wages," while he actually was (rather gladly) unwilling to apply this law to cases (like that of England and America) where the facts could not easily be reconciled with it." (Pg. 7) Rotwein frequently displays his belief in the need for "realism" and the value of practicality; "If modern economics is to avoid the mistakes of classical thinkers and strive to satisfy the requirements of scientific procedure, its principles must be regarded as tentative hypotheses whose verification depends upon their success as tools for the solution of problems." (Pg. 241). Even though Rotwein is here writing for the liberal faculty of the University of Wisconsin, in the troubled times of 1939, on the topic of the "wise" use of union power to raise wages while maintaining employment, he avoids youthful enthusiasm and advises a prudent policy strategy of cooperative unionism, aimed at raising productivity: "In view of the fact that the union ... has the power to help increase productivity, it ought to cooperate with management in an attempt to keep costs at a

minimum. For any additional aid which the union offers (as long as it is not at the expense of longer hours and so forth) operates to enlarge the range in which a wage increase might be imposed without engendering harmful consequences. If trade unionism chooses its course of action wisely, I do not think it an extravagant claim that it may in the future become one of the most effective and socially desirable of our institutions." (Pg 245)

Rotwein spent the war years at Brookings and the OPA (Office of Price Administration), thinking about price control, inflation, deflation, and business cycles. Edwin E. Witte, then a well-known Professor of Economics at Wisconsin, writes a letter of recommendation dated Feb. 4, 1942 in support of an award of a commission in the Naval Reserve for Rotwein, calling Gene "...one of the ablest students I have ever had. ... He has specialized in wage theory and is one of the best-qualified persons on this subject in the entire country. ... He always delivers the goods." In a separate letter to Rotwein, dated April 4, 1940, Witte says he met with Frank Knight "on the train", where Knight said, "you (Rotwein) are a first-class man."

Gene's time in Washington culminated in his first major publication, in the Journal of Political Economy, "Post-World War I Price Movements and Price Policy", (Sept. 1945). To write it, Gene accumulated a vast store of data, from sources ranging from the American Economic Review to notes of a November, 1918 meeting of the Upper Leather Manufacturers Association. He quotes Robert Brookings, Chairman of the Price Fixing Committee (est. March 1918), Bernard Baruch and Felix Frankfurter, without getting lost in a fog of detail; Rotwein convincingly makes a case for policy to address the possibility that dangers like those following the end of World War I could threaten the stability of recovery from World War II. Whether or not the real world unfolded as Gene feared it might, the essay was a model for the kind of economic analysis Hume would have recognized and admired, and Gene was to practice for the rest of his career. A complex history, rich with fact, organized by a background economic hypothesis, leads the reader to agree with a prudent policy prescription, the whole case made, despite its timely and urgent nature, without partisan enthusiasm or utopian simplification.

THE BOOK

Rotwein earns his Ph.D. at Chicago in 1950, and immediately seeks to find a publisher for his Thesis "The Economic Thought of David Hume" (June 1950). His own manuscript outline of it is consistent with what he will eventually publish: In it, he writes the "chief characteristics" of Hume's economic writings is their close, systematic and consistent relationship with "Hume's objective in the Treatise, and the "Inquiry Concerning Human Morals." Hume's "historical perspective imparts a dynamic quality to (his) study of economics. The human personality is not an immutable datum but is shaped by economic forces." While the economic process has some "mechanical aspects" they are "always related ... to the psychological impulses." While economic behavior may be subjected to "analytical abstraction, ... in Hume this is never remote from reality." Hume has a "dual focus for economic inquiry", an "interest in psychology" and a "historical perspective." Economics is a "facet of the study of individual personality" It is "a 'social ' science comprehended by the study of 'Man's dependence upon man'". Hume's historical perspective may have protected him from utopian tendencies because it "imbued his work not only with a sense of change but also a sense of what was feasible in terms of human capacities and proclivities." Rotwein's Hume does not think of man as a simple pleasure maximizer: "individuals are in large measure attracted by objects and activities directly; pleasure is an attendant, not the cause of their pursuit." "... the primitive desire and the desire for activity are non-hedonic. The desire for gain most likely belongs here; it lends spice to activity." "The need for activity" is "not, strictly speaking, of an exclusively economic nature. Yet economic activity, insofar as it satisfies this need is significant." It is "related to the desire for a feeling of enthusiasm." For Hume "happiness consists of a judicious combination of 'action, pleasure and indolence'". "The separation of 'action' and

'indolence' from 'pleasure' clearly suggest their non-hedonic character." It is this focus upon history, individual motivation and human complexity that results in Hume's analysis having the penetrating power to "direct attention to the real source of wealth, 'people and industry' and to allay concern over the loss of specie." And so, all the incidentals of history and politics, from the quantity of money, to the trade balance, the national concern with "treasure", credit induced inflation, the collection of taxes, bank debt and public borrowing are best understood by dissecting their "long run effects" upon "people, industry" and the dynamic, factual account of a real process of "transforming (from) an agricultural to an industrial economy."

Rotwein says Hume "remedies (the) deficiencies" of previous writers "by discarding all metaphysical disputation grounded on questionable hypotheses and reconstructing philosophy upon a comprehensive analysis of human nature. The study of human nature, inasmuch as it aims at laying bare the character of the percipient himself, in whom all experience is actualized, is the 'capital or center' of all sciences." (Pg. 3 of thesis manuscript) In January of 1951, writing to the editor of the University of Wisconsin Press, Rotwein says: "... almost all studies of Hume's economic thought have approached it from the viewpoint of the specialist and ignored its relations to his philosophy. In Hume's case this is a serious shortcoming, since all his writings are inter-related. More particularly, it is the central thesis of my study that a very substantial part of Hume's economic thought represents a highly systematic application to the field of economics of the principles of human nature which he had earlier developed in his Treatise of Human Nature. I seek to show further that the relationships involved are presented within an essentially historical framework which in effect takes the form of a 'natural history of the rights and progress of commerce.' So viewed, Hume's economic psychology (which now assumes a position of central importance,) most of his political economy, and his normative appraisal of economic institutions are seen to be unified in a consistent historical elaboration of principles drawn from his general 'science of man.' "

Despite the enthusiasm with which his edition of Hume's economic essays was eventually greeted, Rotwein has some trouble convincing a series of academic presses to undertake it: the editors worry about limited sales. In the autumn of 1950, Gene gets a series of disappointments. The University of North Carolina press says, "it would have a sale ... only to libraries and specialists." Knopf says it could not break even on it. Princeton says it "does not have the flexibility in adding new titles to our list that we would like." The University of Oklahoma has "the awful suspicion that a book restricted to Hume's economic thought could not gain a market sufficient to justify costs ... " Stanford thinks it knows "that it would have a very, very small market." The University of Chicago press says, "the audience for material of this kind is likely to be limited", but they do put Gene onto the trail of Thomas Nelson and Sons.

In March 1951 it is the perceptive R. L. C. Lorimer at Thomas Nelson and Sons, himself possessed of an encyclopedic knowledge of Hume, who finally recognizes the value of the manuscript: "... your study of this branch of Hume's thought deserves to be regarded as a most valuable contribution to understanding generally of Hume's philosophy of human nature." But Lorimer says the thesis is "addressed to an abnormally learned reader" and he suggests a rewrite in the form of "a long Introduction and printed in a volume containing Hume's Essays which deal with economics." (Letter, Lorimer to Rotwein, 6 March 51)

Lorimer goes on to make a number of comments – so astute as to lead Rotwein, in a letter of reply, to write: "Incidentally, may I say that for one who is neither a 'philosopher or economist' (for so Lorimer had described himself) your acquaintance with Hume seems extraordinary. Or do all good Scotsmen know their Hume?" Following are a few of Lorimer's remarks:

“But surely the greater part of Bk. III is concerned with truly political questions, esp. with that of political obligation? Bk. III, Pt. II certainly comes under Hume’s definition of politics (quoted by you (Rotwein) p. 4 n.) as a study of ‘men as united in society and dependent on each other.’” “As is well known, H. was ... as much a historian as a philosopher’: it ought to be well known; but since Hume’s historical writings are nowadays regarded by so many as only of literary importance, the vital importance of the fact is largely overlooked in modern works on Hume. Your point should therefore, I think, be put much more forcibly.”

“In Hume’s view, moral obligation (as ordinarily understood) arises out of human nature but only in a state of society; his analysis of the origin of justice in Treatise bk. III, Pt. II is in fact really an illustration of this. Inasmuch therefore as Hume’s account of the origin of society itself is in your sense a ‘natural history’, It could also be said that Hume’s account of morality in general is very largely a ‘natural history’ too. (E.g.. Treatise III, II, P. 555 ‘we naturally suppose ourselves born to submission’ – and many other passages.” “A biographical sidelight on avarice. Perhaps because he was himself the younger son of a poor but landed family – so that his elder brother inherited the estate and David got 40 pounds per annum – Hume was himself quite noticeably avaricious. E.g. in his Letters he often goes out of his way to record augmentations of his wealth and income. And in My Own Life, a remarkable amount of space is taken up by similar recording of financial progress. Hume was not one of those who could say, with Burns, ‘I niver was canny at hoardin o money, Or clauchtin ‘t thegiither ava man’.” “(In respect of) Your account of Hume’s doctrine of causality -- I feel that you don’t quite do full justice to Hume’s view. Hume does not deny that we have an ‘idea’ of causal determination. (Compare this with his treatment of identity, where he does deny that we have such an idea.). Since he admits an ‘idea’ of cause, he is committed to the search for an ‘impression’ from which the idea can be obtained. This impression he finds in the (passive) ‘determination of the mind’ to pass from impression of idea of Event C to the idea of Event E, where E is an event that has always followed C in our own past experience. Hume does not say that we have no experience of cause, but that we only experience it as a mental phenomenon, and that we can’t give a ‘rational’ account of it. – You say Hume’s view is “We come to believe that one necessarily follow the other only because of the force of “habit” ...” I would say: Hume’s view is that our belief is caused by habit * (*? Or that our belief is itself a habit caused by constant experience of conjunction.) But that this can’t give certainty regarding any matter of fact.” “This note is superb – particularly your query ‘(? None whatever)’ in citing Professor Black. These simplifications of Hume need to be exposed. I hope you will not excise this particular footnote! Like many ambitious Scotsmen of his time, Hume was anxious to become apparently an Englishman and therefore had perhaps some personal interest in stressing general uniformities. At the same time, he was liable to occasional outburst of feeling with must have heightened his consciousness of national differences. Cf. his outburst in a letter to Elliot of Minto (? Sept. 1764) a propos of the rumour that he was going to settle down for good on the estate of Mme. De Boufflers: ‘Am I or are you an Englishman? Will they allow us to become such?’” ... “The best rule by far is to follow Hume’s own punctuation. ‘Modernisation’ only upsets the delicate balance of his sentences.” “Here it is tempting to associate Hume’s doctrine concerning sympathy with his own experience as a member of the proverbially clannish Scottish nation.” Lorimer wants Rotwein to give an “account of the British economy at the time when Hume was writing. ... Two or three paragraphs would do, with some indication of the issues that were actually felt in contemporary politics. E.g. you should explain why (practically speaking) it was necessary for Hume to defend (cf. p.32 (of Rotwein’s manuscript)) a commercial economy. Even if you are going to say more about this later on, I feel that something should be said here. Alternatively, it might be added at the end of chapter I. Otherwise, any account of Hume’s views is liable to be airy and academic. For all the reader knows, Hume may have been living in a world of dreams.” Lorimer thinks there should be some kind of stratification of the economic motives as discussed by Rotwein. He asks about the “three causes ... the desire for ‘pleasure’ the desire for ‘action’ and ... the desire for ‘liveliness’” But is Hume chiefly concerned here with ‘causes of labour’ as such? Surely he’s talking about 3 essential ingredients of human happiness? And by treating these as

