

A SCIENCE IN ITS YOUTH

A. ANIKIN

A SCIENCE
IN ITS
YOUTH

(PRE-MARXIAN POLITICAL ECONOMY)



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А. В. АНИКИН

**ЮНОСТЬ НАУКИ.
ЖИЗНЬ И ИДЕИ
МЫСЛИТЕЛЕЙ-ЭКОНОМИСТОВ
ДО МАРКСА**

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There are scores, or rather hundreds, of scholarly works in various languages on the history of economic thought, and it is not the writer's aim to add yet another to the collection. This book has been written in the form of popular essays, making it possible to pinpoint the most salient biographical and scientific details; the emphasis has been placed on questions which are still most topical in the present day.

The book is intended for the general reader, who may not possess any specialised knowledge of political economy. Some people are accustomed to think of political economy as a dry and boring subject. Yet the economic structure of society contains no fewer fascinating problems and secrets than nature.

In recent times it has become particularly common for scholars in the exact and natural sciences to concern themselves with economic questions.

Nor is it accidental that at the beginnings of economic science we find outstanding thinkers who have left an indelible mark on human culture, people with wide-ranging and original minds, great scientific and literary talent.

ECONOMISTS OF THE PAST AND THE PRESENT TIMES

Economics has always played a most important part in the life of mankind, and this is particularly true today.

Marx said how absurd it was to maintain that the ancients lived on politics and the Middle Ages on Catholicism. Mankind has always "lived on economics", and politics, religion, science and art could exist only on the basis of economics. The fact that economics was undeveloped in the past is the main reason for such views about these periods. Modern economics plays a vital part in the lives of each and every one of us.

The world of today is actually two different worlds, socialist and capitalist, each with its own economy and its own political economy. The developing countries which have freed themselves from colonial rule are also playing an increasingly important role in the world arena. The need to decide which path of development to take is becoming increasingly urgent for these countries. A study of the history of political economy helps one to understand the problems of the modern world, to understand economic science as an integral part of one's own world outlook.

The classics of bourgeois political economy, particularly Adam Smith and David Ricardo, were the first to develop the theory of the economy as a system in which objective laws operate, independently of human will, but are accessible to human understanding. They believed that the economic policy of the state should not go against these laws, but rest upon them.

William Petty, Francois Quesnay and other scholars laid the foundations for the quantitative analysis of economic processes. They sought to examine these processes as a kind of metabolism and to define its directions and scope. Marx made use of their scientific achievements in his theory of the reproduction of the social product. The balance between consumer commodities and means of production, the proportions of accumulation and consumption, and the relations between the different branches play a most important part in the modern economy and economic studies. The works of these pioneers of economic science gave birth to modern economic statistics, the importance of which cannot be overestimated.

In the first half of the 19th century economic analysis attempted to employ mathematical methods without which it is now impossible to conceive of the development of many branches of economic science. One of the pioneers in this field was the French economist Antoine Cournot.

The classics of bourgeois political economy and also exponents of petty-bourgeois and Utopian socialism analysed many of the contradictions in capitalist economy. The Swiss economist Sismondi was one of the first to try to understand the causes of economic crises, the scourge of bourgeois society. The great Utopian socialist Saint-Simon, Fourier, Owen and their followers made a profound criticism of capitalism and compiled plans for the socialist reconstruction of society.

As V. I. Lenin wrote, "the genius of Marx consists precisely in his having furnished answers to questions already raised by the foremost minds of mankind. His doctrine emerged as the direct and immediate *continuation* of the teachings of the greatest representatives of philosophy, political economy and **socialism**".¹

Classical bourgeois political economy was one of the sources of Marxism. Yet Marx's teaching was a revolutionary turning-point in political economy. Marx showed that capital is a social relation, which is essentially the exploitation of the hired labour of proletarians. He explained the nature of this exploitation in his theory of surplus value and showed the historical tendency of capitalism: the aggravation of its antagonistic, class contradictions and the ultimate victory of labour over capital. Thus Marx's economic theory contains a dialectical unity: it both rejects the bourgeois conceptions of his predecessors and creatively develops everything positive which they created. The aim of this book is to reveal and explain this unity.

Scientific socialism is based on the economic theories of Marxism-Leninism. The explanation of the origins and roots of these theories is of great importance if they are to be fully understood and creatively developed.

¹ V. I. Lenin, *Collected Works*, Vol. 19, p. 23.

Philosophy, political economy and scientific communism are the three component parts of Marxism. The philosophy of Marxism is dialectical and historical materialism. The main principle of historical materialism is that the development of society is based on changes in its economic structure. Political economy studies this structure, and reveals the laws of movement of socio-economic formations and the transition from one formation to another. Scientific communism is the theory of socialist revolution, the ways of building the new, communist society and the basic stages and features of this society.

Each of the component parts of Marxism is also a development of the progressive ideas of earlier thinkers, a development of world science. These three component parts correspond to the three sources of Marxism. As V. I. Lenin wrote, "Marx ... continued and consummated the three main ideological currents of the nineteenth century, as represented by the three most advanced countries of mankind: classical German philosophy, classical English political economy, and French socialism combined with French revolutionary doctrines in general."¹

This famous thesis is revealed in all its depth and concreteness primarily in the works of Marx himself. Marx described in detail, with great analytical profundity, everything he owed to Hegel and Feuerbach, Smith and Ricardo, Saint-Simon and Fourier. Among the qualities which Marx possessed was a remarkable academic conscientiousness. In particular, his knowledge of the economic literature of the eighteenth and first half of the nineteenth centuries was practically comprehensive.

Marx's main scientific work *Capital* is sub-titled "A Critique of Political Economy". The fourth volume of this work, *Theories of Surplus-Value*, is devoted to a critical analysis of all preceding political economy. Here Marx's main method was to single out in each writer the scientific elements which help in some degree or other to solve the principal task of capitalist political economy—to reveal the law of motion of the capitalist mode of production. At the same time he showed the

bourgeois limitations and inconsistencies in the views of these political economists of the past.

Marx devoted a considerable amount of space to the criticism of political economy which he called vulgar, because it aims not at true scientific analysis, but at justifying and openly defending the capitalist system. Naturally the main representatives of this trend of bourgeois political economy also occupy a considerable place in the present volume. In criticising the apologetic views of bourgeois economists Marx developed proletarian political economy.

The reader of *Capital* and Marx's other economic works is presented with a whole gallery of scientific personages of the past. Like every other science, political economy was developed not only by the acknowledged masters, but also by the efforts of many, often lesser-known scholars. The classical school of political economy was for a century and a half a very broad trend within which a large number of scholars worked and wrote. Smith, for example, was preceded by whole generations of economists who thoroughly prepared the ground for him. Therefore, while concentrating mainly on the life and ideas of the most eminent figures, the author of the present volume has also striven to reflect to a certain extent the contribution of lesser-known, but frequently important thinkers with the aim of giving a fuller outline of the development of political economy as a science. It is important to explain the circumstances, the social and intellectual "atmosphere", in which these scholars lived and worked.

To confine a history of political economy to the works of Smith, Quesnay and Ricardo would be as wrong as, for example, to maintain that the whole history of mathematics is contained in the activity of Descartes, Newton and Laplace. Histories of 17th century art acknowledge the "minor Dutch painters" as well as the great Rembrandt.

For over a century now bourgeois science and propaganda has been trying to distort the historical role of Marx as a scientist. Here one can clearly distinguish two lines of approach. The first is to ignore Marx and his revolutionary teaching and to represent him as a figure of little scientific importance or as a figure outside the "Western cultural tradition" and, consequently, outside "true" science. Here the link between Marx and his predecessors, particularly the classical bourgeois economists, is belittled, underrated.

¹ V. I. Lenin, *Collected Works*, Vol. 21, p. 50.

In recent decades, however, the second approach has become more typical: to turn Marx into an ordinary (or even extraordinary) Hegelian and Ricardian. Marx's proximity to Ricardo and the whole classical school is emphasised strongly and the revolutionary nature of the turning-point in political economy brought about by Marx is glossed over. This was the attitude adopted by J. A. Schumpeter, the author of one of the largest 20th-century bourgeois works on the history of economic thought. Classing Marx as a Ricardian, he states that Marx's economic teaching differs little from Ricardo's and therefore suffers from the same defects. Incidentally, even Schumpeter admits that Marx "transformed these (Ricardo's—A. A.) forms and he arrived in the end at widely different conclusions".¹

One frequently encounters the belief that Marxism can be reconciled with modern bourgeois sociology and political economy because they all, it is asserted, proceed from the same source. John Strachey, the well-known British Labour theoretician, wrote that he regarded the latter as "a modest step in the indispensable process of re-integrating Marxism with the Western cultural traditions from which it derives, but from which it has widely diverged".²

As we know, in recent years there has been a considerable growth of interest in Marx and Marxism among bourgeois economists. It has become fairly common for them to attempt to use individual elements of Marx's teaching. In framing recommendations on economic policy concerning strategic problems (economic growth, accumulation, distribution of national income), where it is necessary to give a realistic assessment of the state of affairs, the more farsighted scholars are frequently attracted by the methods and results of Marxist analysis.

This growth of interest in Marxism can be seen, for example, from R. L. Heilbroner's history of economic thought up to the present day. This book contains an interesting account of the life and activity of Marx. The author notes that Marxist economic analysis remains the gravest, most penetrating examination the capitalist system has ever undergone. "It is

¹ Joseph A. Schumpeter, *History of Economic Analysis*, New York, 1955, p. 390.

² J. Strachey, *Contemporary Capitalism*, London, 1956, pp. 14-15.

not an examination conducted along moral lines with head-wagging and tongue-clucking.... For all its passion, it is a dispassionate appraisal and it is for this reason that its sombre findings must be soberly considered."¹

The "radical" political economy that has appeared recently in the West challenges the orthodoxy of traditional doctrines. The representatives of this trend are particularly critical of the main schools for rejecting socio-economic analysis and for their formalism and sterility. They emphasise the effectiveness of the approach which links Marx with Ricardo: the class analysis of the problem of the distribution of incomes in society.

Naturally, these phenomena are to be welcomed. What must be rejected, however, is the idea of a "merger" of Marxist and bourgeois political economy into a single scientific discipline. For Marxists economic theory is the basis for arguing the need for the revolutionary transformation of society, but bourgeois economists, the radicals included, do not draw these conclusions.

Reformism and the related Right-wing opportunism in the communist and working-class movement tend to regard Marxism as a trend rooted solely in the humanist, liberal school of social thought in the 19th century. The fact that Marxism is primarily the revolutionary ideology of the working class and totally unlike any form of liberalism is glossed over. The theoretical side of Marxism is frequently divorced from its revolutionary practice.

Of great importance for spreading Marxist-Leninist doctrine among the masses is the struggle against "Left"-wing revisionism and dogmatism. The latter tend to ignore the theories and views of the predecessors of Marxism. They also play down the scientific analytical side of Marxism, its view of social development as a process which takes place in accordance with objective laws. Voluntarism in economics and adventurism in politics are typical of "Left"-wing revisionism.

Among the "New Left" one finds those who link Marxism with the anarchist ideas of Proudhon and Kropotkin, with whom Marx is alleged to have had a lot in common. It is a well-known fact, however, that for many years Marx and

¹ R. L. Heilbroner, *The Worldly Philosophers. The Lives, Times and Ideas of the Great Economic Thinkers*, 3rd edition, New York, 1968, p. 153.

Engels conducted a fierce battle against Proudhon and his teaching. The idea of a "counter-culture" sometimes develops into the rejection of all aspects and elements of bourgeois culture. Marxism-Leninism has demonstrated in theory and practice the absurdity and harm of attempts to construct a new, anti-bourgeois culture out of thin air. The new culture does not reject the old one out of hand, but makes use of its best, progressive elements.

In this connection it should be noted that in the very first years of Soviet power V. I. Lenin constantly drew attention to the need for making use of all the riches of human culture in building communist society.

Marx, Engels and Lenin exposed and criticised bourgeois economic theories aimed at vindicating the capitalist system, revealed their social origins and aims, and their superficial, unscientific view of the laws and processes of economic development. They were particularly uncompromising in their attacks on ideology which threatened to damage the working-class movement and divert it from revolutionary tasks.

At the same time the Marxist classics intended by their criticism to select from bourgeois economic conceptions the rational elements which promote an understanding of objective reality. They stressed, in particular, the need for a study of concrete economic writings by bourgeois scholars.

THREE CENTURIES

Economists' ideas are to a great extent determined by the level of development of their country's society and economy. Therefore in the accounts of their life and activity the reader of this book will also find a brief outline of the economic features of the period and country.

The development of political economy from the 17th to 19th centuries was predetermined by the growth of a new social order, at that time a progressive one, namely, capitalism. People of great talent and forceful personality emerged, great thinkers.

Let us try to conjure up for a moment a gathering of the economists of three centuries. A varied company indeed!

Most of them are English, but there is a fair sprinkling of Frenchmen. This is understandable. England was the leading

capitalist country and even in Marx's time political economy was still regarded as a predominantly English science. In France, too, capitalism began to develop earlier than in most other countries; as a result the term "political economy" was first coined in French. The economists of this period include few Americans, but among them is the wise Franklin.

The first economists were usually, to quote Marx, "businessmen and statesmen". They were prompted to reflect upon economic questions by the practical needs of the economy, trade and state administration.

We see Shakespeare's contemporaries long-haired cavaliers in lace and austere soberly dressed merchants of the age of the early capitalist accumulation. These are the royal counselors—the mercantilists Montchrétien, Thomas Mun.

Another group. Here we have the founders of classical political economy, Petty, Boisguillebert and other forerunners of Adam Smith, in large wigs and long coats with wide turned-back sleeves. They do not engage in political economy professionally for such a profession does not exist as yet. Petty is a physician and unsuccessful politician, Boisguillebert—a judge, Locke—a famous philosopher, Cantillon—a banker. They usually address kings and governments, but are also beginning to write for the enlightened public. And for the first time they are posing the theoretical problems of the new science. Petty stands out in particular. He is not only a brilliant thinker, but also a vivid and original personality.

And here is the dynamic figure of John Law, the great schemer and adventurer, the "inventor" of paper money and the first theoretician and practitioner of inflation. The rise and fall of Law is one of the most vivid pages in the history of France at the beginning of the 18th century.

The huge wigs, such as we see on portraits of Molière or Swift, are replaced by short, powdered ones with two curls on the temples. The calves are clad in white silk stockings. These are the French economists of the mid-18th century, the Physiocrats, friends of the great philosophers of the Enlightenment.

Their acknowledged leader is Francois Quesnay, a physician by profession and economist by vocation. Another eminent scholar is Turgot, one of the most sagacious and progressive statesmen in pre-revolutionary France.

Adam Smith.... His popularity in Russia was so great that Pushkin, depicting a young man from high society in the 1820s in his famous novel in verse *Eugene Onegin*, wrote that

*From Adam Smith he sought his training
And was no mean economist;
That is, he could present the gist
Of how states prosper and stay healthy
Without the benefit of gold,
The secret being that, all told,
The basic staples make them wealthy.*¹

Smith's biography is somewhat similar to that of Newton: it contains few external events and an inner intellectual life of great intensity.

The name of Smith's followers is legion. In the late 18th and early 19th centuries being engaged in political economy meant being a follower of Smith. The great Scot began to be "put right" (meaning "right" in the political sense, not only in the sense of "correct"). This was done by such people as Say in France and Malthus in England. Political economy began to be taught in the universities, becoming a "must" for educated young men from the privileged classes.

Now the rich financier and self-taught genius David Ricardo appears on the scene. This is the age of Napoleon, so naturally he is without a wig and is wearing a frock coat and long, tight breeches instead of a long coat and knee-length hose. Ricardo was to complete the development of bourgeois classical political economy. But already during his lifetime there were attacks on Ricardo, who had pointed out the conflict between the interests of the two main classes in capitalist society—the bourgeoisie and the workers.

