

# THE CLASSICAL SCHOOL AND THE CZECH NATIONAL ECONOMY

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## Abstract

After the Napoleonic wars, the industry revolution development in the Czech lands took place in unmatched social and economic structure of Czech national society. Building of industry branches with Czech capital and matching of social structure took place only from the sixties of the 19th century. From the beginning of the 19th century, teaching of Adam Smith and later of other representatives of classical school penetrated the Czech lands. Ideas of classical school significantly influenced teaching of the Czech economists and reformers as F. L. Rieger, F. L. Chleborad, M. Wellner, F. C. Kampelík and others. The classical school influenced idea approaches of national economy emancipation of Czech national society during initial periods. The national economy emancipation of Czech national society was finished with the matching of social structure of Czech national society in a process of critical thought coping with classical school in teaching of A. Bráf, C. Horáček and other representatives of Czech economic thought.

**Key words:** National emancipation of Czech national society, classical school, national economy

**JEL Code:** B 100, A 100

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## Introduction

The need for economic science for the national economic emancipation of the Czech national society as teachings of F. L. Rieger (1808 – 1903), F. L. Chleborad (1839 – 1911), M. Wellner (1838 – 1904) and other economists was raised in the second third of the 19th century. This need was associated with the formation of the Czech national economy. It occurred in conjunction with industrialization processes in the Czech lands and formation of a modern social structure of the Czech national society. In this time, it did not still reach an institutionalized form.

The relationship between the Czech national economic science genesis and the Czech national economy formation in the process of national economic emancipation during the second third of the 19th century has not been discussed in the literature yet. There are studies providing an overview of economic thoughts about certain personalities and studies focusing on the economic development.

The aim of this study is an analysis of the Czech economic thoughts genesis in the second third of 19th century associated with the reception of so-called social harmony school and the Czech national economy formation. The basis of the study is formed by original source literature and archival documents. Addressing the issue is supported by the Nadace "Nadání Josefa, Marie a Zdeňky Hlávkových" foundation.

## 1. Classical School in the Czech Lands

The first articles in the Czech language dealing with economic themes appeared in the first half of the 19th century. The Czech society felt a social need for an economic theory in the sixties of the 19th century. The Classical School offers a pessimistic perspective in the form of a stationary economy state. A theoretical support of the economic emancipation of the Czech national society was searched against it in the competitive economic theoretical system of "social harmony school". Authorities of the economic science as H. Ch. Carey (1793 – 1879), F. Bastiat (1801 – 1850), and J. B. Say (1767 – 1832) were associated with it (Sojka, 2010, p. 78-79.). *„Immaturerelationsevokethe idea ofharmoniousness of interests and thecentral character is anactivecapitalistsavingfromcorporate profits, investingandstimulatinggrowth”* ( see Sirůček-Džbánkova, 2008, p. 27).

In Europe, Frederic Bastiat (1801 – 1850) and Eugen Dühring (1833 – 1921) belonged to the followers of American economist H. Ch. Carey. This school was built on the society relationship harmony compared to conflicts between classes introducing to the theory by classical theories of D. Richard (1772 – 1823) and T. R. Malthus (1766 – 1834). The Social Harmony Theory was used also against teachings of F. Engels (1820 – 1895) and F. Lassall (1825 – 1864) that was very popular in the Czech lands in this time. The American economist Henry Charles Carey influenced the teachings of František Ladislav Chleborad (1839 – 1911); the thoughts of Frederic Bastiat were reflected in teachings of Max Wellner (1838 – 1904). The optimism was spread also by F. L. Rieger's teachings influenced by J. B. Say's ideas.

F. Bastiat influenced the social consciousness through A. E. Komers's economic textbook used in economic schools. Komers's textbook was published in 1869 (Procházka, 1876). Carey's thoughts reflected in views of František Cyril Kampelík (Novotný 1975, p. 233-234). Karel Sabina and other Czech reformers, thinkers, followers of thoughts of self-help and economic journalists through Chleborad's influence in particular. Carey became the main theoretical pillar of so-called "PatriotSchool", head of which was considered F. L. Chleborad. Economists, reformers, and politicians such as Chleborad, Wellner, Rieger, Kampelík, Sabina et al. had similar views. The ideas were implemented in a social practice.

Chleborad explained the position of the Czech nation and the social position of social classes of the Czech society in Austria by Czech nation's dependency on the German nation and by dependency of a worker (mainly Czech worker) on the capital (mainly German capital).