causes of labour, haven't you distorted the whole picture? Hume's three ingredients of happiness are action and pleasure and indolence. Action and pleasure are taken together as promoting 'that quick march of the spirits' – lively activity – which 'chiefly gives satisfaction'. Indolence 'seems not of itself to contribute much to our enjoyment', and at first sight it is difficult to see why it should be 'relished' (N.B. Hume says that it is relished). The answer is that the quick march of the spirits which occurs in action and pleasure 'does in the end exhaust the mind.' "According to this interpretation of the passage Hume offers an analysis of economic behavior in terms of two main factors: -- a) 'LIVELINESS' (Lorimer then draws a two-branched line, which I cannot easily reproduce here, connecting the word liveliness with two subsidiary words, these in lower case) action and pleasure. b) (Lorimer then writes, in upper case letters) INDOLENCE" (with no trailing branches, the word standing alone). (Lorimer goes on to write, in the next paragraph) "Indolence is conceived as a limiting factor; and in so far as Hume holds that an admixture of indolence is an essential ingredient of satisfaction (and he does hold that) he would have to accept the view of 'welfare' economists that labour is a disutility. Whether Hume makes adequate use of this concept of indolence in his own analysis, I don't know. But I think you certainly should have dealt with this point. (N.B. Your discussion of excessive indolence pp 9, 50 is not enough. When Hume says that the quest of pleasure in unemployment is an attempt to find substitute satisfaction, he is thinking only of the case of excessive indolence: 'deprive a man of all business ...' But what of indolence as a limiting factor when the man has too much business – 'all work and no play'?)" " 'Manifestly favourable to luxury as a whole'. I think it is worth while to make this point –that in reacting against the narrowly rigoristic morality that he had been indoctrinated with in childhood, Hume often, especially in Treatise, Bk. II, goes out of his way to embrace the opposite view. I can't help feeling that his advocacy of pride, self-indulgence etc. as against humility, self-sacrifice and so on, contains an element of willful perversity; it is consciously provocative, always slightly strained: and in such passages Hume seems to be grinding an ax." " 'The expansion of ... industry and knowledge promote sic the growth of a sense of virtue and morality'. It would be very nice if this was true. +? Cf. also Hume's view that the progress of commerce would lead to a cessation of international wars. But is it? Here (to my mind) Hume's confidence in the natural goodness of human nature invites devastating criticism." " 'Hume's understanding of the organic nature of individual experience'. I hope you will elaborate this point in revising the TS. It is odd that Hume was the writer who scandalized his readers by attempting to dispense with the idea of a self." " 'Hume's analysis of the passions'. Part of the trouble arises from the fact that Hume himself subsequently disowned the Treatise, and in writing the Enquiries did not devote one to the passions. Also that instead of reading the Treatise in the right order – II, I, III -- people usually start with Bk. I and then go on to III as something quite unconnected with it. Consequently most ordinary readers don't really get much idea what Hume meant when he said 'reason is ... the slave of the passions.' "

Lorimer's encyclopedic knowledge of Hume was not limited to Hume's thought. He commented liberally on textual and scholarly matters as well: In a letter dated 30th of March, 1951, he writes: "It is also a question of which edition we should follow ... the principle adopted is to follow the 1777 edition for all works included in it: but in this case you (to Rotwein) may wish to follow e.g. the 1752 edition, mentioning important later variants in your notes ... it might be a good idea to check some pages of Greig's Letters against their originals – I am not sure how accurate his text is and 'till now have never had occasion to look into that question."

Moreover, Lorimer is most aware of the close connections there are, the importance of which then too little recognized, among all the elements of Hume's writing. Lorimer reminds Rotwein of Kemp-Smith's remark "to the effect that no completely satisfactory account of Hume's philosophy will ever be written until his economics and histories have been properly studied." (Lorimer to Rotwein, March 6, 1951)

Rotwein was not slow to respond to the suggestions of his sagacious editor. On March 23, 1951, Gene writes to Lorimer, and wonders if all Scotsmen know their Hume so well as he. Rotwein also agrees with “your four suggestions concerning the major lines of revision. I had planned to annotate the essays as well as all the letters (which would be included in an appendix) and, with you, I feel that for purposes of more general consumption it would be wise to include relevant material on the factual and intellectual background of the period. In view of the broader audience to which it will be addressed, I also planned to write in a more conversational manner, and in general I would like to free the study from its rather formal framework.” Those four suggestions were in part technical.

On March 6th, Lorimer had asked that “the essays in question should be furnished with basic annotation ... there should be an opening section on (a) British economic experience and history 1660 – 1750 and (b) history of economic thought during the same period. ... Discuss (the proposition that) shortcomings in Hume’s analysis of economic principles may reflect shortcomings in his more general account of human nature.” Finally, Lorimer asks Rotwein to put some discussion of Hume’s use of psychology into an appendix.

After a good many letters go back and forth on mundane matters, on March 4, 1953, Gene writes again to Lorimer: “I have not devoted a separate section to a criticism of Hume’s economic thought in the light of its underlying psychology. Instead I felt it wiser to criticize different portions of the analysis as I went along (on various grounds, including the psychological), and these criticisms are now both more extensive and more sharply pointed than they were originally. I arrived at this decision after doing further relevant reading and giving additional thought to the issue as a whole. The basis for my decision is twofold. The largest part of Hume’s economic thought is what I have termed his “political economy.” Much of this depends not on particular psychological presuppositions but on general changes in behavior patterns, such as the growth in the “spirit of industry”, the effect of the latter on consumption, investment, the nation’s ability to meet foreign competition and the like. These are now generally recognized to have taken place during the period and all would, I am sure, be deemed valid and important in the present day analysis of economic development as well. As to those parts of his political economy which are based on psychological principles of a more specific order, (and which he often uses to explain the development of the “spirit of industry”), these generally do not render the more external aspects of Hume’s treatment of market process unique. To a considerable extent these external aspects were already to be found in the literature of his time, and much of this as well as portions which he added have survived to the present time as accepted parts of the body of economic doctrine.”

“As in most of the remainder of his analysis as well, Hume’s distinguishing features here lie rather in two other directions: (1) His perception, as a moral scientist, of the underlying psychological dimensions themselves. In the economic literature of his time these had either been recognized imperfectly or not at all. (2) The manner in which he joins these to historical considerations and thereby draws the relevant parts of the external aspects of market analysis together into a broader framework. A good illustration pertaining to a particular portion of his political economy is his interest theory. Others had anticipated Hume in arguing that interest rates were determined by the supply and demand for real capital (which later became the accepted classical doctrine); but I know of no one who related the supply and demand to the particular “causes of labour” (the desires for action, pleasure, liveliness and gain) and to economic development in the way he did. As to these “causes of labour” themselves, while these are often overlooked even in the more highly analytical contemporary analyses, in different ways they too have received contemporary emphasis and I doubt that their validity would now be seriously questioned. There is new

work currently being done in the field of economic psychology, but this is so largely in an embryonic state that it is difficult to tell just what it will eventually bring forth. Much of this also deals with aspects of economic process to which Hume gave little attention and as far as I know does not conflict with his findings.”

“I have indicated, however, I have criticized Hume on a variety of grounds, and part of these pertain to his psychology as well as to the adequacy of the more purely economic aspects of his argument. The former type of criticism appears most pointedly in connection with his economic philosophy, which is that part of his analysis concerning which you pointedly raised issues of a psychological nature. Here, as I note, it is my belief that the deficiencies reflect serious contradictions with psychological principles which Hume more generally employs in his economic analysis. It is because of the nature and gravity of these contradictions that I would agree with your contention that in his treatment of the luxury issue Hume permitted himself to overindulge his distaste for the extreme “rigoristic” morality. I hope I have made this as well as the other criticisms clear. In any event, though I conclude by emphasizing Hume’s general positive contributions (and I think that for the conclusion this is desirable) I do not believe that anyone will come away with the impression that his analysis was without serious shortcomings of one type or another. I would agree that in the draft you saw these were not brought out with the clarity they deserved, but I believe the reader could not escape them now. However, if I missed your point in any major respect, I would of course be happy to have any further comment you may have.”

THE RECEPTION

The book’s appearance is announced in the TLS for August 5, 1955. (The advertisement tells the reader that Rotwein’s book will be available in the autumn, and that the brand new Mossner biography has just been reviewed in the TLS). The worldwide reviews, which greet it, could not have been better.

Marcus Arkin, writing a sixteen page review article in the South African Journal of Economics (Vol. 24, no. 3, September, 1956, pgs. 204-220), says “the minor defects” in Rotwein’s “Introduction” are “more than outweighed by the Editor’s penetrating insight into the mind of his subject and by the pioneering service he has rendered in making these essays more easily accessible to a public which has long regarded Hume as one of the apostles of the Age of Enlightenment, but has as yet scarce looked upon him as an economist who in many respects was at least equal in stature to his close friend at the University of Glasgow.” The book is reviewed by Mark Blaug in the Journal of Political Economy, (LXIV, 446 – 47) by Robert Lekachman in History of Ideas News Letter (II, 93 – 95) as a front article in the TLS, Feb. 24, 1956, pgs. 109 – 111, Philological Quarterly, (XXXVI, III, July, 1957, In the Southern Economic Journal by Joseph Spengler (Duke) (Vol. XXIII, No. 2, October 1956, in the Economic History Review, 2d Series, ix, pgs 386 - 88 and in The Economist (February 4, 1956). Requests for review copies come in from Professor D. Demarco at Nuova Rivista Storica (Napoli), Poul Milhoj, editor of Nationalekonomisk Tidsskrift, Copenhagen, as well as from other widely dispersed centers of learning.

Blaug says, “...We are forcefully reminded of the limited character of Ricardo’s methodology which supplanted the broader approach of the eighteenth century... Rotwein’s “Introduction” manages to say something new even on the more familiar aspects of Hume’s economics.” (JPE LXIV no. 5, Oct. 56, pg. 447). Spengler writes: “the reader lays down this volume, disposed to accept Rotwein’s finding, that ‘among the many forerunners of broad and systematic social inquiry Hume is entitled to a rank among its most distinguished contributors,’ and that Hume deserves to be remembered for ‘his more fundamental attempt to incorporate economics into a broader science of human experience.’” (SEJ,

XXIII No. 2, Oct. 56). Ernest Campbell Mossner in The Philological Quarterly (XXXVI, III, July 57) says "In an essay of over a hundred pages, Mr. Rotwein provides us with the fullest modern discussion – the work of Schatz dates back to 1902 – of Hume as economist. Quite properly, he emphasizes the point that to Hume economic theory and practice were part and parcel of his general study of the 'science of man,' first attempted in the ill-fated Treatise of Human Nature of 1739-40 and only in the twentieth century recognized as his philosophical masterpiece. Hume's analyses of psychology, both individual and social, and his strong sense of historicism are thus ably presented."