Ricardo's followers fall into several different groups. On the one hand, the socialists tried to use his theories against the bourgeoisie. On the other, vulgar political economy developed in bourgeois science on the remains of Ricardo's teaching. Thus we approach the 1840s which saw the beginning of the activity of Karl Marx and Frederick Engels.

In expressing the ideas of the most progressive section of the

¹ A. Pushkin, *Eugene Onegin*, translated by Walter Arndt, New York, 1963, p. 8.

bourgeoisie, the classical economists clashed with the feudal, land-owning aristocracy which was firmly ensconced in England and which dominated in France until the revolution at the end of the 18th century. They clashed with the state which expressed the interests of the aristocracy and with the established church. And they by no means accepted and approved of everything in the capitalist system. Consequently the lives of many economists were fraught with protest, rebellion and struggle. Even the cautious Smith was subjected to attacks by reactionary elements. Among the socialists of the pre-Marxian period we find people of high principles and great civic and personal courage.

This book does not deal with the pioneers of economics in Russia, although in the period under review Russia produced some bold and original thinkers. Suffice it to mention the fine Russian writer and scientist of the Petrine period Ivan Pososhkov, the author of the first essay in Russia devoted especially to economic questions. A great deal of attention was paid to economic questions by Alexander Radishchev, the revolutionary enlightener and author of the famous book *A Journey from Petersburg to Moscow* in which he criticised the landowners and even the monarchy.

Some important economic works were written by the Decembrists, the participants in the first Russian revolutionary movement, who attempted to organise an uprising against the tsar in December 1825. Among these the works of Nikolai Turgenev and Pavel Pestel stand out in particular. The great Russian writer and revolutionary democrat Nikolai Chernyshevsky was an economic thinker of great profundity and a brilliant critic of bourgeois political economy. Marx thought highly of his scientific writings and practical activity.

However Russia in the 18th and early 19th centuries was considerably behind the West European countries in economic development. Serfdom still existed and bourgeois production relations were as yet only in embryonic form. Hence the strikingly individual character of the development of Russian economic thought. At the same time Marx's economic theory fell on fertile soil in Russia and quickly took root. Russian was the first language into which *Capital* was translated. The Kievan professor N. N. Ziber was one of the first to analyse the connection between Marx's teaching and the doctrines of Smith and Ricardo.

May we express the hope that this book will not require from the reader "the endurance of a camel and the patience of a saint" without which, to quote Heilbroner, it is impossible to read through certain serious works on political economy.

And so from the political economy of the slave-owning society—to the political economy of the mid-19th century. On this long journey we shall be making several stops at key points.

When primitive man made the first axe and bow, it was not *economics*. It was only technology, so to say.

But then a group of hunters with several axes and bows killed a deer. The venison was divided between them, in all probability, equally: if some had received more than others, the latter would simply have been unable to survive. The life of the community grew more complex. A craftsman appeared, say, who made good instruments for the hunters but did not actually hunt himself. Meat and fish then had to be divided between the hunters and fishers, leaving a share for the craftsman, etc. At some stage there began exchange of products of labour between and within communities.

All this, although primitive and undeveloped, was *economics*, for it was a matter not only of people's relations to things—a bow, an axe, or **meat**—but also their relations with one another in society. And not relations in general, but material relations connected with the production and distribution of goods essential for **people's** lives. Marx called these relations *production relations*.

Economics is the social production, exchange, distribution and consumption of material goods and the sum total of the production relations arising on this basis. In this sense economics is as old as human society. The economy of the

primitive community was, of course extremely simple, since the instruments people used were also extremely simple and their labour skills very restricted. In other words, the *productive forces*, which determine a society's production relations, its economy and other aspects of life, were poorly developed.

WHO WAS THE FIRST ECONOMIST

When did man first start wondering why fire burns or thunder peals? Probably many thousands of years ago. And just as to ponder on the phenomena of the economy of primitive society, which was gradually changing into the first class **society** — **slave-owning society**. But these reflections were not and could not be a *science* — a system of human knowledge about nature and society. Science did not appear until the age of mature slave-owning society, which was based on far more developed productive forces. People's knowledge of mathematics or medicine in the ancient states of Sumeria, Babylon and Egypt which existed four to five thousand years ago is sometimes quite impressive. The finest surviving specimens of ancient knowledge belong to the ancient Greeks and Romans.

A definite effort to comprehend the facts of economic life began long before the emergence of a special branch of science, *political economy*, in the 17th century. Many of the economic phenomena investigated by this science were already known to the ancient Egyptians or Greeks: exchange, money, price, trade, profit, interest. Above all people **began** to reflect upon the main feature of the production relations in that age, slavery.

At first economic thought was not separate from other forms of meditation on society, so it is impossible to say exactly when it first appeared. Not surprisingly economic historians start at different points. Some histories begin with the ancient Greeks, others with a study of ancient Egyptian papyri, the stone cuneiform of the Code of Hammurabi and the Hindu *Vedas*.

Many economic observations and interpretations of the economic life of the Hebrew and other people inhabiting Palestine and the neighbouring lands in the second and first millennium before Christ can be found in the Bible.

However, the fact that, for example, the American historian of economics Professor J. F. Bell devotes a large chapter to the

Bible and completely ignores all other sources of the period is to be explained, one must assume, by circumstances quite unrelated to academic research. Namely, that the Bible is the sacred book of Christianity and most American students are acquainted with it from early childhood. So research is adapting itself somewhat to this fact of modern life.

Ancient Greek society, at the stage of the advanced decline of primitive society and the formation of the slave-owning order, is given splendid literary portrayal in Homer's poems. These monuments of human culture are a veritable encyclopaedia of the life and philosophy of the people who inhabited the shores of the Aegean and Ionian seas about three thousand years ago. The most varied economic observations are skilfully woven into the fabric of the exciting tale of the siege of Troy and the wanderings of Odysseus. The *Odyssey* contains evidence of the low productivity of slave labour:

*The master gone, the servants what restraints?
Or dwells humanity where riot reigns?
Jove fix'd it certain, that whatever day
Makes man a slave, takes half his worth away.¹*

Naturally, the Code of Hammurabi, the Bible, and Homer can be regarded by the historian and economist as sources of information about the *domestic life* of ancient peoples. Only secondarily can they be referred to as specimens of economic *thought*, which presupposes a certain generalisation of practice, speculation and abstraction. The well-known bourgeois scholar Joseph A. Schumpeter (an Austrian who spent the second half of his life living in the United States) called his book a history of economic analysis and began it with the classical Greek thinkers.

It is true that the works of Xenophont, Plato and Aristotle contain the first attempts at a theoretical explanation of the economic structure of Greek society. We are sometimes inclined to forget how many threads link our modern culture with the remarkable civilisation of that small people. Our science, our art and our language have absorbed elements of ancient Greek civilisation. About economic thought Marx said: "In so far as the Greeks make occasional excursions into this sphere, they

¹ *The Odyssey of Homer*, translated from the Greek by Alexander Pope, London, 1806, p. 256.

show the same genius and originality as in all other spheres. Because of this, their views form, historically, the theoretical starting-points of the modern science".¹

The word *economy* (οἰκονομία from the words οἶκος — house, household, and νόμος — rule, law) is the title of a special work by Xenophon in which sensible rules for the management of household and estate are examined. The word retained that meaning (the science of household management) for many centuries. True, it did not have such a restricted sense under the Greeks as our household management. For the house of a rich Greek was a whole slave-owning economy, a kind of microcosm of the Ancient World.

Aristotle used the term "economy" and its derivative "economics" in the same sense. He was the first to analyse the basic economic phenomena and laws of the society of his day and became, in fact, the first economist in the history of the science.

THE VERY BEGINNING: ARISTOTLE

In 336 B. C. Philip II of Macedon was treacherously murdered at his daughter's wedding. The instigators of the crime were never discovered. If the version is true that it was the rulers of Persia, they could not have done anything more disastrous for themselves: Philip's twenty-year-old son Alexander acceded to the throne and within a few years had conquered the mighty Persian Empire.

Alexander was a pupil of Aristotle, a philosopher from the town of Stagira. When Alexander became Emperor of Macedon Aristotle was **forty-eight** and his fame had already spread wide throughout the Hellenic world. We do not know what prompted Aristotle to leave Macedon shortly afterwards and move to Athens. Whatever the cause it was not disagreement with Alexander: their relations did not deteriorate until much later when the talented young man turned into a suspicious and capricious tyrant. Probably Athens attracted Aristotle as the cultural centre of the Ancient World, the town

¹ Frederick Engels, *Anti-Dühring*, Moscow, 1969, p. 271 (Chapter X of Part II of *Anti-Dühring* was written by Marx).

where his teacher Plato lived and died and where Aristotle himself had spent his youth.

Whatever the cause, in 335 or 334 B. C. Aristotle moved to Athens with his wife, daughter and adopted son. In the following ten to twelve years, while Alexander was conquering all the inhabited lands known to the Greeks, Aristotle erected the splendid edifice of science, completing and generalising his life's work with remarkable energy. Yet he was not destined to spend a peaceful old age amid pupils and friends. In 323 B. C. Alexander died, having barely reached the age of 33. The Athenians revolted against Macedon's rule and drove out the philosopher. A year later he died in Chalcis, on the island of Euboea.

Aristotle was one of the greatest minds in the history of science. His surviving and authenticated writings cover all the spheres of knowledge existing at that time. In particular, he was one of the founders of the science of human society, sociology, within the framework of which he examined economic questions as well. Aristotle's sociological writings belong to the period of his last years in Athens. They are, first and foremost, *The Nicomachean Ethics* (his descendants called it after his son Nicomachus) and the *Politics*, a treatise on the structure of the state.

In both the natural and social sciences Aristotle was a scientist of the "new type". He formed theories and conclusions not on the basis of abstract speculation, but always on a careful analysis of the facts. His *Historia animalium* was based on extensive zoological collections. Likewise for the *Politics* he and a group of pupils assembled and examined material about the structure and laws of 158 Hellenic and barbarian states. For the most part they were city states of the "polis" type.

Aristotle has been remembered over the centuries as the wise mentor surrounded by pupils and disciples. During his last years in Athens he was in his fifties and evidently an energetic, cheerful person. He is said to have enjoyed chatting with his friends and pupils while strolling in the Peripakos, a covered walk in the Lyceum.

His philosophical school has gone down in history under the name of the Peripatetics.

The *Politics* and *Ethics* are written in the form of recorded conversations or sometimes reflections aloud. In seeking to

explain an idea Aristotle frequently returns to it, approaching it from a different angle, so to say, and answering the questions of his audience.

Aristotle was a son of his time. He regarded slavery as natural and logical and a slave as a talking instrument. Moreover, he was in a certain sense conservative. He did not like the development of commerce and money relations in the Greece of his day. His ideal was a small agricultural economy (in which the slaves did the work, naturally). This economy would provide itself with almost all the essentials and the few things it lacked could be obtained by "fair exchange" with neighbours.

Aristotle's merit as an economist lies in the fact that he was the first to establish some categories of political economy and to demonstrate to a certain extent their interconnection. If we compare Aristotle's "economic system", composed from the various fragments, with the first five chapters of Adam Smith's *The Wealth of Nations* and Part I of the first volume of *Capital* by Karl Marx, we find an amazing continuity of thought. It is rising to a new stage based on the preceding ones. Lenin wrote that the urge to find the law of the formation and change of prices (i.e., the law of value) runs from Aristotle through the whole of classical political economy up to Marx.

Aristotle established two aspects of a commodity, its use value and its exchange value, and analysed the process of exchange. He posed the question which was to be the constant concern of political economy: what determines the correlations of exchange, or exchange values, or, finally, prices—their monetary expression. He does not know the answer to this question or, rather, he halts before the answer and seems to turn aside from it against his will. Yet he does produce some sensible ideas on the origin and functions of money and, finally, expresses in his own peculiar way the idea of its transformation into capital—into money which produces new money.

Such, with much digression, vagueness and repetition, is the path of scientific analysis traversed by the great Hellene.

Aristotle's scientific legacy has always been the subject of dispute. For many centuries his ideas on philosophy, the natural sciences and society, were turned into strict dogma, inviolable canon, and used by the Christian Church, pseudo-scientific scholastics and political reactionaries in their fight against the new and progressive. On the other hand, the people

of the Renaissance, who revolutionised science, made use of Aristotle's ideas freed from dogma. The fight for Aristotle continues to this day. And it concerns, inter alia, his economic theory.

Read carefully the following two quotations which contain an assessment of the great Greek's economic views. The first belongs to a Marxist, the Soviet economist F. Y. Polyansky. The second to the author of a bourgeois history of economic thought, Professor J. F. Bell.

Polyansky

Bell

"Aristotle was far from taking a subjective view of value and inclined rather to an objective interpretation of the latter. In any case, he appears to have seen clearly the social need to cover production costs. True, he did not analyse the composition of costs and was not interested in this question. However, labour was probably allotted an important place in their composition." ¹

"Aristotle made value subjective, depending upon the usefulness of the commodity. Exchange rests upon man's wants.... When an exchange is just, it rests upon equality of wants, not upon costs in a labour-cost sense." ²

It is easy to see that these assessments are diametrically opposed. Both passages speak about *value*, the basic category of political economy, which we shall be meeting time and again.

A most important part of Marxist economic theory is the *labour theory of value* developed by Marx on the basis of a critical analysis of bourgeois classical political economy. The essence of this theory is that all commodities have one basic common quality: they are all the products of human labour. The quantity of this labour is what determines the value of a commodity. If it takes five working hours to make an axe and one hour to make a clay pot, all other things being equal the value of the axe will be five times greater than that of the pot. This can be seen from the fact that one axe, as a rule, will be

¹ A *History of Economic Thought*. Course of lectures, Part 1, Moscow University Press, 1961, p. 58 (in Russian).

² J. F. Bell, *A History of Economic Thought*, New York, 1953, p. 41.

exchanged for five pots. This is its exchange value expressed in pots. It may also be expressed in meat, cloth and any other commodity or, finally, in money, i.e., in a certain amount of silver or gold. The exchange value of a commodity expressed in money is its *price*.

The interpretation of labour as something which creates value is most important. For the labour of the producer of axes to be comparable with the labour of the pot-maker, it must be regarded not as a concrete type of labour of a given profession, but simply as the expenditure over a certain amount of time of a person's muscular and mental **energy**—as *abstract labour*, independent of its concrete form. The use value (usefulness) of a commodity is, of course, an essential condition of the commodity's value, but cannot be the source of that value.

Thus, value exists *objectively*. It exists independently of a person's feelings, independently of the way in which he values the usefulness of a commodity subjectively. Further, value has a social nature. It is determined not by a person's attitude to an object, a thing, but by the relationship between the people who create commodities by their labour and exchange these commodities among themselves.

Contrary to this theory modern bourgeois political economy regards the *subjective usefulness* of exchanged commodities as the basis of value. The exchange value of a commodity is deduced from the intensity of the consumer's wishes and the existing market supply of the commodity in question. It thereby becomes fortuitous, "market" value. Since the problem of value is being removed to the sphere of individual preference, value loses its social nature here and ceases to be a relationship between people.

The theory of value is important not only in itself. An essential conclusion of the labour theory of value is the *theory of surplus value* which explains the mechanism of the exploitation of the working class by the capitalists.