## 1 Czech National Economy

The economic position of the Czech national society in Austria reflected in a category of the Czech national economy. The category appeared at the turn of 19th and 20th centuries in works of A. Bráf's followers<sup>1</sup>. Concerning the personality of Albin Braf, see, among others, par example (Jungling 1991, Večeř 1978, Louzek 2001, Habr and Jankovsky 1990, Dolezalova 2013). A generation earlier, F. L. Chleborad used a similar concept content in the expression "patriotic economy" (Chleborad 1869). The standard national economic theory used the term "national economy", however, this term was associated with the concept of "political nation", i.e. the nation, members of which are interconnected with links of interchanging, rights, territory, etc. within a state. It did not know the concept of national economy inside a state, subject of which was (ethnographic) nation without own state. The concept of "Czech national economy" (patriotic economy) was not standard – the nation did not have its own state. For example, it could not meet its needs through state power (e.g. using customs, duties, taxes, tariffs, establishment and deployment of economic schools, etc.).

The Czech society joined the industrial revolution with a delay. Only (Czech) industrial working class was formed with the Industrial Revolution in the first half of the 19th century. F. L. Chleborad commented on it that the "division of labour in the state" is divided into "factory German" and "agrarian Czechoslovak" (Chleborad, 1869, p. 296). The economic structure and the social structure were "deformed", asymmetrical, and incomplete. In the mid-19th century, the Czech national society is formed in particular by farmers, workers, craftsmen and traders, teachers, priests. In the Czech nation, there was a lack of "big style entrepreneurs" (Gruber) or business "strong economic personalities" (Bráf) for industry, wholesale, transportation and finance. From this social base, during the sixties of the 19th century, the "Czech bourgeoisie" (in addition to the existing German bourgeoisie) was formed, the Czech industry was built and the social structure and the economic structure of the Czech national society started to close. This process constitutes a content of the economic

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<sup>1</sup> e.g. Gruber, J. (1900)*Hospodářství a národnost v poměrech česko-německých*. Obzor národohospodářský, Vol. V, pp. 57 – 76. Gruber, J. (1903)*České a německé národní hospodářství v Čechách*. Obzor národohospodářský Vol. VII, 1903, pp. 153 – 159, 201 – 207., and Gruber, J. (1904)*Idea soběstačnosti v dějinném vývoji hospodářském*. Sborník věd právních a státních. Vol. IV. p. 531 - 568.

emancipation. Rieger said in his habilitation work: *"Everyday experience teaches us that nation's wealth comes together with its education and its power comes with both of these... Let there be a lesson for us that we also will not resist to flood of foreigners that we will not defend our nationality and independence if we will not heavily and persistently fight with our neighbours (Rieger thought mainly Germans – author's note) in the industry and the education."* (Rieger, 1850, p. 18.). Cyril Horáček, one of the follower of Albín Bráf, repeated this credo; he cited F. L. Rieger directly (Horáček 1903, p.107.).

The process culminated in the second half of the 19th century. Fields and sectors of the national economy with the Czech capital were formed that directly processed agricultural production (such as sugar industry, beer industry, distilling industry, etc.) or provided services for it (such as finance and banking, agricultural engineering). Bráf called this period "the first period of the national economy" in the process of Czech national economy revival.

The abolition of servitude and corvée in 1848 and the introduction of a liberal trade order in 1859 brought members of the Czech national society into capitalist relations. According to teachings of exponents of classical economy (economic liberalism), the economic activity of each individual was driven by an effort to meet his/her own interest and, at the same time, each individual became responsible for his/her own economic success and fate. The market created an environment, in which individuals' interests, often conflicting, were transformed into meeting societal needs. The social classes of the Czech national society exposed to economic pressure of German and other capital felt to be endangered economically and socially. According to the economic liberals, the state should not interfere in the economy, including any support to weaker market participants. Its role is to remove obstacles in the way of economic freedom and natural law application. The classical science referred the Czech society in particular to self-help in the field of economy and education.

It should be a reform of social relations in the Czech national society allowing application of laws according the SocialHarmonySchool. F. L. Rieger and especially F. L. Chleborad belonged among the reformers. The reform became not only a theoretical problem, but it was also implemented in practice. Associations formed a basis of the reform. The associations took various forms of association of individuals for a certain goal. For example, associations (credit unions), joint stock companies, cartels, etc. Rieger: *"... so mysterious power lies in this word that the future of industry consists in its proper lucky interpretation."* (see Rieger, 1860, p. 139). Rieger was a confirmed economic liberal (see e. g. Rieger 1860, p. 129). The distribution is not completely fair (Rieger, 1860, p. 161). The task of scientists is to properly clarify this issue and find a solutions; the task of politicians is to implement the solutions proposed.

Compared to the German national economy, the Czech national society suffered from capital poverty, technical and commercial "retardation". Obstructing business in dimensions of factory mass production. The answer to the first problem was finding such organizational forms of credit (loan) that would allow even small producers to use the credit or to go to the factory mass production. A special attention, both in theory and in practice, were paid to the issue of organization of credit forms (See e.g. Wenzls', Schreyers', Kodyms', Kampelíks', Demels', Šimáček's' writings.). The organization of various forms of loanable funds was proved as successful and enabled to provide various types of loans to the Czech enterprises for which the loans would be inaccessible otherwise. According to the views of Bráf and his followers, it was a natural environment, in which the first Czech entrepreneurs actually grew. The self-help was not limited to the organization of the loans, but it should interfere with other areas of economic life – production, sales, etc.