Mossner wishes Rotwein had done more: "Mr. Rotwein might have been expected to present the reader with an authoritative discussion of Hume's position in the history of economic thought. This he neglects to do, however, and we are still left with the conflicting views of the several important historians of the subject. How original was Hume? How much was he the synthesizer of the ideas of others? Above all, how much did he anticipate and influence Adam Smith? Perhaps it is not too much to hope that Mr. Rotwein will soon be induced to set students of the history of ideas straight on these fundamental questions."

The "Books of the Day" section of The Scotsman, for December 27, 1955 says the "Introduction" is "... a scholarly and able piece of work which puts the thought of the Essays into perspective. It was an enterprise which awaited doing and usefully contributes to the rounded vision of that rounded figure David Hume."

The negative criticisms the reviewers mentioned above made were few, and mild. Mossner reminds the reader that Hume's complete "Essays, Moral, Political and Literary" have "been out of print for well over a quarter of a century. Mr. Rotwein's collection of Hume's "Writings on Economics" does not fulfill this need..." Blaug has "but one reservation: there is no reference to the striking articles of J. M. Low in The Manchester school (1952 & 1954), which bear directly on the issues under discussion."

But Rotwein did bear the burden of one bad review – although he must have had the later pleasure of knowing that the reviewer was mistaken. Writing in the September 1956 Economic Journal (vol. LXVI, No. 263, pgs. 514 – 515) A. J. Youngson, of Emmanuel College, Cambridge, says a number of things that raise Rotwein's ire. Youngson begins with a minority opinion: "The economic essays of David Hume have never suffered from neglect." (Pg 514) He goes on to write the most negative review the "Introduction" will suffer: "It is a pity that Dr. Rotwein's "Introduction", comprising almost exactly one-half the book, (In fact, the "Introduction" is 111 pages long, Hume's essays occupy 217 pages – Velk) should stand, like Wordsworth's Michael, 'something betwixt a hindrance and a help.' It betrays more than a few traces of its origin as a Ph.D. thesis, and is written in an English style which is at best a sad contrast with Hume's own and which is occasionally nothing short of deplorable. ... Although building on rather inextensive foundations, Dr. Rotwein provides a stimulating appraisal of Hume's view on the motives to economic activity, and is able to utilize his account so as to illumine what Hume says about the rate of interest. The attempt to prove Hume's concern with 'well –defined historical laws of behaviour' (p. xxiii) is rather overdone, but attention is drawn to an interesting discussion in the letters about the consequence of economic development for international trade. Unfortunately, Dr. Rotwein is so concerned to establish connections between the Treatise of Human Nature and the essays that he relegates to footnotes almost all mention of the work of other economists, thereby making Hume's ideas seem much more peculiarly his own than they were. ... Most readers of this book – certainly those coming to Hume's essay for the first time – would be well advised to read Hume first and Dr. Rotwein afterwards." (Pgs. 514 – 515)

Gene responds by writing to Roy Harrod, who, at the time, along with E. A. G. Robinson, edited the Economic Journal, published by the Royal Economic Society. Gene says the review is "seriously misleading", and he asks to comment. He agrees that his "study seeks to show that Hume's economic thought is substantially unified by an emphasis on

psychology and history and that, so seen, it is related directly to Hume's philosophical perspective. This relation is outlined in the opening chapter of my study. With this in view, the remainder and bulk of my study considers on its own terms every major part of Hume's political economy (including virtually all aspects of his treatment of monetary and interest theory, the free trade issue, taxation, and general fiscal policy) and, in addition, two important phases of Hume's economic thought that have received relatively little attention: his treatment of economic motivation and his appraisal of a commercial society. Mr. Youngson conveys the impression that much of my thesis is mistaken. But regarding the substance of my argument he displays no recognition of anything beyond my treatment of Hume's economic psychology, interest theory and some correspondence."

Rotwein says he does examine the work of other economists of Hume's time: "I made clear" there were "many similarities between Hume's ideas and those of his predecessors and that it might be presumed that Hume drew on these. ...As I had stated, Hume's distinctiveness (traceable to his philosophical perspective) lay in his unusually systematic and highly elaborated use of psychology and history." Rotwein also responds to Youngston's charge that the "Introduction" pays too much attention to Hume's "anticipation" of modern ideas like the multiplier. While such a brief remark does appear in the "Introduction", Rotwein says such views are a very small part of his essay, consisting of "a half dozen or so scattered comments", and he goes on to say "In keeping with the general character of my study, nowhere does a consideration of Hume's relations with current writers shape my basic analysis of his thought." He closes his letter by suggesting that the review displays "the rhetoric of cavalier criticism." (The extant copy of the letter is not dated.)

On March 6th, 1957, editor Robinson responds, having received Rotwein's note from Harrod: Robinson reports that Youngson "is himself a Scot, and deeply interested in Hume. I am very glad to see your comments on his review. I have naturally shown them to Youngson. After taking very full account of them I do not think that he would himself wish to modify at all significantly the judgment that he had rightly or wrongly reached at an earlier stage. It has never been our practice to publish rejoinders to reviews. ... I am delighted to know that other reviewers have been kinder, and I am sure that in the end if a reviewer is mistaken in his judgment of the book it redounds more to the discredit of the reviewer than to that of the author."

HIS NEXT STEPS

By this time, his reputation for fine teaching was well established at Wisconsin. He didn't get that standing by running an easy course either. The reading list for his ILS 23 second year undergraduate course included the following authors, among others: Locke, Weber, Hume, Smith, Jefferson, Madison, Vernon Parrington, Veblen, Frank Knight, Sumner Slichter, Paul Samuelson, Tawney, Marx, Engels, von Hayek, Keynes and David Riesman. That very course, entitled "Modern Industrial Society," was the topic of an article in the Student newsletter *The ILS Pioneer* (November 3, 1952). Rather than complaining about the workload, the author says, "Rotwein is fast becoming one of its (i.e. ILS's) most popular professors by virtue of his cynic wit and general amiability. ... Rotwein will long be remembered as the man who set the ILS 23 lecture roaring with the statement that 'American Housewives cannot be included as part of our labor force since they do not sell their product on the open Market.' Rotwein realized that the class was, as he put it, 'two steps ahead of me', (and) rapidly redeemed himself by remarking, 'so this is the sophisticated ILS Class!' "

In the late 1950's, his reputation secured by the reception of the Hume book, Gene went on to work, in a manner like Hume's, on matters of current policy interest. Monopoly power was his focus: it brought him to Japan. Competitive conditions in American banking also attracted him. In the August 4, 1955 issue of the University of Wisconsin newspaper The

Daily Cardinal, Rotwein is reported as giving a speech in which he said, "Political liberty is jeopardized when economic power falls into relatively few hands." Despite his relative youth, the spirit of the times, and the prevailing mode of thought in the University community of that day, Rotwein was not doctrinaire: he is quoted as saying "the record of the Eisenhower Administration to date, in terms of anti-trust prosecutions that have taken place is pretty good", although the paper reports he goes on to say something more consistent with the views of his immediate intellectual community: "the men on the regulatory commissions – such as the FTC, FPC, etc., often become agents of the businesses they are supposed to regulate in the public interest." Gene does more about monopoly power than give speeches.

He studies financial markets, he writes for the Federal Reserve System, and testifies before Congress, on the effectiveness of legislation controlling the competitive structure and performance of the American Banking industry. His views are prudent and moderate, in keeping with his Humean demeanor. Rotwein's article "Economic Concentration and Monopoly in Japan" (Journal of Political Economy, June 1964, Vol. LXXII, No. 3, pgs 262 – 277) engenders vigorous debate, of a kind quite appropriate to the contrast between his growth and change oriented, "causes of labor" style of argument, and the prevailing static equilibrium approach typical of much of the rest of the economics profession during the 1960's.

Rotwein takes pains to remark that Japan's economic structure during the post war years is subject to a great many complex changes – it has "a capitalist economy, but not a highly developed one. Development has been pushed hard for almost a century; and, for a country emerging late from feudalism – and an oriental country – Japan has made phenomenal gains. Owing mainly to a severe shortage of resources, the struggle for growth has been especially difficult ... deliberate attempts were recently made to alter the industrial structure. ... the Occupation sought to keep concentration and monopoly under regulation ... The zaibatsu began to regroup in 1952 ... the anti-monopoly law has been losing its force." Rotwein then provides quite a bit of factual material on the state of economic concentration in Japan, and he says "while it is inappropriate to characterize the Japanese economy as "competitive" (and such simple characterizations would generally be suspect), studies which stress the importance of concentration in the prewar Japanese economy do not afford an adequate basis for judgment on the postwar economy ... the evidence, as seen, does not support the view that Japanese markets are generally highly concentrated ... it is unlikely, conservatively speaking, that the results would reveal a substantially higher level of concentration in Japan than in the United States." (Pgs. 275 – 76).

Gene's most important conclusion is that rapid growth gives the best hope of diminishing the then present degree of monopoly in the Japanese economy; he argues strong growth might act as a countervailing force, offsetting to a degree the ever-diminishing effectiveness of Japan's Occupation-based never-fully-implemented anti-monopoly policy. He also remarks upon the difficulty of measuring the relevant forces at work; he says, moreover, it is difficult to measure the exact static extent of the problem, to say nothing of the challenges facing one who would calculate growth-induced changes in all the relevant factors. "A continued high growth rate is likely to keep individual markets in a relatively fluid state and intensify the rivalry among Zaibatsu groups in their drive toward modernization of Japanese industry. A high growth rate will also feed the impulse toward independent action that weakens cartels – the demand for which has been largely a function of economic distress. ... But if the partial effectiveness of Occupation policy did not leave Japan a prey to restrictive practices – unable to exploit opportunities for rapid and sustained expansion – further economic growth may prove to be an important route to a fuller realization of that policy." (Pgs. 276 – 77).

The criticism of this argument which then appeared in the October 1965 issue of the JPE (Vol. LXXIII, No. 5, pgs 523 – 25) by Kozo Yamamura (San Diego State College), and Rotwein's response (pgs. 526 – 29, (Rotwein was by then at Queen's College, NY) same issue) is illustrative of the intellectual fashion of the day, as expressed by Yamamura, and the psychological, historical, Hume-like analytical habit Rotwein exhibits. Yamamura calculates "time trend equations of the form $C = a + bT$, where C is the concentration ratio and T is time, ... calculated for fifty-three markets for the largest, three largest and ten largest firms for the period between 1950 and 1958. ... In order to test Rotwein's deconcentration-through-growth thesis, correlation coefficients between the time-trend coefficients for 1950 – 58 and the growth rates of the sample markets were computed ... I find that less than 9 percent of the variance is explained by growth rates for 1950 – 62. For 1959 – 62, the period of encouraging "rationalization" (adoption of more efficient larger-scale production units) ... I find that all the R's are not significant at the probability level of 0.05." (Pgs 524 – 5).