Surplus value is that part of the value of commodities produced in capitalist society which is created by the labour of hired workers, but not paid for by the capitalist. It is appropriated by him without payment and is the source of profit-making by the class of capitalists. Surplus value is the aim of capitalist production: its creation is the general economic law of capitalism. Surplus value contains the roots of economic antagonism, the class struggle between the workers

and the bourgeoisie. As the basis of Marxist economic doctrine, the theory of surplus value proves the inevitability of the development and deepening of the contradictions in the capitalist mode of production and, in the final analysis, its collapse. Attacks by bourgeois scholars on Marxism are directed primarily at the theory of surplus value. The subjective theory of value and all the related ideas of bourgeois political economy categorically exclude exploitation and class contradictions.

This explains the argument which has been going on for a good 2,400 years: was Aristotle a distant advocate of labour value or the forefather of theories which deduce exchange value from usefulness? This dispute is only possible because Aristotle did not create and could not have created a full theory of value.

He saw in exchange the equation of commodity values and searched hard for a common basis for equation. This in itself showed exceptional depth of thought and served as the point of departure for subsequent economic analysis many centuries after Aristotle. He made statements reminiscent of an extremely primitive version of the labour theory of value. It is evidently these to which F. Y. Polyansky is referring in the above passage. But perhaps even more important is the awareness of the *problem* of value which can be seen, for example, in the following passage from *The Nicomachean Ethics*:

"For, we must remember, no dealing arises between two of the same kind, two physicians, for instance, but say between a physician and agriculturist, or, to state it generally, between those who are different and not equal, but these of course must be equalised before the exchange can take **place**.... Hence the need of some one measure of all **things**.... Very well then, there will be Reciprocation when the terms have been equalised so as to stand in this proportion; Agriculturist: Shoemaker=wares of Shoemaker: wares of Agriculturist."¹

Here in embryonic form we have an interpretation of value as the social relation between the people who produce commodities which have varying use values. It would seem to be but one step to the conclusion that in the exchange of their

¹ Aristotle, *The Nicomachean Ethics*, translated by D. P. Chase, London, Toronto, New York, 1920, p. 113.

products the farmer and the shoemaker relate to each other simply as the amount of work, labour time, necessary for the production of a sack of grain and a pair of shoes. But Aristotle did not draw this conclusion.

He could not, if only for the fact that he lived in an ancient slave-owning society which, by its very nature, was alien to the idea of the equality, the equal value of all types of labour. Manual labour was despised as the labour of slaves. Although there were also free craftsmen and farmers in Greece, Aristotle "overlooked" them, strangely enough, when it came to interpreting social labour.

However, having failed to lift the veil from value (exchange value), Aristotle turns, for an explanation of the mystery as if with a sigh of regret, to the superficial fact of the qualitative difference in the usefulness of commodities. He evidently senses the triviality of this statement (his idea is roughly that "we exchange things because I need your commodity and you need mine") and its quantitative vagueness, for he announces that money makes commodities comparable: "Hence the need of some one measure of all things. Now this is really and truly the Demand for them, which is the common bond of all such dealings.... And money has come to be, by general agreement, a representative of Demand."¹

This is a fundamentally different position, which makes possible such statements as the above quotation from Professor Bell's book.

ECONOMICS AND CHREMATISTICS

Another of Aristotle's interesting ideas is his well-known distinction between economics and chrematistics, which was the first attempt in the history of the science to analyse capital. The term "chrematistics" was invented by him, but unlike "economics" it has not become established in modern languages. It was derived from the word "chrema" meaning property, estate. For Aristotle economics is the natural domestic activity connected with producing the things necessary for subsistence, use values. It also includes exchange, but only to the extent required to satisfy personal needs. The limits

¹ Aristotle, op. cit., p. 113.

of this activity are also natural: they are a person's sensible private consumption.

What is chrematistics then? It is "the art of making a fortune", i.e., activity directed towards making a profit, accumulating riches, particularly in the form of money. In other words, chrematistics is the "art" of the investment and accumulation of capital.

Industrial capital did not exist in the Ancient World, but a considerable role was already played by commerce and money (usury) capital. This is what Aristotle depicted: "... In the art of making a fortune, in so far as this is expressed in trading activity, there is never any limit to the attainment of the aim, for the aim here is unlimited riches and possession of money.... Everyone engaged in monetary circulation seeks to increase his capital *ad infinitum*."¹

Aristotle regarded all this as *unnatural*, but was realistic enough to see that pure "economics" was impossible: unfortunately economics invariably develops into chrematistics. This observation is correct: we would say that capitalist relations inevitably develop in an economy in which goods are produced as commodities, for exchange.

Aristotle's idea of the naturalness of economics and the unnaturalness of chrematistics has undergone a strange transformation. In the Middle Ages the scholastics followed Aristotle in condemning usury and in part commerce as an "unnatural" means of enrichment. But with the development of capitalism all forms of enrichment began to seem natural, permissible "by natural law". It was on this basis that the figure of *homo oeconomicus* arose in the socio-economic thought of the 17th and 18th centuries, the motive of whose actions is the desire to become rich. Adam Smith announced that economic man is acting for the good of society, by striving for his own profit, and thus there emerges the best of all possible worlds known to Smith—the bourgeois world. For Aristotle the expression *homo oeconomicus* would have meant the exact opposite, a man who seeks to satisfy his reasonable needs which are by no means limitless. This hypothetical figure without flesh and blood, the hero of economic works in Smith's day, he would probably have called *homo chrematisticus*.

Leaving the great Hellene, we must now move on almost two

¹ Aristotle, *Politics*, St. Petersburg, 1911, pp. 25-26 (in Russian).

thousand years to Western Europe in the late 16th and early 17th centuries. This does not mean, of course, that twenty centuries passed without trace in economic thought. Hellenic philosophers developed some of Aristotle's ideas still further. Roman writers had a great deal to say about the subject which we call agricultural economy. The religious veil which learning donned in the Middle Ages occasionally concealed some original economic ideas. In their commentaries on Aristotle the scholastics developed the concept of "just price". All this can be found in any history of economic thought. But the age of the decline of slave-owning society, the growth and supremacy of feudalism did not encourage the development of economics. Political economy as an independent science arose only in the manufacturing period of the development of capitalism, when important elements of capitalist production and bourgeois relations were already forming in feudal society.

THE SCIENCE RECEIVES ITS NAME

The person who first introduced the term *political economy* in socio-economic literature was Antoine de Montchretien, Seigneur de Vasteville. He was a French nobleman of modest means who lived under Henri IV and Louis XIII. Montchretien's life was crammed with adventures worthy of a d'Artagnan. Poet, duellist, exile, attendant at the royal court, rebel and state criminal, he perished amid clashing swords and smoking pistols, caught in a trap set by his enemies. It was a lucky escape, however, for had the rebel been taken alive he would have faced torture and shameful execution. Even his dead body was sentenced to be profaned: the bones were smashed with iron, the corpse burnt and the ashes cast to the wind. Montchretien was one of the leaders of the uprising of French Protestants (Huguenots) against the King and the Catholic Church. He died in 1621 at the age of forty-five or forty-six, but his *Trade de l'Oeconomie Politique* was published in 1615 in Rouen. It is not surprising that the *Trade* was consigned to oblivion and the name of Montchretien besmirched. Unfortunately the main sources of biographical material about him are the partial or downright slanderous judgements of his ill-wishers. These judgements bear the stamp of bitter political and religious strife. Montchretien was called a highwayman,

forger and petty profit-seeker who allegedly changed to the Protestant religion in order to marry a rich Huguenot widow.

Almost three hundred years passed before his good name was restored and he was allotted a place of honour in the history of economic and political thought. Today it is clear that his tragic fate was no accident. His participation in one of the Huguenot uprisings, which were to a certain extent a form of class struggle by the downtrodden French bourgeoisie against the feudal-absolutist order, was the logical outcome of the life of this commoner by birth (his father was an apothecary), nobleman by chance, and humanist and fighter by vocation.

After receiving what was a good education for his day Montchretien decided at the age of twenty to become a writer and published a tragedy in verse on a classical theme. It was followed by several other dramatic and poetic works. We also know that he wrote on *Histoire de Normandie*. In 1605, when Montchretien was already a well-known writer, he was forced to flee to England after a duel which ended in the death of his adversary.

The four years in England played an important part in his life: he saw a country with a more developed economy and more developed bourgeois relations. Montchretien began to take an active interest in commerce, handicrafts and economic policy. Looking at English ways he mentally transferred them to France. It is possible that his meetings with many French Huguenot *émigrés* in England played an important part in his future fate. Most of them were craftsmen, many highly skilled ones. Montchretien saw that their labour and skill brought England considerable profit, whereas France, which had forced them into exile, suffered heavy losses.

Montchretien returned to France a convinced supporter of the development of national industry and trade, a champion of the interests of the third estate. He proceeded to put his new ideas into practice. He set up a hardware workshop and began selling his goods in Paris where he had a warehouse. But his main occupation was the writing of his *Trade*. In spite of the high-sounding title, he wrote a purely practical essay in which he sought to convince the government of the need for full patronage of the French manufacturers and merchants. Montchretien advocated heavy duty on foreign goods, so that their import did not harm national production. He extolled labour and sang the praises, unusual for his time, of the class

which he regarded as the main creator of the country's riches: "The fine and splendid artisans are most useful to a country, I would make so bold as to say, necessary and honorable."¹

Montchretien was one of the leading exponents of *mercantilism* which is the subject of the next chapter. He saw the country's economy primarily as an object of state management. The source of the country's and state's (king's) wealth he regarded, first and foremost, as foreign trade, particularly the export of manufactured and handicraft articles.

Immediately after the publication of his work, which he dedicated to the young King Louis XIII and his Regent Mother, Montchretien presented a copy of it to the Keeper of the State Seal (the Minister of Finance). Evidently this loyal-looking book was well received at court initially. Its author began to play a certain role as a kind of economic counsellor, and in 1617 was appointed governor of the town of Chatillon-sur-Loire. It was probably at this time that he was made a nobleman. When Montchrétien became a Protestant and how he came to be in the ranks of the Huguenot rebels is not known. Possibly he lost hope that the royal government would put his plans into effect and was annoyed to see that instead it was fanning the flames of a new religious war. Perhaps he concluded that the principles formulated by him were more in accordance with Protestantism, and, being a man of decision and daring, took up arms on its behalf.

But let us return to the *Tracte de l'Oeconomie Politique*. Why did Montchrétien entitle his work thus and was there any special merit in it? It would appear not. The last thing he had in mind was to give a name to the new science. This and similar combinations of words were, so to say, in the air—the air of Renaissance, when many ideas and concepts of classical culture were resurrected, re-interpreted and given new life. Like any well-educated man of his day, Montchretien knew Greek and Latin and read the classics. He frequently refers to them in his *Tracte*, in accordance with the spirit of the times. Without a doubt he was aware of the sense in which the words *economy* and *economics* were used by Xenophont and Aristotle. The 17th-century writers continued to use these words to mean housekeeping, the management of the household and private

¹ Quoted by P. Dessaix in *Montchretien et l'économie politique nationale*, Paris, 1901, p. 21.

estate. A little after Montchretien an Englishman published a book entitled *Observations and Advices Oeconomical*. The author defined economy as "the art of well governing a man's private house and fortunes" and concerned himself, for example, with such problems as a gentleman's choice of a suitable wife. According to his "economic" advice, a man should select for his spouse a lady who "may be no less useful in the day than agreeable at night".

Obviously this was not quite the same economy that interested Montchretien. All his thoughts were directed towards the flourishing of the economy as a *state, national community*. It is not surprising that he used the attribute *political* with the word *economy*.

A good 150 years after Montchretien political economy was regarded primarily as the science of *state economy*, the economy of national states governed, as a rule, by absolute monarchs. Only with Adam Smith and the creation of the classical school of bourgeois political economy did its character change and it became the science of the laws of economy in general, in particular, of the economic relations between classes.

Montchrétien's great service, of course, is not that he gave his book such a suitable title page. It was one of the first works in France and the whole of Europe specially devoted to economic problems. It singled out and delimited a special sphere of investigation, different from the spheres of other social sciences.

POLITICAL ECONOMY AND ECONOMICS

In recent decades the term *political economy* has gone out of fashion in the West and started to be replaced by the word *economics*. It is now used in a dual sense: in the sense of the economy, the sum total of production relations in a society, and in the sense of the science of the laws of economic development.

The terms *economics* and *political economy* should not be considered identical, however. Today the term *economics* in the sense of a branch of knowledge is understood more as the *economic sciences*. In addition to political economy these sciences now include diverse branches of knowledge about economic processes. The organisation of production, labour, sale of

products, industrial financing are all the subject of the economic sciences. This applies both to capitalist and socialist economy. As we know, capitalist planning takes place within the framework of large capitalist concerns, and its methods and forms are also the subject of economic science. State monopoly regulation of the economy, without which modern capitalism is inconceivable, also needs a basis of objective knowledge about the economy as a whole and its individual branches. Thus, the practical functions of the economic sciences are increasing.

The profession of the economist in the socialist countries today includes some highly diverse functions, from very concrete engineering or planning work to the purely ideological activity of teaching and propagating Marxist-Leninist political economy.

All this can be explained by the complexity of the concept of production relations. Some of their forms are of a more general and social nature. These are the actual subject of political economy, while more concrete forms of production relations are directly connected with technology, with productive forces. Yet other economic technological problems are linked only indirectly with production relations. The importance of the concrete economic sciences is bound to grow. Their development is linked with the application of mathematics and computer technology to economic research and the practical management of the economy.

Just as philosophy, which was once the science of sciences and embraced practically all branches of knowledge, has now become only "one of the many", so political economy, which formerly embraced all economic phenomena, is now only the head of the family of economic sciences. This is quite logical.

But there is more to the matter than that. Political economy, as it emerged from the hands of Smith and Ricardo, was essentially the science of the class relations between people in bourgeois society. Its central problem was the distribution of the product (or incomes)—a social problem, and a highly controversial one at that. Many of Ricardo's followers had tried to soften the controversial social nature of his political economy. But this was not enough for the bourgeoisie: for simultaneously on the basis of Ricardo's theories there arose the political economy of Marx, which openly proclaimed social

production relations to be the subject of the science and concluded the logical collapse of capitalism.

Therefore in the seventies of the last century new economic conceptions appeared and took root simultaneously in a number of countries, which sought to deprive political economy of its revolutionary social content by rejecting the labour theory of value. The science was made to revolve round certain general principles void of social and historical content: the principle of the decrease in the subjective usefulness of commodities with use and the principle of economic balance. In fact, the subject of this political economy was not so much people's social relations in connection with production, as people's relations to things.

The main problem of economic science became a "technological" one void of social content, the problem of choosing between alternative possibilities for making use of the commodity in question, or, as it became accepted to say, of the factor of production in question: labour, capital or land. The problem of the optimal use of limited resources is undoubtedly an important one for any society and comes within the sphere of the economic sciences. But it cannot be regarded as the sole object of political economy.

The "social neutrality" of political economy was proclaimed. Why should science bother itself with classes, exploitation and the class struggle? But this concealed a new form of ideological defence of capitalism. In the hands of these economists—Jevons in England, Menger and Wieser in Austria, Walras in Switzerland, and John Bates Clark in the United States—"old" political economy was transformed into something beyond recognition. Now it was a set of abstract logical and mathematical schemes based on the subjective psychological approach to economic phenomena. Naturally this science soon began to require a new name. The term "political economy", which literally and traditionally possessed a social content, became a nuisance and embarrassment.

The American historian of economic thought Ben B. Seligman writes that Jevons "successfully eliminated the word *political* from political economy and turned economics into a study of the behaviour of atomistic individuals rather than of the behaviour of society at large".¹

¹ Ben B. Seligman, *Main Currents in Modern Economics*, New York, 1963, p. 499.

