

Russian Editor: Revive 'National System Of Political Economy'

by Rachel Douglas

A 300-page volume of seminal 19th-Century writings on "national economy" has just been published in Russian by the Yevropa Publishing House in Moscow. Prepared for press by Ekspert magazine editor-in-chief V.A. Fadeyev, who wrote the introduction, the volume includes Friedrich List's "The National System of Political Economy"; Count Sergei Witte's pamphlet, "On Nationalism: National Economy and Friedrich List"; and D.I. Mendelejev's celebrated "A Literate Tariff, or an Investigation of the Development of Russian Industry in Connection with the General Tariff of 1891."

Fadeyev's introduction is posted on Ekspert's website. The weekly is one of the most respected magazines in Russia. Although Fadeyev, in reporting Mendelejev's adoption of List's ideas, omits the great Russian scientist's travels to the United States and participation in the 1876 Centennial exhibition, organized by Henry Carey's circles in Philadelphia, the ideas presented in this new Russian volume are the ideas known as the American System of Political-Economy. Their circulation in Russia at this juncture of world economic crisis is to be welcomed.

Here is editor Fadeyev's introduction, as provided on the Ekspert website, and translated from Russian by EIR.

This volume presents under a single cover, works by three different authors: the 19th-Century German economist Friedrich List, the Russian chemist Dmitri Mendelejev (few people know that he was also a first-rate economist), and the outstanding statesman Count Sergei Witte. And that requires some explanation.

Unfortunately, economic science—at least its popularized form, which is taught at universities—has been emasculated over the past fifty years, down to the primitive "*Ekonomiks*"¹, a subject only indirectly related to real economic processes. One of the persons essentially exiled from the scientific realm by this triumphant march of reductionism and dogma is Friedrich List, who was, beyond any doubt, an econ-

1. Russians use the direct borrowing from English, "economics" as opposed to Russian "*ekonomika*" or "*ekonomicheskaya nauka*" (economic science), to denote generally accepted economics teachings, imported from the West—what we call "Economics 101."

omist of the highest order.

List explored a problem that is of extraordinary urgency for us today: How do nations—not merely individuals or companies—achieve economic prosperity. List waged his polemics, first and foremost, around free trade. The free traders (Russ. *fritredery*) (so the liberal economists of those times were called—and they were absolutely dominant in public and scientific discourse, just as they are today), naturally, advocated the total removal of any restrictions on international trade, since, according to the logic of the classical school (Smith, Ricardo, Say), that is the only way to ensure the rapid development of economically active entities.

List demonstrates that that might be the case, if there were no nations or countries. One would have to agree with "cosmopolitan economics"—his name for the classical school—in its assertion, that, on the whole, economic development proceeds more rapidly in a free market system. But the question arises: Do all people benefit equally under this arrangement? No, answered List, and demonstrated the contrary with an array of examples. Countries achieve economic power and flourish not on the basis of free trade doctrines (liberalism), but rather on the basis of protectionism. List's most convincing examples are the history of economic development in the United States of America and England (and a great number of other examples that have emerged over the subsequent 160 years). These countries adhered to a policy of strict protectionism, in order to develop domestic manufactures and the national market. And they succeeded. But when their economic power surpassed that of their partner countries, then a more open policy became advantageous for them. And so it always happens: Stronger countries begin to demand openness and the removal of all barriers, which enables them to milk additional value from weaker countries. This thesis is so obvious and even trivial, both now and in the 19th Century, so easy to demonstrate both in theory and with examples, that the British even had to think up and publicly promote a special theory, "scientifically" arguing that free trade is beneficial to all (specifically, to all) nations. This job was given to Ricardo.

But, as Fernand Braudel wrote, the deck is always stacked in the economic game. We would do well to remember this dictum of that great French historian.

Friedrich List says in his book that the main task of a nation is to develop the productive forces. Barriers imposed by more economically developed countries to impede the influx of cheap goods, are only the first point, the minimal precondition for conducting a national economic policy, designed to bolster the productive forces of the country, and hence its economic and political power, and prosperity of its citizens, in every possible way. The nation should pursue an independent, sovereign economic policy, however little opportunity it may have to do so, and however weak it might feel. Only the persistent conduct of such a policy will enable



Count Sergei Witte (center) and scientist Dmitri Mendeleev (right) played critical roles in the development of the Russian economy in the late 1880s. Both were followers of German economist Friedrich List (left), who had been instrumental in implementing the American System of Economics.

a country to achieve economic power, attain economic sovereignty, and secure a place in the world economic system, which will permit it, on the one hand, to deal as an equal with the stronger powers and, on the other, to dictate its own, more favorable conditions to weaker countries. (Whereupon, of course, it may resurrect free trade.)

Dmitri Mendeleev was a follower of List. In drafting the [Russian] tariff code (this work was commissioned by Witte), he relied on the Listian conception of the development of the productive forces. How many people know, that we are still reaping the fruits of that policy? It is well known that Mendeleev was very tough in opposing free trade. He achieved a high tariff on imported American kerosene; the U.S.A. dominated that extremely large market at the time. Mendeleev campaigned for developing the Baku oil deposits [on the Caspian shore, today in Azerbaijan] and the petroleum-refining industry. With the efforts of the government and Russian and foreign business interests (investments came from Nobel and Rothschild), domestic kerosene not only became far cheaper on the domestic market, but it also pushed American kerosene out of Europe. The traditions created at that time and the skills that were acquired, were the basis for the substantial development of the oil industry in the Soviet period. How much that means for us today, is clear to everybody. Thanks to Dmitri Mendeleev.

Finally, there is Count Witte, a political leader at the end of the century before last, who organized a stunning economic upsurge. Here is just one example: The record set under Witte for the construction of railroads in a single year has never been surpassed, not even during the Soviet period of industrialization. Witte did not only read List; he wrote a pamphlet to promote the ideas of the German economist. The main idea of Witte's text is that the doctrine of List is one of the underpinnings of the policy of Bismarck, which united the German state and created an economically and politically powerful Germany.

Witte, naturally, also advocated tariff barriers and imposed them. But it would be wrong to think that his policy solutions amounted only to that, or that tariffs alone cause economic growth. The fine points and complexities have not just become apparent in our time; they were understood—and, judging by the results, were understood better than we understand them, over 100 years ago. To state it short and sweet, Witte's doctrine was the following: importing capital is preferable to importing commodities; importing capital goods is preferable to importing consumer goods. It follows that we need a strong financial system, capable of servicing capital, a convertible ruble, technology imports, the development of education, and creation of powerful infrastructure in transportation and energy, including with the direct participation of the state.

Today, Russia is the kernel of a collapsed empire, and has not been able to find a main line for its own economic development; and this situation is becoming critical. Russia is part of the Group of Eight, but only for political and, in particular, military reasons, as long as we remain a strong nuclear power. But when the most important economic and financial questions are discussed, the Eight turn into the Seven, and we are not invited, because there is nothing to discuss with us. The problems are decided by the leaders of countries, on whom a lot really does depend. So, only those countries have real economic sovereignty, that is, the right to made decisions. Everybody else has to adapt his policies to the decisions of the powerful.

Unfortunately, the array of ideas circulating among the public and even in scientific circles is a good deal poorer, than a hundred years ago. Marxist-Leninist political economy and "Ekonomiks" have dried out our brains to such an extent, that we manage to get lost in questions for which the answers were discovered a very long time ago.

Read the works of these three outstanding people—List, Mendeleev and Witte. They may be of some use for you.