Gene defends himself: "... my finding of a trend toward deconcentration was based on a consideration of an entire pattern ... I did not claim to have "found" a relationship between deconcentration and economic growth but conjectured on general theoretical grounds that rapid economic growth was probably the major factor in accounting for the market deconcentration which I found for the period 1950 – 55. ... my analysis, if anything, suggested that markets in the prewar Japanese economy were not as highly concentrated as several observers had supposed. ... I did not "predict" that further economic growth would result in continued deconcentration in Japan. Such a position would have implied that "growth" was the only, or the predominantly important, factor of relevance here ... I called attention to the importance of the weakening of the Japanese anti-monopoly program. ... I thus introduced economic growth as an important counter-acting factor. ... And here, particularly in view of the possible concentrating effects of a weakening anti-monopoly program, I conclude that continued economic growth may have a generally competitive impact on the Japanese economy." (Pgs. 527 – 8) "In Yamamura's analysis, "growth" is measured wholly by the rate of expansion of a specific market ... such a particularistic interpretation places an extremely narrow construction on "growth" and excludes from consideration various factors that may be presumed to be of major significance in this context."

Rotwein then writes, perhaps guided by Hume's spirit: "Typically, when an economy is growing rapidly, the supply of capital expands. The disposition to undertake the risks of investment grows. The inclination to innovate increases. The fund of managerial experience is enlarged. These forces are general, and they transcend the effect of the growth of this or that particular market." (Pg. 528) "For the purposes of making the "deconcentration-through-growth thesis" tractable to the requirements of a simple statistical test, Yamamura subjects the thesis to rather drastic surgery – of the Procrustean variety." (Pg. 529) "...I am not as certain, as apparently Yamamura is, of a continuing decline of the zaibatsu, since they may be able to offset declines in the market power of affiliates by merger or purchases of stock in other companies ... any general prognostications ought to be proffered with due regard for the hazards of making long-run forecasts in this field." (Pg. 529)

HUME'S CONTINUED INFLUENCE UPON GENE'S WORK

I first met Eugene Rotwein at about this point in his career: I entered Wisconsin's graduate program in 1960, and was awarded my doctorate in 1967. Rotwein was one of my major professors. My thesis, on the Chicago school, discussed the importance of realism in a manner much influenced by Gene's work. In our discussions, Hume's analysis of causation was a major topic. We also spoke generally about Hume in meetings that ranged over the succeeding years. And so I feel able to say something about Gene's understanding of Hume's political economy.

For Gene, the core of Hume's plan is that there is no plan. (This one-line summation comes to me from my student Dov Zigler, a young scholar who will carry on the tradition of economists interested in Hume.) "... General virtue and good morals in a state, which are so requisite to happiness, can never arise from the most refined precepts of philosophy ..." ("Of Parties in General", pg. 55) That is, Hume was not an advocate of any special system, as Smith might be said to be for *Laizzez Faire*. The closest Gene's Hume comes to Smith in this regard is to be anti-utopian. ("...the world is still too young to fix many general truths in politics"), ("Of Civil Liberty", pg 87, in David Hume Essays Moral, Political, and Literary, edited and with a forward by Eugene F. Miller, Revised Edition, Liberty Classics, Indianapolis, 1985 –87, ISBN 0-86597-056-4 (pbk.)). Nonetheless, State action is often necessary, especially to provide the background support for what we would today call the "rule of law": Rotwein recalled the "Origins of Government" --- "Liberty is the perfection of Civil Society, but authority must be acknowledged to be essential to its very existence" (pg 41 Liberty fund, David Hume, Essays Moral Political and Literary) ... "All the vast apparatus of government has no purpose " but the distribution of Justice" and because man can be seduced from his distant purposes by "the allurements of the present" we must "institute some persons ... magistrates ... to oblige men ... to consult their real and permanent interests." (Liberty Classics Essays Pg 38)) It was as clear to Rotwein as it was to Hume that the Market needed those magistrates, and so he, Rotwein, had no trouble advocating reasonable and moderate antimonopoly policy for Japan and for the American Banking industry.

On the other hand, evidence for Hume's limited enthusiasm for extensive innovation, said Rotwein, was the result of Hume's method of historical empiricism and Hume's emphasis upon the contrary nature of the line of causation that winds and twists from intention to final outcome. ("Such mighty revolutions have happened in human affairs, and so many events have arisen contrary to the expectation of the ancients, that they are sufficient to beget the suspicion of still further changes." (Pg. 89 "Of Civil Liberty", Liberty Classics)).

Perhaps because the 1960's were a time at Wisconsin when much attention was being paid to problems of economic development, a Hume-like dimension to graduate training was – or at least should have been – most appropriate. Development and trade experts Ted Morgan's and "Blackie" (Paul Theodore, otherwise known as P.T.) Ellsworth's boys (they were all boys – the first woman to enter the graduate program while I was at Wisconsin entered a class year behind me) were, it seemed, everywhere – Bangkok, Jakarta, Taiwan, and Washington. Gene, a good friend to Morgan and Ellsworth, reminded those who cared to hear of Hume's many insights into the evolutionary pressures and changes associated with growth and development. "If we consult history, we shall find, that, in most nations, foreign trade has preceded any refinement in home manufactures, and given birth to domestic luxury. ... Thus men become acquainted with the pleasures of luxury and the profits of commerce; and their delicacy and industry, being once awakened, carry them on to farther improvements, in every branch of domestic as well as foreign trade." ("Of Commerce", in Essays, Liberty Classics, pgs. 263 – 4) Unlike Smith's, Hume's economic actors changed their behavior as external conditions altered – because the tension and balance of their "springs of action" changed.

In the last half of the twentieth century, development economists worried about getting developing nations to save more, so investment could be, to a degree at least, self-financed. In the 18th century, Hume told his readers that static, feudal, and aristocratical nations not only had a saving problem, they likely had a difficult time maintaining the integrity of their existing capital – whereas nations bold enough to begin trading with one another, to move away from traditional authoritarian government, to give up avarice for gold and treasure, replacing it with a healthy enthusiasm for innocent luxury and self-indulgence, could rely upon an active, energetic and venturesome population to be too busy for wasteful extravagance, and too captivated by curiosity about the possibilities of

new ventures to fail to save and invest enough for continued growth and development. Hume said that in times when industry and the arts flourish, men, kept in perpetual occupation, enjoy occupation itself, as well as the fruits of their labor (“Of Refinement in the Arts”, Essays pg. 270) – and so, they are less apt to consume all their gains, thus saving and investing, partly as part of a game enjoyed for its own sake. This is in contrast to the behavior of the idle classes in static times, when a sickly indolence leads to dissipation and decay. When the “minds of men” are “roused from their lethargy” by trade and industry, and put into “fermentation”, there are improvements on every side, ignorance is banished, and men seek to enjoy the “pleasures of the mind,” they “flock into the cities”, the natural home for the enlightened, where they “love to receive and communicate knowledge” (pg 271, Essays, Freedom Library, “Of Refinement in The Arts”).

The rewards of trade, which consist in healthy refinement and sophisticated, diversified consumption, create habits of fit and vigorous indulgence, quite in contrast to the barbarous gluttony of primitive and static communities; “The more men refine upon pleasure, the less will they indulge in excesses of any kind; because nothing is more destructive to true pleasure than such excesses. One may safely affirm, that the Tartars are oftener guilty of beastly gluttony, when they feast on their dead horses, than European courtiers with all their refinements of cookery.” In nations where there is no demand for “superfluities” men “sink into indolence, lose all enjoyment of life, and are useless to the public, which cannot maintain or support its fleets and armies, from the industry of such slothful members.” (“Refinement”, Essays, pg. 272).

Rotwein’s Hume could have, and quite possibly did have, a salutary effect upon Wisconsin’s development economists in respect of what could otherwise have been their excessive interest in redistribution as a means of economic development. In any case, Gene took care to remind me, at least, that, for Hume, an increase in property and the State’s defense of property rights would not only advance Justice, but also provide for the general well being of all. All men enjoy, to a degree, the benefits of riches, even when “ownership” is limited, since wealth, even when concentrated among the few, is consumed vicariously by the many. When he writes “of our esteem for the rich and powerful” (Pg. 406 in Mossner’s Penguin) Hume says we take satisfaction in the riches of others, and have esteem for the owners of such property because of the high value we place upon the objects owned – much as if the owners were museum keepers for the rest of us, because we might fairly expect the owners to share their property with us, and because we may “virtually” consume the riches ourselves, having sympathy of feeling with the direct owner/consumers. This view of income distribution, while entertained, at most, by only a minority of development economists, is well worth entertaining, considering the violence that has commonly attended the policies of those in the underdeveloped world who have acted upon a contrary, redistributionist strategy.

THE DEBATE WITH CHICAGO

While Gene spoke privately about a wide range of Hume’s economic policy ideas, his major public application of Hume’s precepts during the years following the publication of the “Introduction” consisted in his high profile debate with those in the “Chicago School” (Gene was a Chicago graduate, remember) who distained the importance of “realism” as a test to be applied to economic model building. As indicated above, my own work with Gene focused, in part, on the same issues. I discussed the matter with him often, and at length. I summarize my understanding of his thinking, based on many conversations, and the connection it had with Hume, in the following way.

In the first place, just as Tom L. Beauchamp says was true of Hume in respect of competing philosophers in his edition of An Enquiry Concerning Human Understanding (Oxford Philosophical Texts, Oxford University Press, 1999, ISBN 0-19-875248-2 (pbk)), can be said of Rotwein and his antagonists in the Chicago debate: “He regarded the bulk of

ancient and modern philosophers as having an inflated, even pretentious, faith in the powers of human reason.” They were “over confident” and failed to confine their airy speculations; they refused to limit themselves to “ ‘ enquires to such subjects as are best adapted to the narrow capacity of human understanding’ “ (Beauchamp, pg. 11) Just as Hume wished to rein in “the enormous optimism of Enlightenment thinking”, Rotwein – whose own policy advice was always cautious and restrained – believed Chicago’s policy ideas were immoderately encompassing.

Rotwein certainly believed in the wisdom of following Hume’s advice in the Enquiry: “When we entertain, therefore, any suspicion, that a philosophical term (or economic assumption in Gene’s case) is employed without any meaning or idea (as is but too frequent), we need but enquire, from what impression is that supposed idea derived? And if it be impossible to assign any, this will serve to confirm our suspicion. By bringing ideas into so clear a light, we may reasonably hope to remove all dispute, which may arise, concerning their nature and reality.” (Beauchamp, pg. 99) Hume’s impressions were, for him, states of mind induced by an observer’s interaction with what non-philosophers would call the outside world, and ideas for Hume are what others might call the memory of such an impression: but as Rotwein understood things in his non-philosophical moments, Hume’s core bit of advice for students of economic processes is that the elements in a causal string of market events should be those we have every reason to believe are “real” impressions, not fictions. Moreover, Gene worried that Chicago’s willingness to employ “fictions” might well be linked to their readiness to propose extensive, encompassing policy reforms that go well beyond “human capacities for obtaining knowledge and probable belief” (Beauchamp, pg 25), perhaps “encouraging a passion for ... dangerous (political) novelties” (Liberty Classics Essays, “of the First Principles of Government”, pg. 36)

Rotwein believed four kinds of ordered regularity could be found in Hume. In the first, he says “his Attempt to Introduce the Experimental Method of Reasoning into Moral Subjects” is the scientific means to best understand the entire ordered and regular range of human behavior and nature. He asks us to employ a purely empirical, observation based method, in which actual, real world “objects” and “simple ideas” form the raw material of analysis. Ironically, this focus on the real, the actual, the tangible, the observable dimensions of the world and the race will never give us absolute certainty about cause and effect, but, by encouraging a skeptical manner, induce us to return again and again to the world of real objects, and events, for answers to our questions about politics and economics, as well as about human relations. He does not think we will find those answers hidden in the library. (David Norton reminds me “ that many of Hume’s observations do in fact come from his library – his cautious gleaning up of experiments was often literary, in the broad sense of that term.” Not to mention Hume the Historian, whose raw material was, of necessity, entirely drawn from the library. But as he does in “Populous”, Hume subjects his library gleanings to tests based upon experience, uncommon sense, and skeptical logic.) He reminds us of the equivalent importance of the passions and reason in explaining complex human behavior. Indeed, Mossner (Treatise, Penguin, pg. 22) says, “Man emerges (in the Treatise) not as the ... thinking animal, but as a creature dominated by sentiment, emotion, passion, appetite” He reminds us of Hume’s polemical “Reason is, and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them.” The second orderliness is found in his “actual” history of Britain. The third is in his depiction of the typical history of economic and political processes. The fourth kind of order is in the standards he applies when, in order to generate a ranking of merit for great authors, he evaluates the artistic succession of events found in works of literary art. The totality of Hume’s critical and analytical abilities is known after one appreciates all these kinds of ordered ideas. At least in his maturity, he had the capacity to write explanatory essays, explaining connections among real world events, for the benefit of the general public, allowing his audience to understand how he formulates general descriptive rules of human behavior. The internal analytic machine he built for himself allowed him to isolate complex human causal orderings that one could expect to find at other times and in other

places, given that the separate instances occurred at parallel points in economic and political evolution and given that unique cases of “diplomatic history” did not dominate the moment. Hume built up his analytic machine using parts from the *Treatise*, the history, the essays and finally the criticism of art.