Remarkably sophisticated forms of self-help and association in individual sectors of economy came from the period of the fifties and sixties of the 19th century (F. C. Kampelík, J. R. Demel, F. Šimáček, F. S. Kodym etc.). František Šimáček praised Albin Bráf as a person who, in his time, had emphasized the economic point of view compared to the unilateral emphasizing the political aspect of the national movement.

## 2 Reform

According to Chleborad, the economic system of economic and social harmony is necessary to establish by a reform. In the real economy, there are dependency relations between the Czech national society and the German society and an unequal distribution. The theory of social and economic emancipation of the Czech national society on the basis of specific forms of "association" was worked in detail by František Ladislav Chleborad (1839 – 1911) who was inspired by Hermann Schulz-Delitzsch's model.

The Chleborad's reform was focused on two goals in the Czech national society. The national and social emancipation. Among the most significant writings include *Soustava národního hospodářství politického* (1869), *Boj o majetek* (1884), *The unification of the Slavs- a guarantee of world peace* (1908, in Russian language). Chleborad made the "Czech working class" the subject of implementation of economic and social emancipation. This class should become an implementer of the economic and social emancipation. Its task is to unify national "homogeneous elements" in order to "... gradually gain the industry for the nation, which the Czechoslovak entrepreneurs were not able to achieve to their great detriment" through the establishment of business associations (Chleborad, 1869, p. 296.). The national economic emancipation was associated with the social emancipation. The connection

of "working class" with "entrepreneurship" should not only to remove dependent relation but also to establish a harmonic distribution. The goals would then be harmony laws.

František Ladislav Chleborad suggested a remarkable *National Economy Political System*, which should had connected "Czechoslovak" national economy into a single economic unit in the Czech lands. These theoretical and practical forms of economic life were incorporated into the classical economic theory.

The basis of the reform would had be the establishment of "business journeyman associations" (manufacturing, sales, and credit cooperatives) and conversion of existing enterprises to "journeyman entrepreneurship". In enterprises, wageworkers would had became shareholders of the enterprise and would had had an advisory role in the management of the enterprise. Prof. C. Horáček said to this fact that "*Chleborad was not a man of small work; he was thinking about magnificent organization of all the Czech working class, one immense centre, a single beehive, where the working class being an entrepreneur and a capitalist itself , a producer and a consumer constitutes the economic power of decisive significance.*" (Horáček, 1896, p. 30). The economic units (business journeyman associations and journeyman entrepreneurship) would had constituted "a single landlord", from which the consumption (aggregate demand) would had come to "drive" the production (aggregate supply). Economic depressions would had been excluded permanently with a harmonious economic growth. "*Through the economy progress, the wage share grows much faster compared to the capital at growing quantity of income. This is the astonishing law hidden as a gemstone in the sand of mistaken political and economic views until today,....*" (Chleborad 1869, p. 423.). The success of the economic reform should be completed with the political reform in the form of "political unity". This should support cooperative interests in the political system. The economic reform was put into practice in the form of so-called "OUL". The political reform was not allowed. After initial successes – 300 OULs were founded in the Czech lands and they belonged to the hugest funds in Central Europe–almost all of them went bankrupt after the depression in 1873. That was the reason of the paralysis of the cooperative movement in the Czech lands in the next twenty years. That is why no one professed the Chleborad's teachings directly.

## **Conclusion**

The Czech national economy does not have closed economic structure (missing its own national industry, big business etc.). It has no closed social structure. There is a lack of big style entrepreneurs and strong personalities. It has no support of its own state, therefore, the Czech nation cannot assert its

interests through state actions (or only limited in confrontation with other nations). The economic structure suffers from asymmetries and dependence on the German national economy. The goal is a national economic emancipation. It finds the expression in the national economic theory of F. L. Chleborad and F. L. Rieger. It proposes in detail several practical measures from works of Kampelík, Demel, Šimáček and others. The Czech national economy fell behind the German economy in terms of capital strength, commercial and technical knowledge. The classes of the Czech society exposed to stronger economic pressure were threatened by the descent on social ladder (the social issue) as well as social rise. The associations built on the basis of the self-help represented the defence against stronger German capital and, at the same time, a possibility of social and economic rise. They should had opened a space for harmony law application according to Chleborad's teachings and then implemented in practice as so-called OULs. The economic thinking was dependent on the ideas of the "SocialHarmonySchool" represented by teachings of J. B. Say, F. Bastiat, H. Ch. Carey. The economic science was grown privately, outside the university departments.

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