THE GOLD FETISH AND SCIENTIFIC ANALYSIS: THE MERCANTILISTS

The nature of the "revolution" which took place in the science is even clearer if we quote the following passage from another well-known bourgeois scholar, the French economist Emile James: "These great theoreticians thought above all that the object of economic science was to describe mechanisms which would operate in any economic regime and tried not to pass judgement on institutions. With regard to problems of social organisation, their fundamental theories were neutral, that is to say, one could not conclude from them either praise or blame of the existing regime".¹ The new Austrian economists "in their explanations of value by marginal utility were attacking above all the Marxist theory of labour value".²

In the course of the following century bourgeois economists developed techniques of economic analysis based on these principles. A vast literature arose in which the social edge of economic science was consciously or unconsciously blunted with the help of the "new" methods. The science began to forget its original function and content, although it continued to study many fascinating problems. Thus, the question of the terms *political economy* and *economics* is not a squabble over terminology, but a disagreement on fundamental principles.

America was discovered as a result of the Europeans' pursuit of Indian spices, and conquered and explored because of their insatiable thirst for gold and silver. The great geographical discoveries were linked with the development of trade capital and, in their turn, greatly promoted its future development. Trade capital was historically the initial form of capital. It was from this form that industrial capital grew.

The main trend in economic policy and economic thought from the 15th to 17th centuries (and to a large extent in the 18th as well) was *mercantilism*. One might describe it in a nutshell as follows: in economic policy—the utmost accumulation of precious metals in the country and state treasury; in theory—the search for economic laws in the sphere of circulation (trade and money turnover).

"Risk your life for metal's sake," as Goethe said. The gold fetish accompanied the whole development of the capitalist system and is an integral part of the bourgeois way of life and thought. But in the age when trade capital predominated the lustre of this idol was particularly bright. Buying to sell at a higher price—that was the principle of trade capital. And the difference is seen in the form of yellow metal. The fact that this difference could arise only from production, from labour, had not yet occurred to anyone. To sell abroad more than one purchased abroad—that was the height of the state wisdom of

¹ Emile James, *Histoire de la pensée économique au XX^e siècle*, Paris, 1955, pp. 10-11.
² Ibid.

mercantilism. And the difference was again seen by those governing the state and those who thought and wrote for them in the form of gold (and silver) pouring into the country from abroad. If there is a lot of money in the country, everything will be alright, they said.

PRIMITIVE ACCUMULATION

The age of primitive accumulation is the pre-history of the bourgeois mode of production, just as mercantilism is the pre-history of bourgeois political economy. The actual term *primitive accumulation* appears to have been coined by Adam Smith: he wrote that the primitive accumulation of capital is the condition for the growth of labour productivity through the development of many interlinked branches of production (Smith called it "previous accumulation").

Marx spoke of "the so-called primitive accumulation" as this term took root in bourgeois science and acquired a special, virtuous meaning for the bourgeoisie.

The whole process of primitive accumulation, as a result of which society became divided into the classes of capitalists and hired workers, is portrayed by bourgeois economists as an economic idyll. A long time ago there were, on the one hand, the industrious and, in particular, thrifty, sensible elect and, on the other, lazy ragamuffins who squandered all they had and even more.... Thus it happened that the former accumulated riches, while the latter were eventually left with nothing to sell but their own skins. Right and justice reign in this idyll, reward for labour and punishment for sloth and squandering.

Nothing could be further from the truth. Of course, the primitive accumulation of capital was a real historical process. But in fact it took place amid a fierce class struggle and involved oppression, violence and deception.

This was not the result of evil intent, of man's "primordial" inclination to violence, etc. During primitive accumulation the objective historical law of the transition from one social formation to another, the capitalist one, was just beginning to operate. Consequently this process was essentially progressive, for it promoted the development of the economic history of society. The age of primitive accumulation was an age of relatively rapid increase in production, the growth of industrial

and trading towns, the development of science and technology. It was the age of the Renaissance, which brought a flowering of culture and the arts after a thousand years of stagnation.

But science and culture were able to develop rapidly in this age because the old feudal social relations were collapsing and being replaced by new, bourgeois relations. There can be no question of an idyll, when millions of small farmers were being ruined and semi-feudal and free landowners were being turned into urban and rural proletarians. Nor can there be any question of an idyll when the class of capitalist exploiters, whose religion was money, was being formed.

Centralised national states with a strong monarchy grew up in the 16th century in a number of West European countries — England, France and Spain. In a struggle lasting several centuries the monarchies overcame the wilful barons and subjugated them. The feudal armed retinues were disbanded and the feudal lords' warriors and retainers found themselves "out of work". If these people did not want to become farm-labourers, they joined the army and navy and set off for the colonies in the hope of finding the fabulous riches of America or the East Indies. As farm-labourers they made the farmers and landowners rich, and by going abroad they generally made the fortunes of merchants, planters and shipowners. A few "climbed up the ladder", got rich and themselves turned into merchants or planters. Some large fortunes were the result of piracy and straightforward robbery.

The towns, the handicraft and commercial bourgeoisie, were the allies and support of the kings in their struggle with the barons. The towns provided the monarchy with money, arms, and sometimes men, for this struggle. The very shift of the centres of economic life to the towns undermined the power and influence of the feudal lords. The bourgeoisie, in its turn, demanded that the state should support their interests against the feudal lords, the "common folk" and foreign competitors. And the state gave this support. The trading companies and handicraft corporations received various privileges and monopolies from the kings. Laws were promulgated, which forced the poor under pain of harsh punishment to work for the entrepreneurs, and fixed maximum wages. The economic policy of mercantilism was pursued in the interests of the urban, and particularly the commercial, bourgeoisie. In many cases mercantilist enterprises also suited the interests of the

nobility, since the latter's incomes were in one way or another linked with trading and business activity.

The basis, the point of departure of any business is money which turns into money capital when the owner uses it to hire workers and purchase commodities for processing or resale. This fact lies at the basis of mercantilism, the essence and aim of which was to attract money—precious metals—into the country.

These measures were primitive in the age of early mercantilism. Foreign merchants were forced to spend on the spot all the proceeds from the sale of their goods within a given country, and special "supervisors" were even appointed, sometimes disguised, to see that they did so. The export of gold and silver was simply forbidden.

Later, in the 17th and 18th centuries, the European states changed to a more flexible and constructive policy. The rulers and their counsellors realised that the most reliable means of attracting money into the country was to develop the production of export goods and see that exports exceeded imports. Consequently the state began to promote industrial production, patronise manufactories and establish them.

These two stages in mercantilist policy correspond to two stages in the development of its economic theory. Early mercantilism, which is also called the *monetary system*, went no further than working out administrative measures to keep money in the country. Developed mercantilism sought the sources of the nation's enrichment not in the primitive accumulation of treasures, but in the development of foreign trade and favourable trade balance (an excess of exports over imports). It did not share the "administrative enthusiasm" of its predecessors. The exponents of developed mercantilism approved only that intervention by the state which, to their mind, accorded with the principles of *natural law*. The philosophy of natural law had a most important influence on the development of political economy in the 17th and 18th centuries. To a certain extent the science itself developed within the framework of the ideas of natural law. These ideas, which originated from Aristotle and other classical thinkers, received a new content in the new age. The philosophers of natural law deduced their theories from the abstract "nature of man" and his "natural" rights. Since these rights contradicted the secular and religious despotism of the Middle Ages to a

large extent, the philosophy of natural law contained important progressive elements. The humanists of the Age of the Renaissance adopted the standpoint of natural law.

Turning to the state, the philosophers, with the mercantilist theoreticians following on their heels, regarded it as an organisation capable of guaranteeing man's natural rights, which included personal property and safety. The social meaning of these theories was that the state should provide the conditions for the growth of bourgeois society.

The connection between economic theories and natural law later moved from mercantilism to classical political economy. The character of this connection changed, however, for in the period of the development of the classical school (the Physiocrats in France and followers of Adam Smith in England) the bourgeoisie had less need of state tutelage and opposed excessive state intervention in the economy.

THOMAS MUN: AN ORDINARY MERCANTILIST

The English called London "the Great Wen", meaning a lump or protuberance. Like a colossal excrescence, London, once the greatest town in the world for several centuries, towers over the ribbon of the Thames, with thousands of visible and invisible threads emanating from it.

For the history of political economy London is a special town. The world centre of trade and finance was a most suitable place for the birth and development of this science. Petty's pamphlets were printed in London and his life is linked with it just as closely as with Ireland. A century later Adam Smith's *The Wealth of Nations* was published there. David Ricardo was a true product of London, its turbulent business, political and scientific life. And Karl Marx spent more than half his life in London, where *Capital* was written.

Thomas Mun (1571-1641) was a typical exponent of English mercantilism. He came from an old family of craftsmen and traders. His grandfather was an engraver at the London Mint, and his father was a mercer. Unlike his French contemporary Montchrétien, Mun did not write tragedies, did not fight duels and did not take part in uprisings. He lived a quiet, dignified life as an honest businessman and clever man.

Having lost his father at an early age, Thomas Mun was brought up in the family of his step-father, a rich merchant and one of the founders of the East India trading company, which arose in 1600 as a branch of the older Levant company that traded with the Mediterranean countries. After an apprenticeship in his step-father's shop and office, he began to work for the Levant company at the age of eighteen or twenty, spent several years in Italy, and travelled to Turkey and the countries of the Levant.

Mun soon became rich and highly esteemed. In 1615 he was elected for the first time to the committee of directors of the East India Company and soon became a skilled and active defender of its interests in Parliament and the press. But Mun was cautious and not excessively ambitious: he declined the offer to become Vice-Chairman of the company and refused to travel to India as an inspector of the company's manufactories. In those days it took three or four months to reach India and the journey was fraught with dangers: storms, illness, pirates....

On the other hand, Mun was one of the most eminent figures in the City and Westminster. In 1623 a publicist and writer on economic matters by the name of Edward Misselden described him as follows: "... his observation of the East India trade, his judgement in all trade, his diligence at home, his experience abroad, have adorn'd him with such endowments, as are rather to be wisht in all, than easie to be found in many Merchants of these times".

Exaggeration and flattery apart, there can be no doubt that Mun was by no means an ordinary merchant. As a recent researcher has put it, he was a strategian of trade. (The word *trade*, incidentally, had basically the same meaning as the word *economy* in the England of the 17th and 18th centuries.)

Mun's mature years coincided with the reign of the first two monarchs of the house of Stuart. In 1603, the childless Queen Elizabeth died after nearly fifty years on the throne. When she became queen England was an isolated island state riven by religious and political discord. By the time of her death it was a world power with a mighty fleet and an extensive trade. The Elizabethan Age was marked by a great cultural flowering. The new ascendant to the throne James I, the son of the beheaded Mary, Queen of Scots, both feared and needed the City. He wanted to reign as an absolute monarch, but Parliament and the London merchants held the purse-string. Financial and

trading difficulties which arose in the early twenties compelled the King and his ministers to turn for advice to experts from the City, and a special state commission on trade was set up. Thomas Mun joined it in 1622. He was an influential and active member of this advisory body.

In the stream of pamphlets and petitions, in the discussions of the commission on trade, the main principles of the economic policy of English mercantilism were formulated in the 1620s and continued to be applied right until the end of the century. The export of raw material (particularly wool) was forbidden, but the export of manufactured articles was encouraged, even by state subsidies. England seized more and more new colonies which provided the manufacturers with raw materials and the merchants with profit from the transit of and intermediate trade in sugar, silk, spices and tobacco. The entry of foreign manufactured goods into England was restricted by high import duties which weakened competition and encouraged the growth of national manufactories (the policy of *protectionism*). Great attention was paid to the fleet, which had to carry cargoes all over the world and defend English trade. The most important aim of these measures was to increase the flow of precious metals into the country. But unlike Spain, which got its gold and silver straight from mines in America, the policy of attracting money proved beneficial in England because it involved the development of industry, the fleet and trade.

In the meantime a storm was gathering over the Stuart monarchy. The son of James I, the short-sighted and stubborn Charles I, antagonised the bourgeoisie who took advantage of the discontent of the broad mass of the people. In 1640, a year before Mun's death, Parliament met and openly attacked the King. Civil war broke out and the English bourgeois revolution began. Nine years later Charles was beheaded.

We do not know the political views of the elderly Mun, who did not live to see the outcome of the revolutionary events. But in his time he attacked complete absolutism in favour of restriction of the king's authority, particularly in the sphere of taxation. It is unlikely, however, that he would have approved of the king's execution. Towards the end of his life Mun was very rich. He bought considerable stretches of land and was known in London as a man able to give large loans in ready money.

Mun left two small works which, to coin a phrase, have gone down in the treasure store of economic literature. Their fate was a somewhat unordinary one. The first of these works entitled *A Discourse of Trade, from England into the East Indies Answering to Diverse Objections Which Are Usually Made Against the Same* was published in 1621 under the initials T. M. It was a polemic work directed against critics of the East India Company, who supported old, primitive mercantilism (the monetary system) and maintained that the company's operations were harming England, since it exported silver for the purchase of Indian goods and this silver was lost irrevocably by England. Efficiently, with facts and figures at his finger-tips, Mun disproved this contention, showing that the silver did not disappear but returned to England greatly increased: the goods carried on the Company's vessels would otherwise have had to be purchased at three times the price from the Turks and Levantines; moreover, a considerable portion of them were re-sold to other European countries for silver and gold. The importance of this pamphlet for the history of economic thought lies, of course, not in its defence of the interests of the East India Company, but in the fact that here for the first time was an exposition of the arguments of mature mercantilism.¹

To an even greater extent Mun's fame rests on his second book, the title of which, as Adam Smith wrote, itself expresses the main idea: "England's Treasure by Forraign Trade, or the Balance of Our Forraign Trade Is the Rule of Our Treasure". This work was not published until 1664, almost a quarter of a century after his death. During the long years of revolution, civil war and the Republic it lay in a chest with other papers and documents which Mun's son inherited together with his father's chattels and real estate. The restoration of the Stuarts in 1660 and the revival in economic discussions prompted the rich, fifty-year-old merchant and landowner to publish the book and remind the public and the authorities of the name of Thomas Mun, now for the most part forgotten.

¹ For a long time English scholars tried to find a first edition of the *Discourse* which was thought to have come out in 1609. The existence of such an edition was referred to in the middle of the last century by John Ramsay McCulloch, the political economist and collector of old English economic literature. Today specialists believe that no such edition exists. Thus Mun was forestalled by the mercantilist tracts of the Italian Serra (1613) and the Frenchman Montchrétien (1615). But this by no means detracts from his merit.

As Marx says, "it continued to be the mercantilist gospel for another hundred years. If mercantilism ... has an epoch-making work 'as a kind of inscription at the entrance',¹ it is this book ...".²

This book, which is composed of rather diverse chapters evidently written in the period 1625-1630, gives a compact and accurate exposition of the very essence of mercantilism. Mun's style was not a flowery one. Instead of quotations from the classics he makes use of popular sayings and business calculations. Only once does he refer to an historical personage, Philip of Macedon, and this because the latter recommended that money be put into action in places which could not be taken by force.

As a true mercantilist, Mun sees riches primarily in their monetary form, in the form of gold and silver. His thinking is dominated by the viewpoint of trade capital. Just as the individual trading capitalist puts money into circulation in order to derive an increase from it, so the country should grow rich by means of trade, ensuring that exports exceed imports. The development of production is acknowledged by him only as a means for extending trade.

Economic works always pursue a more or less definite practical aim: to justify this or that economic measure, method or policy. But in the case of the mercantilists these practical tasks were particularly predominant. Mun, like other mercantilist writers, was far from the desire to create any sort of "system" of economic views. Economic thought has its own logic, however, and he was obliged to use theoretical concepts which reflected reality: commodities, money, profit, capital.... At all events, he tried to find the causal link between them.