From the *Treatise* he takes his highly plausible, albeit complicated story of human behavior, based upon the requirement of empirical observation of real objects and events. Once again, Hume does not abjure the library as he searches for evidence of human motivation. His *History*, as much as any other source, provides him with an understanding of the “causes of labor”, their mix, and the forces operating over time to alter that mix. And so the *Treatise* is with the *History* the source of his four-pronged cause of labor, and for his contention that economic evolution results from an endogenous change in the mix of those conflicting motives. Continuing to build his thinking machine from the core outward, but not necessarily in time order, Hume adds the next part needed by anyone hoping to explain human social behavior, as he defines and defends a properly scientific methodology for the study of history. It requires not only a thorough familiarity with events, but also an uncolored acute filter, used to isolate critical chains of connection, despite the whole scene being an obscure mass of concurrent activity. There is a need not only to show the specific relationship among critical historical “objects”, but also to reveal some larger pattern. In the *Essays*, a typical historical pattern that might be expected to unfold itself in the near future is revealed to an unbigoted analyst of political economy who eschews party loyalty and relies instead upon a combination of insightful analysis and a general awareness of related or similar actual situations, remembered calmly, in the absence of factional feeling. The fourth kind of human order is expected, indeed demanded, in a work of art being classified for excellence by a critical person, who not only is endowed with the skills a scientific historian and the unprejudiced judgment of a true scholar, but who is also experienced and learned in intimate human relationships, refined in taste and familiar with accepted masterpieces of literature. The critic’s requirement that literature be lucid, general, insightful, universal and significant is a standard equally appropriate when the human condition is examined in “scientific” writing.

Hume’s French contemporaries praised him, as a man possessed of all these endowments -- excellent judgment, scholarly command of fact and circumstance, an unbiased spirit, a manly critical constitution, a writer with a belly connected to his head. In my opinion, Gene Rotwein believed Hume to be the outstanding political economist of the 18th Century for the same reasons, and he tried to hold himself to the same standard.

In my view, Rotwein’s understood Hume to say that the scientific study of human behavior employs at least two strategies. In the first, Humean constant conjunctions are observed and recorded. Events of type A are seen, quite often, to be followed by events of type B. Since human behavior is highly varied, since the matrix of supporting and surrounding events, partly connected with A and B is equally variable, there is a level of uncertainty and inexactitude when we label events as type A or B, and there may also be uncertainty about the extent to which surrounding events C, D etc. are or are not closely associated with A and B. For example, a typical question might be “are A and B in fact ‘the consequence of’, or more exactly, in fact constantly conjoined with event C, rather than with one another? Or another questioner might ask, “is the conjunction between A and B only found in the presence of D, but not otherwise?” Still other problems arise if the events observed are in fact amalgams of mini events, whose admixture might very well change significantly from one time to another.

But in all these cases, constant conjunction may only be observed if the events do in fact occur – that is, conjunction cannot be observed between a “real” event, and an imagined one, or a “false” one. An important nuance in all this is “simplification”, meaning an observation process that, intentionally or not, ignores some of the mini-events that are

contained in, or surround, what then becomes an “imperfectly” observed” event A, B, C, or D. An observer is then in considerable doubt about the underlying “true content” of the economic aggregate under consideration. In Gene’s duels with his Chicago antagonists, this issue was discussed. My understanding of Gene’s position here is that “simplification” just might be allowable, while outright falsification of “observations” is not. Yet he believed that even simplification could diminish the value of a set of observations, since a failure to find later constant conjunctions might well be due to a mislabeling of events – the omitted mini-elements turning out to be more important than first thought.

“REALITY”

It is unfortunate that Gene had this debate before David Fate Norton published his “Editor’s Introduction” to the Treatise in the year 2000. (David Hume, A Treatise of Human Nature, Edited by David Fate Norton and Mary J. Norton, Oxford Philosophical Texts, Series Editor John Cottingham, Oxford University Press, first published 2000, reprinted with corrections 2001, 2002, 2003, (twice) SBN 0-19-875172-9 (paperback), editor’s introduction by David Fate Norton). It might have saved him from thinking, as Hume did not, that there is a profound “external to the observer” difference between ideas that are fictions, and impressions that result from observation. Hume, as Norton explains, thinks that impressions resulting from observation give rise to a stronger form of belief than do “romantic” fictions, voluntarily called up in the mind. Natural fictions, like the belief we all have (at least in our non-philosophical moments), that there is a real world full of objects quite separate from ourselves “out there” somewhere, are unavoidably part of our nature. And so, we must “take it for granted” that the world exists apart from our consciousness of it, because the natural fiction, while indefensible in logic, is too strong to deny in argument. But voluntary fictions, like those Chicago school assumptions of trees with brains, don’t persuade readers to base actions on their implications. But in any case, Rotwein did frequently write as if “reality” is something deeply and externally different from “falsity”. However, when he came to discuss the true failings of the Chicago approach, he was quite consistent with Hume, in that his chief criticism was the failure of Chicago type models to lead wise policy makers – or at least those who paid attention to the debate -- to follow the implied advice of Professor Friedman. (More of the payoff from connecting Norton with Rotwein will be presented below.)

Gene believed that after a collection of events has been observed and recorded, another investigative strategy is brought into play. It is a logical one, arithmetical and rule-determined. Economists call this process “building a model”. Hume would see it as a bit of arithmetical logic, entirely distinct from empirical science. In fact, typically the arithmetic component is present in literal form: it is presented as a problem in Calculus, or symbolic logic, or geometry – sometimes all three. The model replaces the observations of A and B, C and D with symbols that are linked together by the rules of logic. There is no empirical dimension to the relations that now exist between the symbols representing A, B, or any other real event. Like ordinary arithmetic, or Euclidian geometry, the model is defined totally by the two kinds of ideas that make it up; first, a collection of axioms and second, the logical rules for combining those axiomatic elements. It lives only in the mind of its manipulators. A large number of other symbolized observations are also put into an arithmetical relationship with the original, small set of symbolized conjunctions. The arithmetical rules now determine the connections among the symbols, but the arithmetic has been so designed that it imitates the pattern of constant conjunctions originally discovered to actually exist.

The model is rich enough that it “predicts” new conjunctions: that is, an arithmetical logical extension of connections is discovered (in the 18th Century sense of the word) as David Hilbert would say, by “unfolding” the logic of the model, much as the rules of arithmetic are “unfolded” to “predict” that two plus two equals four. The scientific investigator then goes into “the world” to see if the anticipated or “predicted” conjunction

may actually be found to exist. Once again, realism is quite important here, as it was at the beginning (but not in the middle) of the process. Only a “real” new constant conjunction, between, perhaps, A' and B', will do. Unless A' and B' are both real events, there is no point to the exercise. This activity is called “testing the model”. That is, if there are no original “impressions” connected with our ideas, not only will there be nothing to look for, but if we continue the exercise, the results will not be convincing, the existing belief system of a neutral observer will not be challenged, and he is unlikely to change his mind about the efficacy of existing practices. On the other hand, if what the observer “sees” in a test is relied upon, because it takes the form of an “impression” and if the anticipated conjunction is not found, the arithmetic of the model is changed. In extreme cases, the entire model might be discarded, and replaced with another. The changed model, if it is to be accepted, must take into account the observed relationship between A' and B', as well as all previous observations. The model is, or should be, junior to the observations at both ends of the process. The observations must actually take place for a test to be conducted.

It is easy to see the mind of Hume at work in this explanation of the “scientific method”, and, it seems to me, this summary is a fair representation of what Gene had to say in his well-publicized debate. In any case, the affair generated articles in the most important Journals of the day, the Journal of Political Economy, the Quarterly Journal of Economics, and several collections of leading essays on methodology. Gene also published versions of his side of this “realism” debate in the academic press. (For a partial list of the debaters involved in this controversy, including Paul Samuelson, Milton Friedman, Frank Knight, Fritz Machlup, Lionel Robbins, T. W. Hutchison and others, see Sherman Roy Krupp's book The Structure of Economic Science, Prentice Hall, 1966, Englewood Cliffs, NJ, Library of Congress catalog number 66-16395, and Krupp's essay “Types of Controversy in Economics”, pgs. 3339 – 52, especially Pg. 43)

Many reviewers were in close agreement with Rotwein on the important topic of “realism”. An anonymous reviewer, writing in the Autumn of 1958 to the editor of the prestigious Quarterly Journal of Economics (QJE) – Harvard's journal in those days, and then one of the most highly regarded journals in the economics profession – had this to say: “This is an excellent piece of work. Rotwein is taking on one of the cagiest in-fighters in the business in a singularly straightforward, no-nonsense way. He is asking for trouble and you may have a nice fight on your hands. ... The theory-explanation-prediction argument in pp. 9 – 11 (of the manuscript) is excellent. ... I strongly urge acceptance of this article.” It did get published, in the November 1956 issue of the QJE, (Eugene Rotwein, “On the Methodology of Positive Economics”, Quarterly Journal of Economics, (QJE) 73, November 1959), despite the objections of other reviewers: “The main demerits of the article are that it makes apodictic assertions about things on which experts disagree; that is, it uses terms as if they had a generally agreed meaning (where in reality the meanings are most controversial); and that it fails to give any historical perspective on a problem on which economists and others have been arguing for more than a hundred years.” (Anonymous reviewer to QJE editor, October 13, 1958) It is evident that this latter reviewer did not know his Hume, or he would not have thought Rotwein's arguments lacked historical support. The negative review concludes his remarks on Gene's essay on prediction, by making a prediction of his own: “Thus while Friedman's approach could certainly be criticized in several respects, I do not believe that the strictures and charges leveled in the present article would hold water after the terminological confusions are cleared away.” Alas for him, the reviewer's prediction did not hold up.

