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Article

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Editorial: Institutions of Justice in Gustav Schmoller's Writing

“Philosophy held a special place in his heart, which had led him to engage with big thinkers even at a young age, and in later years moved him to pursue important overarching questions of our science. His exposition on the idea of justice in political economy was particularly dear to him, and he considered it to be his best work” (Spiethoff 1918, 24, our translation).

It may ostensibly appear in Gustav Schmoller's multi-faceted work “The Idea of Justice in Political Economy” – the English translation of which is reprinted in this issue (1894 [1881]) – as though he merely historicizes and thus relativizes the concept of justice. This claim of relativistic historicism would, after all, conform to a stereotypical accusation frequently directed at the Historical School. “Every period,” writes Schmoller, “has prevailing conventional standards of valuation for human qualities and deeds, virtues and vices” (343). Morality no longer appears to require justification; rather, it is only history and tradition which determine what is constituted as good and bad. *If* this were indeed the case, the individual would not be obliged to justify moral assertions, and Schmoller would remove himself through his line of argument from an Enlightenment approach most commonly associated with Immanuel Kant. This, however, is not the case. Instead of apologetically arguing for existing morality from case to case, Schmoller succeeds in transmitting an intermediated conception of justice encompassing both the context of existing institutions *and* criteria for justice, resulting in an appraisal of the morality of institutions.

The contexts employed by Schmoller in his article – among others, for example, his immersion in ancient morality – are not compulsory exercises, but point instead to a blind spot, something even modern conceptions of morality are prone to ignore: namely, that morality is that construct comprising both the good life of individuals *and* the social virtue of justice. Schmoller's dissociation from utilitarian morality and the pleasure-oriented life – hardly discernible from a “pig philosophy” (Thomas Carlyle) – draws on ancient resources of pleasure fundamentally incompatible with a utilitarian calculus of pleasure and pain. The individualist focus of morality is inadequate for Schmoller, since *nomos* (*institutiones*) and *hexis* (*habitus*) are not considered. We can observe here that the coinciding element of Enlightenment reasoning in the form of abstraction is evaluated judiciously by Schmoller. He views both classical political economy (as expressed by Adam Smith and the utilitarians) as well as the Kantian heritage as too abstract and individualistic, but they are not merely

irrevocably discarded. In his interpretation on Aristotle and, to the surprise of many contemporary readers, in his repeated references to the philosopher, psychologist, and educator Johann Friedrich Herbart, Schmoller hints at the dissemination of persisting, prefigured institutional forms of virtue. These forms of virtue and their subjective justifications and verdicts do not perish in the *sensus communis*, i.e. the *nomos* of the people made manifest in the state and in politics. In this sense, virtue is to be understood as attitude (*habitus*) and justice. In this interplay of attitude and justice, it is essential that Schmoller defines his conception of virtue psychologically.

That the actions of others are not only perceived with (a lack of) sympathy, but are also evaluated according to certain principles, demands not merely the capacity for emotive feeling of injustice; it also presupposes the ability to form judgment. In contrast to aesthetic judgments which are exclusively subjective, a moral verdict also calls for others' acceptance. Here Schmoller faces the danger of slipping into a *dogmatic* conventional morality which determines the starting point for each judgment on matters of justice. But morality is not reducible to conventions for Schmoller, since a societal "we" consistently challenges conventional morality, securing its renegotiation: "We do not acknowledge any one of these institutions to be above history, as having always existed or as necessarily everlasting. We test the result of every one of them, and ask of each: How did it originate, what conceptions of justice have generated it, what necessity exists for it today" (357)? The "we" Schmoller describes is generated endogenously through psychological and historical processes. Morality is thus neither a mere game with subjective conceptions without reference to the public at large, nor is it the substantive formalization of convention.

How, then, do moral judgments come about, considering that individualist and contractarian approaches are dismissed? Which type of claim for universality accompanies moral judgments so that they do not succumb to mere subjective idiosyncrasies? It is not a logic of judgment, but rather a psychology that must succeed in meeting the appropriate demands for justification. In contrast to Edgeworth's psychology, which operates in a physical space indistinguishable from commodity space, Schmoller drew on the mathematical psychology of Herbart, who literally pushes the Kantian mental faculty of reason back into the subjective realm while still hoping to explain the objective domain realistically.

Moral judgment for Schmoller always "rests on the same psychological processes. But the results to which it comes may be very different" (340). The decisive question is whether this moral judgment is capable of universalizability. Single emotive feelings and judgments are each mediated linguistically and institutionally, because, citing Herbart, "thought and feeling pass over into the mind of another" (342). Herbart thus specifies the horizon and the bounds of discourse in which Schmoller embeds judgments of the individual. The obsta-

cle (*problema*) which must be addressed, resolved, and circumnavigated is the relationship between the thoughts and feelings of individuals and respective institutions.

Set against a contractarian tradition of morality and politics (cf. Hobbes, Rousseau, Locke, and Kant), the constitution of a general will is the important criterion: when individuals' mind – i.e. feeling and judgment – asserts itself in the context of a general will within institutions, then the similarity between psychology and the state must first be established. General life in the state is thereby similar to the individual's own life: “[E]very disposition of mind, every word, every idea, every conception, more profoundly examined, is the result not of an individual, but of a social process. The greatest genius even thinks and feels as a member of the community; ninety per cent of what he possesses is a trust conveyed to him by forefathers, teachers, fellow creatures, to be cherished and bequeathed to posterity” (342). The consonance of social life and individual life is thus neither harmonious nor pre-stabilized, but rather the mechanism of life itself in which competing interests are promoted, mitigated, or simply repressed.

Thus, an organic view of the world which was formative for the Older Historical School is secondary to the psychological for Herbart and Schmoller, delimiting the similarities between the state and the physiology of the human body. Pedagogy, in particular – and Herbart is *the* pedagogical authority in the 19th century – renders the naturalization of the state and the economy void. The education and reform of classes demanded by Schmoller cannot be attained organically but are only conceivable with reference to the psychological life of the individual and the state.

That these considerations by Schmoller are more than mere epistemological mind games from an era prior to modern economics is evident when one considers the unresolved relationship – to borrow Douglass C. North's terminology – between mental models and formal and informal institutions. Which path leads from individual imaginaries to conceptions of morality and justice and their institutional embedding? How does justice – or conceptions of it – affect and what impact does it have on individual virtues and modes of thinking? A dynamic interpretation of institutional change on a psychological basis is what fascinates readers of Schmoller's “The Idea of Justice in Political Economy” today, much like it did in the late 19th century.

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