THE PIONEERS

The new is always difficult. And in assessing the achievements of the 17th-century thinkers we should remember the enormous difficulties confronting them. The great English materialist philosophers Francis Bacon and Thomas Hobbes were in the process of formulating a new approach to nature

¹ The words in quotes are a parody on the style of E. Dühring whom Marx is criticising here.

² Frederick Engels, *Anti-Dühring*, Moscow, 1969, p. 274.

and society, which made it the main task of philosophy to explain their objective laws. The religious and ethic principles of many centuries' standing had to be overcome in economic thought. Previously the main question had been what *ought to exist* in economic life in accordance with the letter and spirit of the Holy Scriptures. Now it was a matter of what *really exists* and what must be done with this activity in the interests of the "wealth of society".

Although the great geographical discoveries and the growth of trade had broadened their horizons, people still knew very little about the world. To say nothing of foreign countries, even the geographical and economic descriptions of England were inaccurate, full of mistakes and nonsense. The pioneers of economic thought had very few facts and hardly any statistics at their disposal. But life demanded a new outlook on human affairs and encouraged minds questing in new spheres. During the century between Mun and Smith the number of economic works published in England grew rapidly. The first bibliography of such works composed by Gerald Massey in 1764 contained more than 2,300 titles. This was mainly mercantilist literature, although the works of Petty, Locke, North and some other writers already contained the foundations of classical political economy.

Mercantilism was not a specifically English phenomenon. The policy of accumulation of money, protectionism and state regulation of the economy was pursued throughout Europe in the 15th to 18th centuries, from Portugal to Muscovy. The *policy* of mercantilism acquired developed forms in France in the second half of the 17th century under the all-powerful minister Colbert. Its *theory* was successfully elaborated by Italian economists. Whereas in England the title of almost any mercantilist tract contained the word "trade", in the case of Italy it was the word "money": for divided Italy the problem of money and its exchange between the small states was of prime importance. In Germany mercantilism in the form of so-called "Kameralistik" was the official economic doctrine right up to the beginning of the 19th century.

But the leading role in formulating mercantilist ideas was played by English economists. This is explained by England's rapid economic growth and the maturity of the English bourgeoisie. Marx based his profound analysis of mercantilism mainly on the works of English writers.

Adam Smith introduced the view of mercantilism as a kind of prejudice. This view became established among the vulgarisers of classical political economy. Marx objected to it: "...it must not be thought that these mercantilists were as stupid as they were made out to be by the later Vulgar-Freetraders."¹ For its time developed mercantilism was a considerable scientific achievement. The most talented of these pioneers of economic thought rank with the greatest thinkers of the 17th century—in philosophy, mathematics and the natural sciences.

The national character of mercantilism as a theoretical system and as a policy had its own reasons. The accelerated development of capitalism was possible only in a national framework and depended to a great extent on the state which promoted the accumulation of capital and hence economic growth. In their views the mercantilists were expressing the genuine laws and demands of economic development.

Why does "wealth", i.e., the created, used and accumulated sum of goods—use values—grow more intensively in one country than in another? What can and must be done at manufactory level and particularly at state level to make wealth increase more rapidly? It is easy to see that the ability of political economy to provide answers to these questions justifies its existence as a science. The mercantilists tried to find the answers and sought them in the economic conditions of their day. One might say that they were the first to set the task of a "rational economy" as the most important problem of economic science. Many of their empirical conclusions and recommendations were objectively justified and in this sense scientific.

At the same time they also took the first steps towards an understanding of the laws of progression and the inner mechanism of capitalist economy. This understanding was extremely superficial and one-sided, for they sought the answer to the secrets of the economy in the sphere of circulation. They regarded production, as one critic has pointed out, merely as a "necessary evil", as a means for ensuring the flow of money into the country or, rather, into the hands of capitalist traders. Whereas in fact the foundation of any society is the production of material wealth, and circulation is secondary to this.

¹ Karl Marx, *Theories of Surplus-Value*, Part I, Moscow, 1969, p. 179.

This mercantilist view is explained, in its turn, by the fact that trade capital was the prevalent form of capital in general at that time. For the most part production was still carried on in the pre-capitalist mode, but the sphere of circulation, particularly foreign trade, had already been taken over by what was large capital for those days. It is no accident that the activity of such enterprises as the East India, Africa and other companies was at the centre of economic discussions in England throughout the whole of the 17th century and the first half of

the 18th. The very "wealth of nations" was regarded by the mercantilists essentially in the light of the interests of trade capital. Consequently they were bound to concern themselves with such an important economic category as *exchange value*. It was this in fact that interested them as theoreticians, for what more vivid embodiment of exchange value is there than money, gold? Yet even Aristotle's initial idea of the equation of various types of wealth and labour in exchange was foreign to them. On the contrary, they believed that exchange was unequal, unequivalent by its very nature. (This view is historically explained by the fact that they were thinking primarily of foreign trade exchange, which was often notoriously unequal, particularly in trade with backward and "savage" peoples.) The mercantilists, as a rule, did not develop the theory of labour value, the rudiments of which can be found in Aristotle and certain mediaeval writers.

Surplus value, which is in fact the fruit of the unpaid labour of hired workers appropriated by capitalists, appears in the form of trade profit in the mercantilists. The growth and accumulation of capital were seen by them not as the result of the exploitation of labour, but as the fruit of exchange, particu-

larly foreign trade. But these illusions and errors did not prevent the Mercantilists from seeing many problems in their true light. Thus, they were most concerned with that as large a section of the population as possible should be drawn into capitalist production. Combined with an extremely low real wage, this would increase profits and accelerate the accumulation of capital. The mercantilists attached great importance in economic development to an elastic monetary system. Their interpretation of the role of monetary factors in the economy was in certain respects more profound than Adam Smith's. Assuming a strong state in

their economic projects, the later mercantilists also frequently objected to excessive and petty state regulation of the economy. This is particularly true of the English, who expressed the interests of a strong, independent and experienced bourgeoisie which needed the state only for the general defence of its interests.

Thomas Mun fought hard against strict regulation of the export of precious metals. He wrote that just as the peasant needs to cast seed into the earth in order to reap the harvest, so the merchant must export money and purchase foreign wares in order to sell more of his goods and bring the nation profit in the form of additional amounts of money.

MERCANTILISM AND OUR AGE

Mercantilism as a trend in economic theory disappeared from the scene towards the end of the 18th century. The principles of classical political economy were more in accordance with the conditions of the industrial revolution and manufacturing industry. These principles were particularly dominant in the most advanced capitalist countries—England and France. In economic policy this was reflected by a weakening in the direct intervention of the state in the economy and foreign trade.

In countries which embarked upon the path of capitalist development later, however, the ideas of the classical school could not take root fully. The bourgeoisie of these countries refused to accept that everything in economics must be left to the free play of forces. Not without justification it assumed that in this free play the English and also the French bourgeoisie had the best chance of winning. Therefore certain concrete mercantilist ideas never died, and the main points of mercantilist policy—state management of the economy, protectionism, securing an abundance of money in the country—have in many cases been actively used by governments.

Came the 20th century, and state monopoly capitalism developed in the industrial bourgeois countries. The economic ideas which corresponded to these conditions and reflected the task of state influence on the economy were most fully expressed in the 1930s by the English theoretician John Maynard Keynes. The bourgeois economic thought of recent

decades has developed to a large extent under the influence of his ideas. In many respects they determine the economic policy of modern capitalism pursued by the monopolies and the state today.

Capitalism can no longer exist by self-regulation, Keynes argued. The state must take on the task of planning the economy. This task is mainly to support and stimulate the money demand which tends to lag chronically behind production. Thus it is necessary to combat unemployment and short time in factories. Individual capitalists must be constantly urged to invest, i.e., build new factories and extend production.

Non-intervention by the state in the economy, which bourgeois political economy proclaimed for a century and a half, is a false and dangerous notion. First and foremost, the state must ensure that there is an abundance of money in the country and that it is "cheap", i.e., that interest rates on loans are low. Given such a situation the capitalists will be eager to obtain bank loans, make investments, and therefore hire workers and pay them wages. Free trade is a prejudice. If it is necessary for full employment, then restrictions on the import of foreign goods are also permissible, and so are dumping (exporting goods at low prices to gain control of markets) and currency devaluation.

These recommendations are strangely reminiscent of mercantilist ideas allowing, naturally, for the difference between modern capitalist economy and the economy that existed in Western Europe 250-300 years ago. The Swedish economist Eli Heckscher (1879-1952), an acknowledged expert on mercantilism, writes: "... Keynes' view of economic relationships is in many ways strikingly similar to that of the mercantilists, despite the fact that his social philosophy was quite different...."¹ Of course it was different. Keynes is an ideologue of modern state-monopoly capitalism, whereas the mercantilists were expressing the interests of the growing trade and industrial bourgeoisie in the period of early capitalism.

Keynes expressed himself bluntly. He set himself the task of debunking "classical doctrine" (by which he meant, roughly speaking, the concepts of self-regulation and non-intervention by the state in the economy) and announced this on the very

first page. He behaved in the same way with the mercantilists, openly acknowledging them as his predecessors. True, the critics, Professor Heckscher in particular, later proved that Keynes to some extent simply ascribed his own views to 17th and 18th century writers, interpreting them in a most strange and convenient way, to put it mildly. Nevertheless the kinship between Keynes and the mercantilists is significant. Keynes himself formulated four points linking him with them.

Firstly, the mercantilists, in his opinion, endeavoured to increase the amount of money in the country by lowering interest on loans and encouraging investment. As we have just seen, this is one of Keynes' key ideas. Secondly, they were not afraid of price increases and thought that high prices helped to expand trade and production. Keynes is one of the founders of the modern conception of "moderate inflation" as a means of supporting economic activity. Thirdly, "the mercantilists were the originals of ... the scarcity of money as causes of unemployment".¹ Keynes advanced the idea that increasing the amount of money by bank credit expansion and state budget deficits could be a most important weapon in the struggle against unemployment. Fourthly, "the mercantilists were under no illusions as to the nationalistic character of their policies and their tendency to promote war"². Keynes believed that protectionism could help to solve the problem of full employment in a given country, and advocated economic nationalism.

To this one might add a fifth point which Keynes obviously took for granted: an emphasis on the important role of the state in the economy.

As mentioned above, at the end of the 19th century bourgeois political economy rejected the labour theory of value and other theoretical principles of the classical school. Today it has also renounced the economic policy which proceeds from the theories of the classical bourgeois political economists. The main reason for this is the aggravation of the contradictions in capitalism. Bourgeois economists are seeking to soften these contradictions by increasing state intervention. The conception of the omnipotence of the state in the economy was most

¹ J. M. Keynes, *The General Theory of Employment, Interest and Money*, London, 1946, p. 346.

² *Ibid.*, p. 348.

¹ Eli F. Heckscher, *Mercantilism*, New York, 1955, Vol. 2, p. 340.

fully expressed in the past by the mercantilists. Hence the kinship.

Not all modern bourgeois political economy has followed the Keynesian path. There are whole schools which reject the need for an increase in state intervention in the economy. They support "the freedom of private enterprise" against the inflationary enthusiasm of the Keynesians. These writers occasionally refer to attempts at state influence on the economy, production and full employment as "neo-mercantilism", using the term pejoratively. According to them, any such influence leads to the restriction of individual liberty and does not correspond to "Western ideals". These critics of "neo-mercantilism" do not see what the Keynesians are expressing (perhaps unconsciously) by their theories: that the increase in the role of the modern bourgeois state in the economy is an objective law. Otherwise capitalism would no longer be able to control the forces it has engendered.

On the other hand, the term "neo-mercantilism" is used to cast doubt on the economic policy of young developing states. The state sector of the economy, economic plans and programmes are called neo-mercantilism. The protection of national industry by customs tariffs and other measures is also neo-mercantilism. Bilateral trade agreements, financing of industry by state loans, regulating prices and restricting the profits of monopolies—all this is neo-mercantilism.

But how should these countries develop then? By freedom of trade, i.e., freedom for foreign monopolies with the benevolent non-intervention of the state. Then there would obviously be no neo-mercantilism. But nor would there be any independent economic development, for these are precisely the conditions which preserve backwardness and dependence!

Protectionism is being used in many developing countries as an instrument for promoting industrial development. In this case it is progressive and very different from the aggressive protectionism of the big developed countries, which is employed in the imperialist struggle for markets.

THE PRAISEWORTHY SIR WILLIAM PETTY

Thomas Mun's contemporaries were Shakespeare and Bacon, the great innovators in the arts and sciences. A similar innovator in political economy, William Petty, appeared a generation later. The famous people in the generation between them, born at the turn of the century, were soldiers and preachers. Oliver Cromwell, the leader and hero of the moderate bourgeoisie, and John Lilburne, his more left-wing political rival, fought with a sword in their right hand and the Bible in their left. The political and social revolution in the 17th century assumed a religious aspect by virtue of prevailing historical conditions. It donned the austere garb of Puritanism.

The bourgeoisie exhausted its revolutionary fervour in the Cromwellian Protectorate and in 1660, in alliance with the new nobility, restored the Stuart dynasty to the throne in the person of Charles II, the son of the executed king. But the monarchy was no longer what it had been: the revolution had not been in vain. The bourgeoisie had strengthened its position at the expense of the old feudal nobility.

During the twenty years of revolution (1641-1660) a new generation of people grew up, on whose way of thought the revolution made strong, although widely differing impressions. Politics and religion (they were inseparably linked) went out of fashion to a certain extent. People whose youth had been in the forties and fifties were tired of scholastic arguments in

which the Bible was the main source of wisdom. They inherited something different from the revolution: the spirit of bourgeois freedom, reason and progress. A bright constellation of talent appeared in science. The stars of the first magnitude were the physicist Robert Boyle, the philosopher John Locke and, finally, the great Isaac Newton.

It was to this generation and circle of people that William Petty belonged. He occupies a place of honour among the great scholars of his time. This English nobleman was, as Marx put it, the father of political economy and in a sense the inventor of statistics.

PETTY STRIDES ACROSS THE CENTURIES

The history of science contains cases of people being forgotten and resurrected later. Such as the somewhat mysterious figure of that remarkable economist of the early 18th century, Richard Cantillon, from whom, as Marx pointed out, such eminent economists as Francois Quesnay, James Steuart and Adam Smith borrowed heavily, was almost completely forgotten. He was practically discovered anew at the end of the 19th century.

Hermann Heinrich Gossen published a book in 1854 which attracted so little attention that the disappointed author withdrew it from the bookshops four years later and destroyed almost the whole edition. Twenty years later Jevons came across it by chance and proclaimed Gossen, who had long since departed from the land of the living, as the discoverer of "the new political economy". Today so-called Gossen's laws dealing with the category of utility of economic goods from a subjective, psychological standpoint occupy a considerable place in any bourgeois textbook or history of political economy.

Petty did not need to be rediscovered. He achieved fame already during his lifetime. Adam Smith was familiar with his ideas. McCulloch wrote in 1845 that "Sir William Petty was one of the most remarkable persons of the seventeenth century". He actually called Petty the founder of the labour theory of value and drew a straight line from him to Ricardo.

Nevertheless William Petty was only fully discovered for the science by Marx. Only Marx, by creating a new political economy and casting a new light on the history of the science

revealed the true place which this brilliant Englishman holds in it. Petty was the father of bourgeois classical political economy, which did not limit itself to the study and description of visible economic phenomena but proceeded to an analysis of the internal laws of the capitalist mode of production, to a search for its law of progression. In the hands of Petty and his followers this science became a powerful instrument for understanding reality and striving for social progress.