Gene's QJE article not only generated a controversy at that journal that lasted until November of 1962, but Gene and many others, continued to elaborate the many lines of argument in the debate. One example of the continuing academic conversation included Martin Bronfenbrenner, Fritz Machlup, Lawrence Nabers, William Baumol, Gerhard Tintner, Kenneth Boulding, James M. Buchanan, Benjamin Ward, Kelvin Lancaster, Jerome Rothenberg and others, all contributors along with Gene to a 1966 book entitled The

Structure of Economic Science, edited by Sherman Roy Krupp, Rotwein wrote a draft review (of which a shorter version was later published in the Journal Economic Development and Cultural Change, pgs. 107 – 112, published by the University of Chicago) of the book, “indulging my own inclinations” as he put it. When speaking well of Bronfenbrenner’s essay, he might have been speaking for himself, not merely indulging his own views: “... he displays a deep respect for the elements of truth in differing points of view and a marked atropism toward parochialism and dogma.” When criticizing Fritz Machlup’s essay, Rotwein writes much as Hume might have: “There are, however, innumerable empirical generalizations (i.e. statements of uniform correlation between observed events) that are sufficiently comprehensive to serve as the basis for explanatory and interpretive deductions for broad classes of phenomena. Indeed “explanation” is itself a matter of degree (although differences in degree can be very important), and even low-level generalizations are explanatory insofar as they successfully demonstrate that a given event is uniformly associated with another event (which is ultimately all that “explanation” is.)” Reviewing Emile Grunberg’s contribution to the collection of methodological essays, Rotwein writes: “In a recognition of the difficulties caused by the complexity of human behavior, Alfred Marshall argued that all economic laws were to be construed only as statements of “tendencies” – subject to disruption by changes in unforeseen factors. Grunberg’s argument goes one step further’ for he is pointing out that, in the absence of the conditions necessary to verification, the “tendencies” posited by the hypothesis in question must themselves be viewed with considerable caution. Marshall himself, I believe, would have agreed.” And so would have Hume.

Mossner writes (Treatise, Penguin, pg. 17) cause and effect have: “but three circumstances determining the relation between” them, “Contiguity, priority, and constant conjunction. Prior to experience, anything may be the cause of anything, and whatever we can imagine is possible. It is experience, custom and not abstract reason which is the guide of life.” It is difficult to imagine any one of the three “circumstances” having any operational meaning unless the “objects” of analysis have an existence, or, in Rotwein’s language, are “real”. Of course, Hume emphasizes that existence itself is merely a change in the nature of our idea of an object. The impression upon our mind of a real, as opposed to a “fictional” object is stronger, clearer and close to our ideas of other real experiences. Ronald Coase, the Nobel Laureate who entered the debate about realism in assumptions, says something quite similar when he speaks of the persuasive understanding we gain, and the strong belief we have that the implications of a realistic analysis will also prove to be “true”. Coase, Hume and Rotwein all say we are more likely to be comfortable with a set of ideas, which are closely tied to “objects”, and “simple ideas”. When such collections of ideas become part of an “analysis” of a human situation in which we ourselves are embroiled, we are more likely to willingly guide our related actions by the implications of the analysis. Moreover, collections of ideas that are closely related to extant “objects” might be subjected to a kind of Karl Popper test. If, after careful search, we are unable to confirm the “existence” of a collection of simple “objects” closely related to the ideas under scrutiny, we have reason to stop guiding actions in such a manner, and we may be said to have diminished belief in the usefulness of the collection of ideas – now thought to be infected with fiction.

Indeed, reality itself is merely the qualitative extra strength and vigor we find characterizing the nature of the idea we have of some object. And that vigor makes arguments made up from combinations of such strong ideas more believable and compelling to us. As Hume himself puts it “ We have no abstract idea of existence, distinguishable and separate from the idea of particular objects. ‘Tis impossible, therefore, that this idea of existence can be annex’d to the idea of any object, or form the difference betwixt a simple conception and belief. ... The mind has the command over all its ideas, and can separate, unite, mix and vary them, as it pleases so that if belief consisted merely in a new idea, annex’d to the conception, it wou’d be in a man’s power to believe what he pleas’d. We may, therefore, conclude, that belief consists merely in a certain feeling or

sentiment; in something, that depends not on the will, but must arise from certain determinate causes and principles, of which we are not masters. When we are convinc'd of any matter of fact, we do nothing but conceive it, along with a certain feeling, different from what attends mere reveries of the imagination. And when we express our incredulity concerning any matter of fact, we mean, that the argument for the fact produces not that feeling. Did not the belief consist in a sentiment different from our mere conception, whatever objects were presented by the wildest imagination, wou'd be on an equal footing with the most establish'd truths founded on history and experience. There is nothing but the feeling, or sentiment, to distinguish the one from the other." (Treatise, appendix, Mossner, pgs. 671 – 2)

To say that existence is "merely" a different kind of feeling may appear to underestimate the importance we attach to the words "understanding" "belief" and "persuasiveness", but it is difficult not to agree with Hume that such words have as their referent "feelings" on the part of persuaded believers, who come to understand and accept some relationship better, once they are convinced of its "reality". A collection of ideas about some specific political, economic problem, or a telling of some historical parable, will be compelling or not, will affect our future actions or not, depending upon the strength of Hume's special "feeling".

Here is how Ronald Coase puts the argument (Coase, in Essays on Economics and Economists "How Should Economists Choose?" U. Of Chicago Press, 1994) for a special feeling – he calls it "understanding," "insight into how the system works" and "a base for thinking". Whatever he chooses to call this special quality permeating a collection of ideas about the world, his argument is Humean. He begins by asking how economists are best advised to choose theories, and he says he is unhappy with the way Milton Friedman advises them to proceed. Friedman, Coase says, claims "the worth of a theory 'is to be judged by the precision, scope, and conformity with experience of the predictions it yields. The ultimate goal of a positive science is the development of a 'theory' or 'Hypothesis' that yield valid and meaningful ... predictions about phenomena not yet observed.'" Coase continues: "I should say at once that I do not consider Milton Friedman's answer satisfactory. ... We are not interested simply in the accuracy of (a theory's) predictions. A theory also serves as a base for thinking. It helps us to understand what is going on by enabling us to organize our thoughts. Friedman enlarges his argument by maintaining that theories are not to be judged by whether their assumptions are realistic." (Coase then quotes Friedman as follows: "Consider the density of leaves around a tree. I suggest the hypothesis that the leaves are positioned as if each leaf deliberately sought to maximize the amount of sunlight it receives, given the position of its neighbors, as if it knew the physical laws determining the amount of sunlight that would be received ... (etc.) Despite the apparent falsity of the "assumptions" of the hypothesis, it has great plausibility because of the conformity of its implications with observation. (The Friedman Quote is from Essays in Positive Economics, "The Methodology of Positive Economics", Friedman, U. of Chicago Press, 1953)) Coase goes on: "Such a theory nonetheless provides a very poor basis for thinking about leaves (or trees). Our problem is to explain how leaves come to be distributed on a tree given that a leaf does not have a brain. ... We could have predicted over the last few years what the American government's policies on oil and natural gas would be if we had assumed that the aim of the American government was to increase the power and income of the OPEC countries and to reduce the standard of living in the United States. But I am sure that we would prefer a theory that explains why the American Government, which presumably did not want to bring about these results, was led to adopt policies which harmed American interests, ... Realism in assumptions forces us to analyze the world that exists, not some imaginary world that does not."

Kenneth Boulding is another important economist who thought about reality in terms that could have been clarified had he stayed a bit closer to Hume's moderated skepticism: "...verifiability ... is a concept which may appear fairly obvious on the surface; nevertheless there is hardly any other philosophical concept around which so many philosophical

banshees howl. ... Every human being has an image of the world of time and space, causality, value and so on in his mind. This we might call the 'subjective world.' Part of his image consists of a conviction that corresponding to the subjective world inside him there is an objective world outside of him to which his subjective image corresponds. If he is a normal person, he can distinguish quite readily between those parts of his image which he regards as "real," that is, corresponding to something outside, and those parts of his image which he regards as unreal or fantasy. ... this distinction within the image between the real and the unreal is developed by a process of testing." (Kenneth E. Boulding, "The verifiability of Economic Images" pgs 129 – 41 (quote from 129 – 30) in Sherman Roy Krupp's *The Structure of Economic Science*, Prentice Hall, Englewood Cliffs, NJ, 1966) As Boulding goes on to discuss testing, he says it is a matter of producing a critical level of (subjective) probability that some belief is "real" – he says that when outcomes surprise us, we are induced to examine a situation more carefully, with a view "a reorganization of the basic image of the world itself." (Boulding, pg. 131). Boulding's final position is reconcilable with Hume, Rotwein, Coase and those others who criticized the Chicago position – it is really a statement about a special kind of idea, or mental attitude about the "outer world."

Had Gene been able to use David Norton's explication of Hume, he could have said that the difference between "realism" and "fiction" is a matter of the degree of belief we have when "predicting" the outcome of a causal process. We need not go into a metaphysical discussion of is "really" out there, in the world, waiting to be observed by us. Hume "took it for granted" that there was a real world out there, somehow giving rise to the mental processes that we call observation, but that it was fruitless to speculate about the deep meaning of that outer reality. What we can talk about is the degree of belief we have in cause and effect relationships - more precisely, what causes us to believe that constant conjunctions, observed in the past, will continue into the future. What makes it likely that we will base our own behavior, or policy, upon that belief? Strongly held opinions, persuasive records of past events, are what we may call for convenience "real." The reality, consisting in past or current observation of events, captured in what Hume calls "impressions" give rise to feelings we might call understanding, persuasiveness, or belief. The force, vivacity and intensity of impressions gained by such empirical observation, give rise to conviction, because such "real" mental pictures are held with great assurance. In contrast, ideas that are mere fictions do not have energy, or liveliness, are unlikely to give rise to confidence. Moreover, it would be unwise to base a line of action, personal or political, on such speculative grounds.

Norton tells us "Given that the experimental method had been so successful in natural philosophy, it seems obvious to (Hume) that we ought to use this same method to develop a new science of human nature: 'the only solid foundation we can give to this science itself must be laid on experience and observation' (intro. 7) (Norton, I 15) "Neither of the new kinds of science can hope to transcend experience. Granted, we can hope to generalize from our observations, but we cannot expect these generalizations to inform us of some higher level of reality beyond the observable. This means that in moral philosophy we can hope to point out how the mind works and what operations are within its scope or power. By 'tracing up our experiments to the utmost, and explaining all effects from the simplest and fewest causes', we can try to make our new science as fundamental and comprehensive as possible. But we cannot hope to get behind the scenes, so to speak, and discover why human nature and the mind are as they are. As Hume sums up the matter, we should reject as 'presumptuous and chimerical' any theory that claims to have gone beyond experience to 'discover the ultimate original qualities of human nature' (Intro. 8) (Norton I15).

Hume was a skeptic, but a moderate one. He did not go into the "bog" of fruitless discussion about the real existence of the world outside our senses. What he wrote about was the conditions required for conviction, belief, and the kind of information needed by persons hoping to devise wise actions aimed at obtaining benefits and avoiding trouble. It

is an especially valuable strategy for social science, since the great mass of data supplied by the "real world" is so unwieldy that policy makers must reduce its complexity, and diminish the variety of range even in the limited behavior selected for study. How far to go in this process of elimination is never clear. Hume's approach - which in the end is Rotwein's as well, is to avoid this particular fruitless bog, and ask a more direct question: does a policy design strike our imagination with such force and liveliness that we willingly take it up as a judicious course of action? Rotwein, and the many others who came to agree with him over time, looks for sensible, well thought-out discussions of economic problems, without fictional elements, that imply courses of action with a successful history.