Petty's striking and unusual personality greatly attracted Marx and Engels. "Petty regards himself as the founder of a new science...", "His audacious genius ...", "A highly original sense of humour pervades all his writings ...",¹ "Even this error has genius ...",² "In content and form it is a little masterpiece...."—these comments in various works by Marx give an idea of his attitude to "the most brilliant and original of economic investigators...".³

The fate of Petty's literary heritage was an unusual one. McCulloch noted the somewhat strange fact that for all the importance of his role Petty's works were never published in full and existed only in old incomplete editions which had become a bibliographical rarity by the middle of the 19th century. McCulloch ended his note on Petty with the modest hope: "Nor could the noble successors of Petty, to whom much of his talent as well as his estates have descended, raise any better monument to his memory than the publication of a complete edition of his works."

However, Petty's "noble successors"—the earls of Shelburne and the marquesses of Lansdowne—were not over-anxious to put their ancestor on general display, who had been the son of a modest craftsman, acquired riches and noble rank by none too fair means and, to quote a recent biographer, had a "loud, if somewhat doubtful, reputation".

For more than two centuries this aspect of the matter seemed more important to Petty's successors than the scientific and historical value of his writings. It was not until the very end of the 19th century that the first collection of Petty's economic works was published. At the same time one of his descendants published his biography.

¹ Karl Marx, *A Contribution to the Critique of Political Economy*, Moscow, 1970, pp. 52, 53.

² Frederick Engels, *Anti-Dühring*, Moscow, 1969, p. 275.

³ Ibid.

Today we have a clearer idea of Petty's political views, his social and scientific activity, and his relations with the great scientists of his day. Many details of his life are now known. Great people do not need their portraits touched up or their vices and shortcomings glossed over. This applies fully to William Petty. In the history of human culture he will live on not as a large Irish landowner and adroit (although by no means always successful) courtier, but as a bold thinker who opened up new paths in the science of society. For Marxists Petty is primarily the founder of classical political economy. Bourgeois economists, while recognising Petty as a great scientist and striking personality, frequently refuse to see him as the forerunner of Smith, Ricardo and Marx. Petty's place in the science is often limited to that of the creator of the statistical method of investigation.

Schumpeter insists that Petty's work contains no labour theory of value (or concept of value in general) and no appreciable theory of wages and that, consequently, there can be no question of his having understood surplus value. He is obliged for his reputation simply to "Marx's decree to the effect that Petty was the founder of *economics*"¹, and also to the eulogies of certain bourgeois scholars who, Schumpeter hints, did not realise whose axe they were grinding.

Many works by bourgeois scholars regard Petty simply as an exponent of mercantilism, perhaps one of the most talented and advanced, but no more. At the most he is credited, apart from the discovery of the statistical method, with the treatment of individual economic problems and questions of economic policy: taxation and customs duties. It cannot be said that this point of view reigns supreme in modern bourgeois science. Other views are expressed, and Petty's role in economic science is seen in a more correct historical perspective. However, the main attitude is that of Schumpeter, and this is no accident.

FROM CABIN BOY TO LANDOWNER

The young Robinson Crusoe, hero of Daniel Defoe's novel, ran away from home and went to sea. Thus began his adventures which have been thrilling readers for two and a

half centuries. A similar event took place in the family of the cloth-maker Anthony Petty in Romsey, Hampshire: his fourteen-year-old son William refused to carry on the family trade and got hired in Southampton as a cabin boy.

In the England of the 17th and 18th centuries going to sea was the usual form of protest by many young lads against a dull, humdrum life, the expression of youth's age-old thirst for adventure and independence. This was no revolt against the bourgeois way of life: on the contrary, the thirst for adventure was more or less consciously linked in these young men with the desire to get rich and assert themselves in the new bourgeois world. This feature was wholly characteristic of the young Petty too.

A year later Petty broke his leg at sea. In accordance with the harsh customs of the times he was simply put ashore at the nearest stretch of coast. This turned out to be the coast of Normandy in the north of France. Petty was saved by his practical nature, ability and good luck. In his autobiography he relates with scrupulous accuracy, again worthy of a Robinson Crusoe, what a trivial sum of money he was given before being set ashore, how he used it, and how he increased his "fortune" by purchasing various trifles and reselling them at a profit. He also had to buy a pair of crutches, which he was soon able to discard however.

Petty was a kind of child prodigy. In spite of the modest education which he received from the town school in Romsey, he knew Latin so well that he sent the Jesuits, who had a college in Caen, an "application" for admission in Latin verse. Whether they were astounded at the young man's ability or hoped to gain a valuable acquisition for the Catholic Church, the Jesuits admitted him to the college and paid for his upkeep. Petty spent two years there and as a result, to quote his own words, "I had obtained the Latin, Greek and French tongues, the whole body of common Arithmetic, the practical Geometry and Astronomy conducing to navigation..."¹. Petty's mathematical ability was outstanding and in this sphere he kept abreast of the achievements of his day throughout his life.

In 1640 Petty earned his living in London by drawing sea charts. He then served in the navy for three years, where his talent for navigation and cartography was extremely useful.

¹ J. A. Schumpeter, *History of Economic Analysis*, New York, 1955, p. 210.

¹ E. Strauss, *Sir William Petty. Portrait of a Genius*, London, 1954, p. 24.

These years were the height of the revolution, the bitter political and ideological struggle. Civil war broke out. The twenty-years-old Petty was basically on the side of the bourgeois revolution and Puritanism, but he had no desire to get involved personally in the struggle. He was fascinated by science. He went to Holland and France where he mainly studied medicine. This versatility was not only a sign of Petty's individual talent: the division into separate sciences was only just beginning in the 17th century and academic versatility was not a rarity.

Then followed three happy years of travelling, intense activity, and concentrated devouring of knowledge. In Amsterdam Petty earned his living in the workshop of a jeweller and optician. In Paris he worked as the secretary of the philosopher Hobbes who had emigrated there. By the age of twenty-four Petty was a fully developed person possessing extensive knowledge, great energy, *pie de vivre* and personal charm.

Returning to England Petty soon became in Oxford, where he continued to study medicine, and London, where he worked to earn a living, an eminent member of a group of young scientists. These scientists jokingly called themselves the "invisible college", but shortly after the Restoration they created the Royal Society, the first academy of sciences in the new age. When Petty received the degree of Doctor of Physics from Oxford University in 1650 and became Professor of Anatomy and Vice-Principal of one of the colleges, the "invisible college" began to meet in his bachelor flat which he rented in the house of an apothecary.

The political views of these scientists, including Petty, were not particularly radical. But the spirit of the revolution, which had by now led to the proclamation of the republic (May 1649) left its mark on all their activity. In science they fought against scholasticism for the introduction of experimental methods. Petty absorbed and carried all through his life this spirit of revolution and democratism, which in later years broke out from time to time in the rich landowner and nobleman, hindering his success at court.

Petty was obviously a good physician and anatomist. This can be seen from his success at Oxford, the young professor's medical writings and his subsequent high appointment. It was at this time that the event occurred which first made him known to a relatively large public.

In December 1650 in Oxford, in accordance with the barbaric laws and customs of the time, a certain Ann Green was hanged, a poor peasant girl who had been seduced by a young squire and accused of murdering her child. (It subsequently transpired that she was innocent: the child had been born prematurely and died a natural death.) After the fact of death had been established she was laid in a grave. At that moment Doctor Petty and his assistant appeared on the scene: their purpose was to take away the corpse for anatomical investigation. To their amazement the doctors discovered that there was still a breath of life in the hanged woman. By acting quickly they "resurrected" her! The subsequent development of events and Petty's actions, characteristic of many aspects of his nature, are interesting. Firstly, he carried out a series of observations not only on the physical but also on the psychic state of his unusual patient and recorded them with precision. Secondly, he showed not only medical skill but also humanity, obtaining a court pardon for Ann and organising a collection of money on her behalf. Thirdly, with his inherent flair for business, he used this happening to get publicity.

In 1651 Doctor Petty suddenly left his chair and obtained the position of doctor to the commander-in-chief of the English army in Ireland. In September 1652, he stepped on Irish soil for the first time. Why did he make such an abrupt change? Evidently the life of an Oxford professor was too quiet and unpromising for an energetic young man with a taste for adventure.

Petty saw Ireland, which had just been reconquered by the English after an unsuccessful uprising, ravaged by ten years of war, hunger and disease. The land belonging to Irish Catholics who had taken part in the anti-English uprising was confiscated. Cromwell intended to use this land to pay off the rich Londoners who had provided money for the war and also the officers and men of the victorious army. Before it could be allocated, stretches of land totalling millions of acres had to be surveyed and charted. (And this had to be done quickly for the army was restless and clamouring for rewards.) For the middle of the 17th century this was a task of colossal difficulty: there were no maps, no instruments, qualified people or transport. And the peasants kept attacking the surveyors....

This was the task that Petty undertook, seeing a rare opportunity for quick riches and advancement. His knowledge

of cartography and geodesy stood him in good stead. But something else was also required: energy, drive and cunning. Petty contracted with the government and the Army command to survey Army lands. He was paid mainly with money collected from the soldiers who were to receive the land. Petty ordered new instruments from London, assembled a whole army of surveyors numbering a thousand men, and compiled maps of Ireland which were used in the courts to decided land disputes right up to the middle of the 19th century. And this was done in a little over a year. He was a man who could put his hand to anything.

The "Army land survey" turned out to be a real gold mine for Petty who was now a little over thirty. Having come to Ireland a modest physician, he turned a few years later into one of the richest and most influential people in the country.

What was legal and what was illegal in this breathtaking rise to riches? It provoked violent arguments in Petty's lifetime and to a certain extent depends on one's point of view. The actual plunder of Ireland was illegal. Petty acted on this basis, but himself always remained within the framework of formal legality: not robbing, but receiving from the existing authority; not stealing, but purchasing; driving people off their land not by arms, but by a court decision. It is unlikely that there was no bribery or corruption, but that was regarded as the natural order of things....

Petty's tremendous energy, his passion for self-assertion, adventurism ... all this found expression for a certain time in his mania to get rich. Having received, by his own figures, £9,000 of pure profit from carrying out the contract, he used this money to purchase land from officers and men who could not or did not want to wait for their plots and occupy them. Moreover, he received part of his remuneration from the government in land. We do not know exactly by what means the cunning doctor increased his property, but his success exceeded all expectations. As a result he found himself the owner of thousands of acres in various parts of the island. Later his domains extended even further. At the same time he became the trusted assistant and secretary of the Lord Lieutenant of Ireland Henry Cromwell, younger son of the protector.

For two or three years Petty flourished in spite of the intrigues of enemies and ill-wishers. But in 1658 Oliver

Cromwell died and his son's position became increasingly insecure. Against his will the Lord Lieutenant was compelled to set up a special commission to investigate the doctor's activities. True, the commission included many of Petty's friends. What is more, he fought for his fortune and good name with no less energy, brilliance and skill than he fought for his ideas. He succeeded in clearing himself not only before the commission, but also before Parliament in London (to which he had recently been elected). He emerged from the struggle if not triumphantly, at least without any losses. The political chaos of the last few months before the Restoration in 1660 put the Petty case into the shade, which suited him admirably.

Shortly before the Restoration Henry Cromwell and his confidant performed some important services for eminent Royalists who came to power when Charles II returned from exile. This enabled the Protector's son to retire gracefully into private life, and gave Petty an entree to the court. In 1661 the cloth-maker's son was knighted and received the title of Sir William Petty. This was the height of his success. He enjoyed the favour of King Charles, he had disgraced his enemies, he was rich, independent and influential....

It is known authentically from documents and Petty's correspondence that the crown twice offered him a peerage. He regarded these proposals, however, not without justification, as an excuse to ignore the requests with which he was pestering the King and court: to give him a real governmental post in which he could put his bold economic plans into action. His explanation of why he refused the royal favour in one of his letters is most characteristic of Petty's personality and style: that he would "sooner be a copper farthing of intrinsic value than a brass half-crown, how gaudily soever it be stamped or gilded".¹ In the many-tiered hierarchy of the court Petty had the lowest title.

Only a year after the death of Sir William Petty, his eldest son Charles was made Baron Shelburne. It was an Irish baronetcy, however, which did not confer the right to sit in the House of Lords in London. It was Petty's great-grandson who finally occupied this place and went down in English history as

¹ *Dictionary of National Biography*, ed. by L. Stephen and S. Lee, Vol. 45, p. 116.

an important politician and the leader of the Whig party under the title of the Marquess of Lansdowne.

Incidentally, in 20th-century Britain eminent economists who have performed important services to the ruling classes are now given peerages for their scientific works. The first such "aristocrat of political economy" was Keynes.

THE COLUMBUS OF POLITICAL ECONOMY

As we know, Columbus was unaware right up to the end of his life that he had discovered America, for he had set out to find a sea passage to India, not a new continent.

Petty published pamphlets with specific and occasionally even mercenary aims, as was the custom with economists of the time. The most he ascribed to himself was the invention of political arithmetic (statistics). His contemporaries, too, saw this as his main achievement. In fact he did something else as well: the ideas which he expressed incidentally, as it were, on value, rent, wages, division of labour and money became the foundation of scientific political economy. This was the true "economic America" discovered by the new Columbus.

Petty's first serious economic work was entitled *A Treatise of Taxes and Contributions* and appeared in 1662. It is perhaps his most important work too: In seeking to show the new government how it could (with his personal participation, of course, and even under his supervision) increase the revenue from taxation, he also expounded his economic views most fully.

By this time Petty had almost forgotten that he was a doctor. He occupied himself with mathematics, mechanics and ship-building only in his rare moments of leisure or meetings with some of his scientist friends. His inventive and flexible mind was turning more and more to economics and politics. His head was full of plans, projects and proposals: tax reform, the organisation of a statistics service, the improvement of trade.... All this found expression in his *Treatise*. And more besides. Petty's *Treatise* is perhaps the most important economic work of the 17th century, just as Adam Smith's book on the wealth of nations was of the 18th century.

Two hundred years later Karl Marx wrote of the *Treatise*: "In this treatise he in fact determines the *value of commodities* by

the *quantity of labour they contain*."¹ In its turn "the determination of surplus-value *depends on the determination of value*"² These words express in a nutshell the essence of the English thinkers' scientific achievement.

It is interesting to trace his line of argument.

With the keen sense of a man of the new, bourgeois age he immediately raises what is basically the question of surplus value: "... we should endeavour to explain the mysterious nature of them, with reference as well to Money, the rent of which we call usury; as to that of Lands and Houses, afore-mentioned".³ In the 17th century land was still the main object to which human labour was applied. Consequently for Petty surplus value invariably appears in the form of land rent, which also conceals industrial profit. He also deduces interest from rent. Petty showed little interest in trade profit, which sharply distinguishes him from other contemporary mercantilists. His reference to the mysterious nature of rent is also interesting. Petty senses that he is confronted with a great scientific problem, that here the phenomenon's appearance differs from its substance.

Then comes a passage which is often quoted. Let us assume that a man (this man is to be the hero of economic treatises, not only arithmetic textbooks!) is engaged in producing corn. Part of what he produces will be used as new seed, part will be spent on satisfying his own requirements (including by means of exchange), and "the remainder of Corn is the natural and true Rent of the Land for that year". Here we have a division of the product and consequently of its value and the labour which created it into three main parts: 1) the part which represents the replacement of expended means of production, in this case seeds⁴; 2) the part which is essential for the sustenance of the worker and his family, and 3) the surplus, or net income. This latter part corresponds to the concept of the surplus product and surplus value introduced by Marx.

¹ Karl Marx, *Theories of Surplus-Value*, Part I, Moscow, 1969, p. 355.

² Ibid.

³ W. Petty, *The Economic Writings*, Vol. 1, Cambridge, 1899, p. 42.

⁴ Petty omits other expenditure of the means of production, say, manure, and also the wear and tear of a horse, plough, sickle, etc. These expenses are not reimbursed by corn in kind (this may be why Petty does not take them into account), but have to be reimbursed in value. In ten years' time, say, the ploughman will need a new horse. From each annual harvest he should set aside some part of the cost of the future purchase of this horse.

Further Petty raises the question of "... how much English money this Corn or Rent is worth? I answer, so much as the money which another single man can save, within the same time, over and above his expense, if he employed himself wholly to produce and make it; viz. Let another man go travel into a Country where is Silver, there Dig it, Refine it, bring it to the same place where the other man planted his Corn; Coyne it, and c. the same person all the while of his working for Silver, gathering also food for his necessary livelihood, and procuring himself covering, &c. I say, the Silver of the one must be esteemed of equal value with the Corn of the other: the one being perhaps twenty Ounces and the other twenty Bushels. From whence it follows, that the price of a Bushel of this Corn to be an Ounce of Silver".¹

Obviously the attempt to equate in terms of value the parts of corn and silver which are the surplus product is tantamount to equating the whole gross product. After all, the latter twenty bushels of corn are in no way different from the other, say, thirty bushels which replace the seed and provide the farmer's subsistence. The same applies to the twenty ounces of silver mentioned above. In another passage Petty expresses the idea of labour value in pure form: "If a man can bring to *London* an ounce of Silver out of the Earth in Peru, in the same time that he can produce a bushel of Corn, then one is the natural price of the other...."²

Thus, Petty is essentially formulating the *law of value*. He understands that this law operates in a most complex way, only as a general tendency. This is expressed in the following truly amazing passage: "This I say, to be the foundation of equalling and ballancing of values; yet in the superstructures and practices hereupon, I confess there is much variety, and intricacy...."³

Between exchange value, the size of which is determined by expenditure of labour, and the real market price are many intermediate stages which complicate the process of price formation immeasurably. With remarkable perception Petty names several price-forming factors which modern economists and planners have to take into account: the influence of

substitute commodities, novelty commodities, fashion, imitation, habits of consumption.

Petty takes the first steps towards an analysis of the abstract labour which creates value. For each concrete type of labour creates a concrete commodity, a use value: the farmer's labour—corn, the weaver's labour—cloth, etc. But each type of labour has something in common which makes all types of labour comparable and all goods—commodities, exchange values: expenditure of labour time as such, the expenditure of the productive energy of the worker in general.

In the history of economic science Petty was the first to start blazing the trail to the idea of abstract labour which became the basis of the Marxist theory of value.

One can hardly expect a balanced and complete economic theory from this founder and pioneer. Entangled in mercantilist ideas he could not get rid of the illusion that labour to extract precious metals was a special type of labour which created value most directly. Petty could not separate exchange value, which is most clearly embodied in these metals, from the very substance of value—the expenditure of universal human abstract labour. He has not the slightest idea that the degree of value is determined by the expenditure of socially necessary labour which is typical and average for the given level of economic development. Expenditure of labour in excess of that which is socially necessary is wasted labour and does not create value. With regard to the subsequent development of the science much that Petty wrote must be acknowledged as weak or downright wrong. But the main thing is that he sticks firmly to his point of view—the labour theory of value—and applies it successfully to many concrete problems.

We have already seen how he interpreted the nature of the surplus product. But in that case it was a simple commodity producer who himself appropriates the surplus product produced by him. Petty could not help seeing that in his day a considerable portion of production was already being done with the use of hired labour.

He was bound to arrive at the conclusion that the surplus product is produced not only and not so much for the worker himself, as for the owners of land and capital. The fact that he did can be seen from his reflections on wages. A worker's wage is determined and should be determined, in his opinion, only by the minimum necessary for subsistence. He should receive

¹ W. Petty, *The Economic Writings*, Vol. 1, Cambridge, 1899, p. 43.

² *Ibid.*, p. 50.

³ *Ibid.*, p. 44.

not more than is necessary to live, labour and multiply. Petty realises at the same time that the value created by the labour of this worker is of a totally different magnitude and, as a rule, considerably larger. This difference is the source of surplus value which appears in the form of rent in Petty's writing.

Although in undeveloped form, Petty expressed the fundamental scientific principle of classical political economy: that wages and surplus value (rent, profit, usury) are inversely related in the price of a commodity which is determined in the final analysis by expenditure of labour. Given the same level of production an increase in wages can only take place at the expense of surplus value and vice versa. From here it is only a step to recognising the fundamental opposition of the class interests of the workers, on the one hand, and the landowners and capitalists, on the other. This is the final conclusion, which was to be made by classical political economy in the person of Ricardo. Petty comes closest to this view, perhaps, not in the *Treatise*, but in the famous *Discourse on Political Arithmetick* written in the 1670s, although there too the idea is in embryonic form only.

On the whole, however, his passion for political arithmetic prevented Petty from developing his economic theory and understanding of the basic laws of capitalist economy. Many brilliant conjectures in the *Treatise* remained undeveloped. Figures now fascinated him. They seemed to be the key to everything. The *Treatise* already contains the characteristic phrase: "The first thing to be done is, to compute. ..." This was becoming Petty's motto, a kind of magic spell: compute and everything will become clear. The creators of statistics suffered from a somewhat naive belief in its power.

Of course, the foregoing does not cover the whole content of Petty's main economic works. It is far richer. His ideas expressed the world outlook of the bourgeoisie which at that time was progressive. Petty was the first to study capitalist production and assess economic phenomena from the viewpoint of production. This is his great advantage over the mercantilists. Hence his critical attitude to the non-productive sections of the population of which he singles out in particular clergymen, barristers and officials. He assumes that it would be possible to reduce considerably the number of merchants and shopkeepers who are "yielding of themselves no fruit of all" either. This tradition of a critical attitude to non-productive

groups of the population is to become the lifeblood of classical political economy.

The style makes the man, as the old French saying goes. Petty's literary style is unusually fresh and original. Not because he was a master of literary niceties and subtleties. On the contrary, Petty is laconic, direct and austere. He expresses bold ideas in bold, unreserved form. He always keeps strictly to the point in simple words. The most voluminous of his works does not run to eighty pages.

The Charter of the Royal Society, of which Petty was one of the founder members, required that "... in all reports of experiments ... the matter of fact shall be barely stated, without any preface, apologies, and rhetorical flourishes". Petty regarded this splendid rule as applicable not only to the natural but also to the social sciences and sought to follow it. Many of his works remind one of "reports of experiments". (It would certainly not do modern economists and specialists in the other social sciences any harm to be guided by this rule.)

Simplicity of exposition does not prevent us from seeing behind Petty's works his striking personality, his irrepressible temperament, and political passion. This rich landowner, in his huge powdered wig and sumptuous silk robe (this is how Sir William looks in one of his later portraits), remained to a large extent the rough commoner and somewhat ironical physician. For all his wealth and titles, Petty worked **unceasingly**—not only mentally, but even physically. His passion was shipbuilding, and he was endlessly planning and building unusual ships. His individual features partially explain his antipathies: he could not stand idlers and parasites. Petty even adopted a strict attitude towards the monarchy. While trying to ingratiate himself at court, he at the same time wrote things which could not possibly please the King or the government: kings tend to like aggressive wars and the best way of stopping them is not to give them any money.

POLITICAL ARITHMETICK

More than anything in life the English King Charles II wanted to excel his august relative, Louis XIV of France, in some way. He organised balls and firework displays with an eye on Versailles. But he had far less money than the French ruler.

He bestowed the title of duke on some of his illegitimate sons, but Louis made his bastard offsprings marshals of France, which the Stuart could not do: his absolute monarchy was not that absolute.

Only science was left. Shortly after the Restoration at his instigation and under the patronage of the whole royal family the Royal Society was formed, of which Charles could be justly proud. Louis had nothing like that! The king himself conducted chemical experiments and studied navigation. This was in the spirit of the times. It was one of the entertainments of the "merry monarch", and so was the Royal Society.

The most interesting and witty member of the Royal Society was Sir William Petty. Among their intimates the King and the high-ranking nobility were free-thinkers, and no one could make fun of the sanctimonious of all denominations like Petty. One day the Lord Lieutenant of Ireland, the Duke of Ormonde, in a gay and probably not entirely sober company asked Sir William to demonstrate his art. Climbing onto a couple of chairs placed side by side, Petty proceeded to parody preachers of different denominations and sects amid general laughter. Carried away, he pretended to be clergymen reprimanding "some Princes and Governors", as an eye-witness puts it, for their bad management, partiality and cupidity. The laughter ceased. The Duke did not know how to quieten the spirit he had evoked.

The King and the Irish lord lieutenants enjoyed listening to Petty until he started talking about politics and trade. And he could not help doing this! For him all other conversation was just an excuse to expound his latest economic project. Each plan was bolder and more radical than the one before. This was dangerous, tiresome, unnecessary. Another Irish lord lieutenant, Lord Essex, said that Sir William was the most "grating man" in the three kingdoms (i. e., England, Scotland and Ireland). The Duke of Ormonde told him frankly that he was thought by some to be "a conjuror, by others to be notional and fanciful near up to madness, and also a fanatic".

His life was not an easy one. His natural optimism sometimes gave way to a peevish melancholy or futile rage.

Why were Petty's plans hardly ever to the liking of the Court? Some, for all their brilliant boldness, were simply Utopian. Yet many were perfectly sensible for their day. The main point is that they were consciously and boldly aimed at

developing capitalist economy in England and Ireland, at a more decisive break with feudal relations. But the monarchy of Charles II and his brother James II hung on to these survivals, or at the most agreed to compromise measures under pressure from the bourgeoisie. Which is why it collapsed (a year after Petty's death).

Petty always regarded the wealth and prosperity of England by comparing it with neighbouring countries. Holland was a kind of yardstick for him, and he frequently returned to the complex question of the cause for its successful development. With the years he became increasingly convinced that England's position was directly threatened not by Holland, but by a larger and more active power—France. His economic ideas assumed an increasingly open anti-French political character.

In 1676 Petty finished writing his second main economic work, the *Political Arithmetick*, but dared not publish it. Alliance with France was the basis of Charles II's foreign policy. The English king was receiving a secret financial subsidy from Louis XIV: Parliament was tight-fisted, the revenue from taxes did not reach the king, so he had to make ends meet in another way. Sir William was no coward, but he had no desire to incur the displeasure of the court.

The *Political Arithmetick* circulated in manuscript. In 1683 Petty's work was published anonymously, without his knowledge and under a different title. Only after the "glorious revolution" of 1688-89 and the related radical change in English policy did Petty's son (Lord Shelburne) publish it in full under the author's name. In the dedication he wrote that the publication of his deceased father's book had been impossible before because "the doctrine of this Essay offended France".

Petty's anti-French opinions were dictated by the interests of the English bourgeoisie. All the following century, right up to the beginning of the 19th century, England was to struggle hard with France and become firmly established as the world's first industrial power. But the most important thing in the *Political Arithmetick* are the methods by which Petty sought to prove his argument. This is the first work in the history of the social sciences to be based on the statistical method of enquiry.

Can one imagine a modern state without statistics? Obviously

not. Can one imagine modern economic research without statistics? Yes, but hardly. Even if a writer uses "pure theory" in literary or mathematical form and does not quote any statistical data, he invariably assumes that they exist in principle and that the reader is more or less familiar with them.

This was not the case in the 17th century. Statistics simply did not exist (nor did the word either: it did not appear until the end of the 18th century). Very little was known about the size, distribution, age and professions of the population. Even less was known about the basic economic indices: the production and consumption of basic commodities, incomes, the distribution of wealth. Only on taxation and foreign trade were there a few facts and figures.

Petty's great service was that he raised the question of establishing a state statistical service and outlined the main methods of collecting information. He frequently returned in his writings to the creation of a statistical service and invariably, as it were, incidentally, saw himself as its head. He called this post invented by him various names, more or less high-sounding depending on his mood and assessment of his chances. Moreover, he hoped not only to calculate but to "plan" to a certain extent. For example, he compiled some estimates, remarkable for his time, on the "balance of the labour force": how many doctors and barristers the country needed (there were in fact no other specialists with higher education in the 17th century) and consequently how many students the universities should take each year.

Petty not only preached tirelessly the need for statistics, but also made brilliant use in arguing his economic views of the few and not very reliable facts at his disposal. He set himself a concrete task—to prove by means of objective numerical data that England was not poorer or weaker than France. This gave rise to a broader task—to provide a quantitative assessment of the economic position of the England of his day.

In the foreword to his work he writes about the method of political arithmetic: "The method I take to do this is not yet very usual. For instead of using only comparative and superlative words, and intellectual arguments, I have taken the course (as a specimen of the *Political Arithmetick* I have long aimed at) to express myself in terms of number, weight or measure; to use only arguments of sense; and to consider only such causes as have visible foundations in nature, leaving those that de-

pend on the mutable minds, opinions, appetites and passions of particular men to the consideration of others."¹

One of Petty's most eminent followers, Charles Davenant, provided the following simple definition: "By political arithmetick we mean the art of reasoning by figures upon things relating to government...." Further on he notes that this art itself is undoubtedly very ancient. But Petty "gave it that name, and brought it into rules and methods".

Petty's political arithmetic was the prototype of statistics, and his method anticipated a whole series of important trends in economic science. He wrote perceptively about the importance of calculating a country's national income and national wealth-indices which play a vast role in modern statistics and economics. He was the first to try and calculate the national wealth of England. Petty's democratism and unusual boldness are obvious from the following words: "...great care must be had distinguishing between the Wealth of the People, and that of an absolute Monarch, who taketh from the People, where, when, and in what proportion he pleaseth."² He was referring to Louis XIV here, but Charles II could also have seen this phrase as a strict reprimand.

Petty estimated England's material wealth at £250 million, but suggested that another 417 million be added, which he reckoned as a monetary assessment of the country's population. This paradoxical idea is more profound than may appear at first glance: Petty was seeking for a means of calculating the dimensions of the personal element of productive forces: labour skills, techniques, potential technological development.

Petty's whole economic theory begins with the question of the size and composition of the population. Marx noted in studying Petty: "Our friend Petty has quite a different 'population theory' from Malthus ... *Population-wealth*..."³ This optimistic view of population growth is typical of the early exponents of classical political economy. At the beginning of the 19th century Malthus laid the foundations of one of the apologetic trends in bourgeois political economy by announcing that the main cause of the poverty of the working classes

¹ W. Petty, *Political Arithmetick*, London, 1690, p. 244.

² W. Petty, *The Economic Writings*, Cambridge, 1899, Vol. 1, p. 272.

³ Karl Marx, *Theories of Surplus-Value*, Part I, pp. 354, 355.

was the natural one of excessive multiplication (for more about this see Chapter XIV).

Petty calculated the national income of England. This developed into the modern system of national accounting which makes it possible to estimate approximately a country's volume of production, the distribution of its produce for consumption, accumulation and export, the incomes of the main social classes and groups, etc. True, Petty's calculations suffered from serious defects. He estimated national income as the sum of the consumer expenditure of the population, in other words, he believed that the accumulated portion of income which goes on capital investment in building, machines, land amelioration, etc., could be dismissed. This assumption was a realistic one for the 17th century, for the rate of accumulation was extremely low and the country's material wealth was growing slowly. Moreover Petty's error was soon corrected by his followers in political arithmetic, particularly Gregory King, who made some calculations of England's national income at the end of the 17th century which are remarkable for their fullness and thoroughness.

PETTY AND GRAUNT, OR WHO INVENTED STATISTICS?

Petty's later writings deal mainly with population, its growth, distribution and employment. He and his friend John Graunt share the honour of being the founders of demographic statistics. All its powerful modern techniques developed from the modest works of these pioneers.

Each science has its disputes about authorship and priority. Occasionally these disputes are fruitless, even harmful to the discipline. Sometimes they help to clarify its history and are therefore useful. A discussion of this kind in the history of statistics centred around the "Petty-Graunt problem". Its gist is as follows.