Applying all this to Rotwein's discussions of "reality," and the consequent problems of discussing and differentiating "simplification," "falsification" or "validity" from "accuracy," we should make a more basic demand of economic model builders. We should require that their argument produces understanding in the reader, belief on the part of disinterested colleagues, persuades policy makers, and, when actions of the type recommended by the argument are taken by persons who had, up until the time they encountered the argument, been uncertain as to the best choice available to them, those actions produce desired results. Moreover, it should be the case that still other persons, observing the degree of success enjoyed by the first group of "advisees," and contemplating similar action of their own, having similar aims and purposes, believe it prudent and wise to likewise follow the advice of the model builder. But such a belief that is unlikely if those persons think they are merely following instructions emanating from a "black box," even a black Box with a good record of predictive accuracy.

Norton says: "I can hypothesize that some fictional event of which I have nothing more than an idea will bring about some future result of which I have another idea. I can imagine that some stranger will put a lottery ticket in my pocket, and then mysteriously cause the ticket to contain the winning numbers. But this fantasy will not result in conviction. I will not only not anticipate my winnings by buying a new car; I will not even check my pocket to see if the ticket is there. In contrast, if I see one billiard ball rolling directly at another, I am convinced the other ball will move after being struck. Whenever conviction of this sort is produced, Hume says, the process will have begun with an 'impression of the memory or senses', and not with ideas that are 'mere fictions of the imagination' (1.3.5.1-4)" (Norton I 30). However, David Norton reminded me in an email from Victoria BC, dated July 13th, 04 "Hume uses 'fiction' in two senses. There are 'natural' fictions in which we have deep and uneradicable belief -- as for example our belief in external objects." Other fictions are those of the "Castle builder", or the writer of romances. These latter fictions are voluntary and artificial. It is the voluntary, unnecessary fictions that are of little use in forming strong belief, or guiding action.

Norton asks us to think about Adam, "created this moment in the full vigor of intellectual capacity," learning about billiard balls. At first he anticipates nothing, as the colored blobs move across his field of view. Gradually, he comes to expect certain regularities, developing "mental habits." Eventually, he anticipates, his mind "unbidden, leaps ahead, forming an idea of a future event." How does Adam go from expectation to belief? It is "a transfer of focus, brought about by repeated experience." ... "Belief is a 'particular manner of forming an idea ... or nothing but a peculiar feeling, different from the simple conception' (1.3.7.6. -7) (Norton, I32) ... "Hume says that the belief we are trying to understand 'may be most accurately defin'd, a lively idea related to or associated with a present impression'" (1.3.7.5). (Norton, I 32) Norton says, "What Hume means when he tells us that 'all probable reasoning is nothing but a species of sensation' (1.3.8.12, see also 1.3.6.6). Is that 'probable or causal reasoning enlivens our ideas, giving them force and vivacity, and that once so enlivened, they are in that respect virtually indistinguishable from impressions of sensation. In short, as a consequence of the kind of inference that characterizes causal reasoning, ideas are believed, or, perhaps more accurately, ideas become beliefs." (Norton, I 32)

Gene many times made arguments along exactly the same lines. Rotwein, Coase, Bronfenbrenner and the others who entered the "realism" debate did not repeat Hume's insistence that "false" and "true" ideas are distinguished only by the nature and strength of our feelings about them. But when they write about understanding, and the argument that we are more willing to make policy, or pursue specific actions once we are persuaded of the "truth" of some theory is really a statement about a feeling, rather than a statement about arithmetical proof. To put it another way, Gene and the others on his side of the debate might better have said that Friedman and those at Chicago who agreed with him were not so much in error, as they were recommending a strategy of argument that would be unlikely to produce belief, inspire confidence, guide policy, or change minds. Any arrangement of "facts" in the world being observed is possible, "anything not formally inconsistent is conceivable, and ... whatever is conceivable is possible" (Norton I 34) and so Chicago cannot be said to be formally inconsistent. It can be said, as Hume might have done, that Chicago's "unrealistic" models lacked force, vivacity and persuasiveness.

AFTER CHICAGO, A RECAPITULATION OF HUME

As the years pass, Gene's writing continued to show the influence of Hume, or at least a continuing respect and admiration for Hume's approach to the analysis of making public policy. Writing in the *History of Political Economy*, (Vol. 15, 1983, Duke University Press) on "Jacob Viner and the Chicago Tradition" (Viner was Gene's Chicago advisor at the time of the writing of the Thesis), Rotwein approvingly quotes his teacher: " 'the most valuable service' the academic scholar 'can render in the process of reaching worthy decisions on questions of social policy' lies in exploring 'the conflicts between principles,' in searching out 'the importance of degree, relation, and proportion,' and in discovering 'for particular values their appropriate place in the process of persuasion.' " (Viner's quote is from his "the Intellectual History of Laissez Faire", *Journal of Law and Economics*, 3 (Oct. 1960: 62 – 63).

The reader will not be surprised to hear me report, that in the communications Rotwein had with Viner during the writing of the thesis, the older man showed a deep familiarity with Hume's writing. For example, in a letter dated March 6th, 1950, from Viner, then at Princeton, to Rotwein, Viner writes: "The discussion by eighteenth century philosophical writers for the economic functions of government seems always to have arisen out of their discussion of "justice". ... In the case of Hume there are, I believe, no general propositions assigning limits to government. Hume, moreover, like Hutcheson and unlike Smith, Richard Price and Locke, has no doctrine of natural rights to invoke as setting non-utilitarian limits to government activity. It would not be irrelevant therefore to seek in what he says about justice for clues as to what he regards as permissible and what as desirable or mandatory activities of government. I would draw your attention to the last paragraph of Book iii, part II. Sect. 7 of the *Treatise* (pp. 256-7 in my copy, which is the 1817 edition) for a paragraph which goes beyond the enforcement of justice. ... I would deny that Hume was laissez-faire in the sense in which Smith or Bastiat or Cobden were or Hayek is ... I would even argue that no English philosophical writer was philosophically laissez-faire before Adam Smith, and that Smith broke sharply with all previous writer in his use of the term 'liberty'. ... As far as I can see, Hume (here following Hobbes and almost everyone else in England) was strictly utilitarian – the limits to government activity were only those set by utility – and he may even have been consistent enough to apply it to religion."

Further along in Rotwein's Duke essay, he shows pleasure in reporting Viner's own account of Viner's understanding of the "springs of action" motivating economic behavior that is most like Hume's: "Men do not ordinarily have pleasure, or even pleasures, as the conscious object of their desires. Human behavior, in general, and presumably, therefore also in the marketplace, is not under the constant and detailed guidance of careful and hedonic calculations, but is the product of an unstable and irrational complex of reflex

actions, impulses, instincts, habits, customs, and mob hysteria. In the light of modern psychology, 'let reason be your guide' is apparently a counsel of unapproachable perfection. The utility economics, as ordinarily formulated, is bad psychology." (Viner quotes from The Long View and the Short, Glencoe Ill., 1958, 180 – 81). Rotwein had himself expressed a similar view to that he finds in Viner in this 1983 Duke press article, in his 1973 essay "Ideology of Wealth and the Liberal Economic Heritage: the Neglected View". (Social Research #40, (Summer 73) pgs. 269 – 92)

Rotwein revisited Hume's economic essays more than once in the years after the publication of the "Introduction", each time adding something to his argument. In The Southwestern Journal of Philosophy (Vol. VII No. 2, Summer, 1976, pgs. 117 – 134), he repeats his central contention that Hume's "practical" writings were intimately connected and internally consistent with his philosophical and historical writing, and that his understanding of human psychology and the passions was fully integrated into his story of economic growth, development and evolution. Hume's "analysis of human nature, or his 'science of man,' was thus to serve as the basis of a general science of human experience and more specifically – in light of Hume's own special interest – as the 'capital or center' of the 'moral' (behavioral) sciences of ethics, politics and esthetics." (Pg. 118). "... let us consider further the nature of the science of human experience as Hume envisaged it. The development of this involved a two – stage process. In the first – an analytical stage concerned with the 'principles of human nature' as presented in Books I and II of the Treatise – Hume would seek to ascertain the elements of a cognitive and psychological character common to all mankind. In the second – and synthetic – stage, he would seek, by considering the impact of specific stimuli on human nature, 'to establish laws of human behavior' which would explain how, in various realms of experience, man responded to different sets of conditions. In broad outline this is quite straightforward. Special attention, however, must be give one further factor. This is the place Hume accorded historical process in his inquiry into human experience. Speaking most generally, Hume – as an empiricist – regarded the study of history as indispensable to an understanding of all dimensions of human behavior." (Pg. 119)

Rotwein emphasizes Hume's belief that social behavior is more than mere pleasure seeking and pain avoiding. "... we have Hume's analysis of the four 'causes of labor' whose excitation (resulting initially from the opening of foreign trade) lead to new 'habits of industry' and account for the 'rise and progress of commerce.' Even viewed by the contemporary observer, Hume's awareness of the plurality of motives involved and the complexity of interrelationships is striking. Thus man produces in order to consume; but, enjoying economic activity itself, he not only seeks challenges, which pose obstacles to his desire to consume, but in the course of the pursuit, develops a passion to withhold and preserve his acquisitions from use. He seeks want-gratification, but, enjoying the excitement of having wants, he wishes wants to remain unsatisfied and, finding himself heavily weight down with 'tranquility,' will if necessary – as Hume adds in several places – even draw gratification from passion 'mixt with pain.' It should be emphasized that Hume was not a psychological hedonist. Although man seeks 'pleasures,' these four 'causes of labor' are thus not wholly reducible to one all-embracing Desire for Pleasure but are separate and distinct 'passions' or 'instincts.'" (Pg. 125)

Rotwein goes on to find further support for his contention that Hume's economic actors were more than hedonists in the essay series "The Sceptic", "The Epicurean", "the Stoic" and "the Platonist". "... the pluralism reflected in Hume's view of human happiness as a composite of several 'ingredients' is explicitly defended in another of his essays, 'The Sceptic', where he rejects the notion that human felicity rests on the attainment of any single end. Hume's economic psychology ... consists of broad categories of opposites – striving versus realization – and state of new passion versus state of emotional excitement. The former dichotomy will be recognized in the opposition which Hume draws between the view of the Stoic and that of the Epicurean, while the latter represents the contrast between

the ultimate desideratum of the Platonist (i.e., the 'perfect tranquility and repose' of a state of pure 'contemplation') and the major element common to the position of both the Stoic and the Epicurean. ... Hume makes plain his belief that meaningful striving is, generally speaking, the most important 'ingredient' of human well-being. As noted, he regards 'repose' and tranquility' as gratifying only as a respite from the fatigue of sustained emotional involvement ... a life devoted to gratifying consumption desires is 'much more subject to satiety and disgust' than a life of action ... Hume regards all forms of disciplined action as facets of the summum bonum represented by a more inclusive striving for a greater harmony between human passions themselves." (Pg. 131)

When he explains the subtle interactions Hume says are to be found in the historical record of economic growth, evolution and development, Rotwein applies his understanding of Hume's complex story of economic and social motivation. He says Hume's "treatment of the social impact of economic growth" introduces a "wide variety of influences". "Both intellectual growth and cultural refinement themselves, he contends, are linked to the development of economic activity 'by an indissoluble chain.' " "... the expansion of knowledge in the realm of the industrial arts promotes a greater interest in the arts and science in general at the same time as it leads to a broad scale cultivation of tastes. This further has a pervasive socializing influence as individuals 'flock to cities,' seeking each other out to enjoy the give and take that springs from the sharing of a growing fund of common experience... A sense of 'humanity,' consequently, develops as 'the tempers of men, as well as their behavior, refine apace.' " Rotwein points out Hume's belief that the diverse complement of economic evolution has a moral as well as a political element. "... because we 'sympathize with others in the sentiments they entertain of us,' the 'constant habit of surveying ourselves, as it were, in reflection, keeps alive all the sentiments of right and wrong, and begets, in noble natures, a certain reverence for themselves as well as others, which is the surest guardian of every virtue.' The favorable social impact of economic growth, Hume argues, is likewise found in the political realm. Here his discussion covers a broad range of considerations, including the effect of commercial development on a nation's spiritual as well as its economic capacity for defense, the relation between the general growth of knowledge and an understanding of the techniques of political administration, and the influence of the growth of both knowledge and a sense of 'humanity' on the prevalence of faction and thus on internal political harmony. Most noteworthy, however, is his argument that political liberty itself – far from being undermined by the growth of materialism (as was commonly claimed) – had in fact been substantially advanced by the individualism that sprang from the economic revolution of his own general period." (Pgs 132 – 33) "... no thinker of his time (including his friend Adam Smith) so effectively joined psychology and history in the analysis of major issues of economic theory and related policy questions. Properly viewed, Hume was preeminently the 'philosopher-economist' of his age." (Pg. 133)

Gene goes over some of the same ground covered in the Southwestern Journal of Philosophy essay in making his contribution to Palgrave (Rotwein, Eugene (1987), "David Hume," in The New Palgrave: A Dictionary of Economics, vol. 2, ed. John Eatwell, Murray Milgate and Peter Newman (New York: Stockton Press), 692–95), while refining his presentation: "... philosophers have often treated Hume's philosophical writings in isolation from his other work. For Hume, however, there was no such sharp distinction. ... There are many links between Hume's philosophical thought and his essays ... in light of the importance of these links, Hume may be regarded as the outstanding philosopher-economist of the 18th Century." (Pg. 692)

A bit later in Palgrave, after reminding the reader that Hume's "world is still too young" to know much about its future with certainty, Rotwein says that in Hume's opinion: "...economics ... lends itself especially well to scientific study ... and here he was cautiously optimistic concerning the possibility of developing reliable generalizations through direct observation of man in the course of his day-to-day affairs", because behavior

here was governed by mass passions, not the unique and special considerations that, for example, were dominant in diplomatic history.

Rotwein says Hume's methodology in the study of economic history does not focus upon particulars, as he sometimes does in the *History of England*, but upon a core historical sequence of generalizations "which explain how transformations in human behavior result from the impact of changing historical circumstance on 'human nature' " (Pg. 692) In Palgrave, Rotwein says he provides three different levels of analysis of Hume's economic essays. The first "links (Hume's) economic thought and his treatment of 'human nature' in the *Treatise*. On this level the analysis takes the form of a natural history of 'the rise and progress of commerce'. In a word, Hume introduces the question of economic motivation in seeking to explain how changing environmental influences stimulated the economic growth of his general period through their impact on various human passions." (Pg 692 – 3)

As he explains the operations of the "four 'causes of labor'" in this section, Rotwein compares Hume most favorably with most economists, who lack the "striking characteristic" of Hume's "multi-dimensionality." Because Hume does not subscribe to a doctrine of simple pleasure/pain economic motivation, but rather sees man as being "driven by a variety of 'instincts' which lead him to do things for their own sake" he is precluded from making any simple identification of wealth with welfare." (Pg. 693). Rotwein's "second level of Hume's economic analysis is his political economy, or his treatment of market relations... (Including) ... Monetary theory, interest theory, the question of free versus regulated trade, the shifting and incidence of taxes and fiscal policy. In this context the natural history of 'the rise and progress of commerce' plays a dominant role. ... repeatedly in his critical treatment of the economic doctrines of his period Hume seeks to show that their major deficiency lies in a failure to give proper attention to the importance of economic growth and to the underlying psychological and other factors associated with this growth process." (Pg. 693) Rotwein gives the example of the specie flow argument: "(Hume) is here arguing that the extent to which a specie inflow into a nation affects its prices depends on its total output. Consequently, as he is seeking to show, it is the level of a nation's economic development, or its productive capacity as determined by its population and the spirit of industry of its people, that controls the amount of specie a nation can attract and retain." (Pg. 693)

Rotwein goes on to say Hume rejects the simple argument that an addition to the quantity of money will change interest rates, while he instead develops an alternative understanding of the growth process, and the evolutionary changes induced in human behavior by it, the whole induced progression of linked events eventually altering the supply and demand for real capital, and so truly changing the interest rate.

Gene tells the Palgrave reader that if he is to find Hume's "treatment of the issue of free versus regulated markets," he must search for "comments ... scattered through his *History of England*," where "the full extent to which Hume anticipated Adam Smith's 'invisible hand' argument" will be seen. "These comments make clear that Hume understood the role of a free price mechanism in governing the allocation of resources." (Pg. 694) The emphasis is once again upon the growth oriented, non-static nature of Hume's application of "the argument for free markets to the case of international trade." Hume meets "the mercantilist argument that foreign economic development adversely affects home industry and employment ... he takes the position that expansion abroad, on the contrary, commonly promotes economic development at home. By increasing foreign income, he argues, economic growth abroad not only leads to an expansion of foreign demand for domestic output but, through an emulation of foreign technological innovations, promotes the advance of technology at home." (Pg. 694) (By the way, the reader of this essay need not refer to current discussions about "outsourcing" to see how important and disputed Hume's position remains. Even the scholarly remarks of Robert L. Formaini, Senior Economist for the Dallas Federal Reserve bank, made in a special issue, devoted to Hume, of the Bank's

publication "Economic Insight" (Vol. 8, No. 1), are contrary to what Rotwein and I think is the dynamic, growth and developmental central tendency of Hume's analysis. Formaini says: "Although Hume had insights into many important economic issues, his analysis was primarily one of comparative statics, or examinations of equilibrium positions. He seldom discussed in detail the microeconomic adjustment processes that occur between these equilibria, with the exception of his essay *Of Money*" (electronic version, no page number)

Rotwein's "third and last level of economic thought" is his appraisal, on "moral grounds, of the desirability of a commercial and industrial society. ...the standard for moral judgment Hume employs is drawn from the utilitarian ethic – a position which he himself had expounded and defended in his philosophical analysis. And here the role played by his natural history of the rise and progress is fundamental" (Pg. 694) and linked to the causes of labor. The "desires for consumption, for interesting activity and for liveliness – are now treated as ends which are regarded as major ingredients of the happiness of the individual. Here he argues that – by providing new consumption experiences, enlarging the scope for the enjoyment of economic activity as a form of interesting action and (through both the latter) enhancing a sense of liveliness – economic growth advances the fulfillment of all these ends." (Pg. 695)

"Economic growth, he contends, contributes to the fulfillment of a fourth end of importance to human welfare – a sense of peace and tranquility or a state of no passion – which he argues is enjoyable only in 'recruiting the spirits' after intensive indulgence in lively experiences. It is noteworthy that Hume's treatment of these ingredients of human happiness bears a direct relationship to the principal conceptions of the good life as Hume construes these in an earlier series of essays entitled 'The Epicurean', 'The Stoic', and 'The Platonist'. Further, the pluralism reflected in his multi-dimensional prescription for human happiness springs from the positions taken in a fourth essay on the good life entitled 'The Sceptic' " (pg. 695) Rotwein finds in Hume other reasons to celebrate economic growth and the good life. "... economic growth contributes to the growth of knowledge in the liberal as well as the mechanical arts, nurtures a sense of humanity and fellow-feeling, enhances a nation's spiritual as well as its economic ability to defend itself, and through its impact on the growth of knowledge and fellow-feeling, advances an understanding of the art of government and political harmony. ... Hume gives special attention (to) ... the charge ... that luxury is corrupting and debasing and therefore is inimical to liberty. Hume argues that history shows that precisely the opposite is true. For the growth of commerce brings the expansion of the merchant class – the 'middling rank of men' who above all are interested in uniform laws protecting their property; and it is this development, he emphasizes, which has led to the growth of parliamentary government and associated respect for individual liberty." (Pg. 695)

Rotwein reminds the reader that Hume "wrote relatively short 'discourses' on selected (economic) topics" in contrast with Smith, whose *Wealth of Nations* is a general economic encyclopedia. Moreover, Hume gives "little attention to price and distribution theory, which was to become the major concern of classical and neoclassical economics. ... however, Hume's work is more comprehensive, more highly organized and more penetrating than Smith's." (While this view has many more adherents than it did when Gene wrote his "Introduction", older attitudes persist. For example, at the Dallas Federal Reserve bank, they still remember Eric Roll, who wrote: "In recent years the tendency has even arisen to regard him [Hume] as the most important of the pre-Smithian economists.... [T]hey [Hume's economic essays] are all clearly written and often contain an excellent summary and synthesis of the ideas of his predecessors. In that respect, however, Cantillon's *Essai sur la nature du commerce en général*, published in 1755, but written over twenty years previously, is superior." Roll, Eric (1953), *A History of Economic Thought* (Englewood Cliffs, N.J.: Prentice- Hall), as quoted by Robert L. Formaini, Senior Economist for the Dallas Federal Reserve bank, in the Bank's publication "Economic Insight" (Vol. 8, No. 1, no visible publication date, still available on the web).)

Rotwein continues: "When dealing with the subjective aspects of human behavior, Smith not infrequently regards them as universals (e.g. his assertion that there is an innate disposition among men to 'truck and barter'), where Hume treats them as historical variables and himself seeks to explain the nature of specific historical influences at work. ... In this Hume did not foreshadow the mainstream of subsequent economic thought; it was Adam Smith's tendency in his economic theory to abstract from history what was to become the dominant characteristic of later economic analysis. ... Hume's economic thought bears a relation to other subsequent lines of development – to the historical and institutional schools of economics, to the more current revival of analytical interest in economic growth along with its associated cultural aspects, to the concern with psychological factors in dealing both with macro economics and the economics of non-competitive markets, and to the normative appraisals of economic systems in their fuller social settings." (Pg. 695)

SUMMING UP

A good way to end this essay is to return to Rotwein's History of Political Economy (1983) essay on Jacob Viner. Rotwein concludes his analysis of Viner with a long quotation from Viner on Smith. I say Viner's Smith could be Velk's Rotwein, or Rotwein's Hume: "He did not believe Laissez Faire was always good, or always bad. It depended upon circumstances; and as best he could, Adam Smith took into account all of the circumstances he could find. In these days of contending schools, each of them with the deep, though momentary, conviction that it, and it alone, knows the one and only path to economic truth, how refreshing it is to return to the Wealth of Nations with its eclecticism, its good temper, its common sense, and its willingness to grant that those who saw things differently from itself were only partly wrong." (Viner's quotation is from "Adam Smith and Laissez Faire", in The Long View and the Short, Glencoe, Ill, 1958, pg. 212)