A small modest volume was published in London in 1662 under the title of *Natural and Political Observations... Made Upon the Bills of Mortality*¹ by John Graunt. In spite of its odd, even morbid title, the book aroused considerable interest

¹ The title is abridged for brevity.

and ran into five editions within a few years, the second being required in the same year. The King himself showed an interest in it, and at his personal request Graunt was made a member of the newly-founded Royal Society. This was the first attempt to examine intelligently on the basis of existing scanty statistical data important problems of natural concern to people: the mortality and birth rates, the ratio between the sexes and the average life expectancy, population migration and the main causes of death.

The author of the *Observations* made the first timid attempts to approach the most important principle of statistics: that the study of a sufficiently large number of statistics on separate phenomena, each of which is fortuitous, shows that in general they are subject to extremely strict and regular laws. The birth and death of each separate individual is fortuitous, but mortality or birth rate in any given country (or even in a large town or region) is remarkably definite and slowly changing. Its changes can usually be scientifically explained and sometimes even predicted. The strict mathematical bases of statistics were laid in the following, 18th century, by the works of the great **mathematicians**—the creators of the theory of probability. But certain initial ideas were contained in the small book by the then unknown John Graunt.

He was born in 1620 and died in 1674, owned a haberdashery shop in the City, was self-educated and pursued his scientific investigations "in his free time". Petty became friendly with him in the late 1640s and at that time Graunt even acted as his patron. In the sixties the roles changed, but this did not cloud their friendship. Graunt was by then Petty's closest friend, his agent in London and the intermediary between him and the Royal Society. When Graunt's book attracted such interest, the rumour spread in London scientific circles that its real author was Sir William Petty who had preferred to hide behind this unknown name. This rumour grew stronger after Graunt's death. Petty's works and letters contain some passages which would appear to support it. On the other hand, he wrote quite clearly about "our friend Graunt's book".

In the 19th century the question of the authorship of the *Observations* was widely discussed in English literature. Today the "Petty-Graunt problem" can be regarded as solved. The main author of the book and its basic *statistical* ideas and

methods was John Graunt. But with regard to his *socio-economic* views he was clearly under the influence of Petty who possibly wrote the preface and conclusion in which these views are expressed. It is highly likely that the general idea for the book belonged to Petty, but its execution was undoubtedly the work of Graunt.¹

Graunt was ruined by the Great Fire of London in 1666. Shortly afterwards he became a Catholic, which also undermined his social position. Possibly all this hastened his death. As Petty's friend and first biographer John Aubrey writes, at Graunt's funeral "with tears was that ingenious great *virtuoso*, Sir William Petty, his old and intimate acquaintance".²

The Great Fire, which destroyed half medieval London and cleared the ground for the building of the new town, is connected with one of Petty's boldest ideas. After the fire our indefatigable deviser of schemes presented the government with a plan for cleaning and rebuilding the town. The title said that the plan was compiled on the assumption that "all the ground and rubbish were someone man's who had ready money enough to carry on the work, together with a Legislative power to cut all Knots".³ In other words, it obviously assumed state or municipal ownership of land and buildings as opposed to private ownership which was already hindering urban development.

One need only recall what problems and difficulties private capitalist ownership presents for the growth of London and Paris, New York and Tokyo, to fully appreciate this idea which was expressed more than three hundred years ago.

THE AGE AND THE MAN

The mercantilists did not see the objective laws in economic processes. They assumed that control of economic processes depended solely on the will of statesmen. What we now call voluntarism in economics was characteristic of the mercantilists.

¹ M. V. Ptukha, *Studies in the History of Statistics of the 17th-18th Centuries*, Moscow, 1945, p. 45 (in Russian).

² E. Strauss, *Sir William Petty. Portrait of a Genius*, London, 1954, p. 160.

³ The Petty Papers. *Some Unpublished Writings of Sir William Petty ed. by the Marquis of Landsdowne*, London, 1927, Vol. 1, p. 28.

Petty was one of the first to express the idea of the existence in economy of objective, cognisable laws which he compared with the laws of nature and therefore called natural laws. This was a great step forward in the development of political economy as a science.

The actual idea of economic law could not arise until the basic economic processes—**production**, distribution, exchange and **circulation**—acquired a regular, mass form, until human relations acquired a predominantly commodity-money nature. The purchase and sale of commodities, the hiring of labour, the renting of land, and monetary circulation—only when these relations were more or less fully developed could people arrive at the conclusion that all this revealed the operation of objective laws. The mercantilists concerned themselves predominantly with one sphere of economic activity—foreign trade. Petty, on the contrary, was concerned with this least of all. He was interested in the recurring, law-governed processes which naturally determine the wage progression, rent and even, say, taxation.

By the end of the 17th century England was already becoming the most developed bourgeois country. This was basically the manufacturing stage of capitalist production, when its growth was promoted not so much by the introduction of machines and new methods of production, as by expanding capitalist division of labour on the basis of the old technology: a worker who specialises in any one operation acquires great skill in it, as a result of which labour productivity increases. The extolling of division of labour in political economy begins with certain remarks by Petty, who demonstrated its efficiency using the example of watch-making, and is particularly forcefully expressed in Adam Smith's writings, who made it the foundation of his system.

In Petty's day both industrial and agricultural production was already carried on according to capitalist principles to a large extent. The subjection of handicrafts and small-scale farming to capitalist enterprise took place slowly and in different ways in the various branches and areas. Vast regions of pre-capitalist forms of production still existed in most fields. But the trend of development had made its appearance, and Petty was one of the first to notice it.

Alongside the wool industry, which was still the basis of England's economy and trade, such branches as coal-mining

and iron and steel smelting developed. In the 1680s about 3 million tons of coal was being mined annually, compared with 200,000 tons in the middle of the previous century. (But coal was still used almost exclusively as fuel: the coking process had not yet been discovered and metals were smelted with charcoal, which meant ruining the forests.) These branches developed as capitalist ones right from the start.

The countryside was also changing. The class of small landowners who carried on barter and petty trading was gradually disappearing. Their plots and the common land were becoming increasingly concentrated in the hands of large landlords who rented the land to farmers. The wealthiest of these farmers were already carrying on capitalist farming with the use of hired labour.

Let us remember that Petty himself was a large landowner. With rare exceptions, however, he did not express the interests of the landed aristocracy in his writings.

Lenin said of Lev Tolstoy that there had been no proper peasant in literature before this count. To paraphrase one might say that there had been no proper bourgeois in political economy before this landlord. Petty understood clearly that the growth of the "nation's wealth" was possible only by the development of capitalism. To a certain extent he applied these ideas on his estates. In renting out his land he made sure that the farmers improved it and the means of cultivating it. He organised a colony of English emigrant craftsmen on his land.

As a person Petty was a mass of contradictions. The great thinker appears to the impartial biographer now as the frivolous adventurer, now as the insatiable profit-seeker and persistent litigator, now as the cunning courtier, now as the somewhat naive braggart. His irrepressible thirst for life was perhaps his most characteristic feature. But the forms which it took were dictated by the social conditions and circumstances in which he lived. In a sense wealth and honours were not an aim in themselves for him, but held a sort of sporting interest. He evidently experienced inner satisfaction, showing energy, cunning and practical guile in a way logical for his age and conditions. Wealth and title had little influence on his way of life and thinking.

John Evelyn, whom Petty knew in London, describes a sumptuous dinner at Petty's house in Piccadilly in his diary for

1675: "When I have been in his splendid Palace, who knew him in meaner Circumstances, he would be in admiration himself how he arriv'd to it; nor was it his value (or) inclination to splendid furniture and the curiositie of the age: but his Elegant Lady,¹ who could indure nothing mean, and that was not magnificent; whilst he was very negligent himself and of a Philosophic temper: Lord, would he say what a deale of do is here; I can lie in straw with as much satisfaction; and was indeed rather negligent of his person..."²

All his life he had enemies—avowed and secret ones. They included people who envied him, political opponents, and those who hated him for the biting, pitiless gibes of which he was a past master. Some instigated physical violence against him, others wove intrigues. One day in a street in Dublin he was attacked by a certain colonel accompanied by two "assistants". Sir William put them to flight, almost losing his left eye from a blow of the colonel's sharp cane. The blow fell on a sensitive spot, for Petty had suffered from weak sight ever since childhood.

He was more vexed by the enemies who intrigued against him at court, with the Irish lord lieutenants, and in the law courts. Petty's letters to his friends in the last twenty years of his life contain much bitter complaint and acrimonious disappointment. Sometimes he becomes small-minded, cursing and complaining about trifles. But his natural optimism and humour always prevail. He goes on making plans, presenting reports and ... being unsuccessful.

From 1660 his life was spent part of the time in Ireland and part in London. It was not until 1685 that he finally moved to the capital with his family and all his possessions, of which the most important were fifty-three boxes of papers. Charles II died in the same year and was succeeded on the throne by James II. The new king seemed well disposed to Petty and graciously received the projects on which the elderly Petty worked with a new bout of energy. But this too soon turned out to be an illusion.

In the summer of 1687 Petty's leg began to pain him badly. He turned out to have gangrene from which he died in

¹ A reference to Petty's wife, the beautiful and energetic widow of a rich landowner. Petty had five children.

² *The Diary of John Evelyn*, London, 1959, p. 610.

December of the same year. He was buried in his native town of Romsey.

Petty's last letters to his intimate friend Sir Robert Southwell are of great interest. They were written two or three months before his death. They symbolise his beliefs, no longer obscured by self-interest, trivial affairs and private interests. He is replying to Southwell who reproaches him mildly for being occupied with things remote from life instead of seeing to his family business (the half-blind, ailing Petty was having Newton's recently published *Mathematical Principles of Natural Philosophy* read aloud to him).

Here too Sir William is true to character. He would give £ 200 for Charles (his eldest son) to be able to understand the book. About his children, whom he loved and for whose upbringing he showed great concern, Petty wrote: "I will not sweat to make my daughter a fortune, nor to be honey for drones, and I desire my son to live within the compass of that wife's fortune which he himself best loves". And further about the meaning of life: "...you will ask me why I persist in these fruitless labours.... I say they are labours of pleasure, of which ratiocination is the greatest and the most angelical".¹

Sir William Petty enjoyed a triple reputation with his contemporaries: firstly, that of a brilliant scholar, writer and erudite; secondly, that of an indefatigable schemer and visionary; and thirdly, that of a cunning intriguer, an avaricious man, not too fussy about the means he employed. This third reputation pursued Petty from his "accomplishments" in the division of the Irish lands right up to his death. And it was not without foundation.

Let us take a look at the latter half of Petty's life as the biography of man of property and smart dealer. The turning point in his life came in 1656-57, when he changed from a lower class intellectual into a profiteer and adventurer, and then a rich landowner. This change was an unpleasant surprise to his London and Oxford scientist friends. Petty was upset and pained by their reaction. He wrote to Boyle, whose opinion he particularly valued, begging him not to draw any hasty conclusions and to give him the chance of explaining what had happened personally. Time partially erased the estrangement, but traces of it remained.

¹ E. Strauss, *Sir William Petty*, London, 1954, pp. 168, 169-70.

Immediately after the Restoration Petty was obliged to fight hard to retain his lands: the former owners, some of whom enjoyed the support of the new government, were claiming them back. He threw himself into the battle with all his vigour and passion, putting a vast amount of spiritual energy and time into it. On the whole he was successful in keeping his scattered possessions and emerged triumphant. But he was persecuted by endless lawsuits.

And that was not all! Contrary to his principles and the exhortations of his friends, he threw himself into a new venture: he fell into the company of tax-farmers—rich financiers who bought the right to levy taxes from the government and robbed the country. In his works Petty attacked the "system of tax farming which stifled enterprise and production, and almost publicly called his companions swindlers and bloodsuckers. But nevertheless he paid his share. Soon afterwards he quarrelled with the "bloodsuckers", but could not get his money back. So now he was involved in yet another lawsuit—the most bitter and senseless of them all. Petty got deeply entangled in it and became furious, evoking the pity of his friends and the malicious delight of his enemies. In 1677 he even spent a short time in gaol "for contempt of court". These scandals ruined his last chances of a political career for which he was constantly striving. He was refused the appointments he required to carry out his projects.

The man of property became the slave of property. Petty himself in one of his letters compared himself to a galley slave exhausted from rowing against the wind. This was the tragedy of a talented man, whose energy and powers were spent in the harsh world of money, rent and tax-farming—a *bourgeois tragedy*.

His contemporaries sensed the tragedy, but naturally took a different view of it. They were amazed at the discrepancy between Petty's phenomenal abilities and his negligible success in the politics and government. Evelyn wrote that it was difficult to imagine anyone with a better understanding of the affairs of state. He continued: "There were not in the whole world his equal for a superintendant of Manufactures, and improvement of Trade; ... If I were a Prince, I should make him my second Counsellor at least".

Yet Petty gained nothing more than a minor post in the Admiralty.

Petty himself was by no means always blind to the triviality of the everyday affairs which exhausted his mind and energy. He sometimes laughed ironically at himself. But he could not break out of the vicious circle. The laconic brevity of his writings is to their credit and expresses his character. Yet at the same time it is the result of his preoccupation with other matters.

In 1682 Petty wrote with specific reference to the disputes on the re-minting of English coins a small work entitled *Quantulumcunque Concerning Money*. It is written in the form of thirty-two questions and brief answers. This work is as it were the steel framework of the scientific theory of money, the supporting structure, which remained to be filled in with other materials—amplifications, details, illustrations, and divisions between the various sections and problems.

Marx said of these modest notes, which were addressed to Lord Halifax and were not published in the author's lifetime, that they were "a smoothly finished work ..., which may be said to be cast in a single block.... In this book the last vestiges of mercantilist views, found in other writings by him, have completely disappeared. In content and form it is a little masterpiece..."¹.

Adopting the standpoint of the labour theory of value, Petty treats money as a special commodity which fulfils the function of a universal equivalent. Its value, like that of all commodities, is created by labour, but its exchange value is quantitatively determined by the amount of labour expended in the extracting of precious metals. The quantity of money necessary for circulation is determined by monetary trade turnover, i.e., in the final analysis by the quantity of commodities realised, their prices and the frequency of circulation of monetary units in the various transactions (velocity of circulation). Full value money can, within certain limits, be replaced by paper money issued by a bank.

Throughout the next two centuries the theory of money and credit developed to a large extent within the framework of the ideas expressed here (and in certain other works) by William Petty, or in the polemic with these ideas.

¹ Frederick Engels, *Anti-Dühring*, Moscow, 1969, p. 276. (Chapter X of Part II of *Anti-Dühring* was written by Marx.)

This modest essay, in which many of the ideas are condensed and sketchy, shows what powers of theoretical thought the man possessed. He did only a small part of what he could have done. And although this can probably be said of any man, in Petty's case it is of particular relevance and importance.

BOISGUILLEBERT, HIS AGE AND ROLE

Engels tells us that "Marx began his economic studies in Paris, in 1843, starting with the great Englishmen and Frenchmen".¹ It is difficult to say what led Marx to study the works of Boisguillebert, an economist of the early 18th century by then pretty much forgotten. Perhaps chance played a role here, for in 1843 a collection of works by French economists of the first half of the 18th century was published in Paris; and the essays of Boisguillebert were republished in it for the first time after an interval of 130 years. From a conspectus of Boisguillebert's works in a mixture of French and German, Marx proceeded to short notes and then to reflections. He was led to these reflections by the remarkable ideas, well in advance of their time, of a Rouen judge in the reign of Louis XIV.

Marx probably made use of this conspectus ten years or so later in his work on the book *A Contribution to the Critique of Political Economy*, in which he first made the profound assessment of "over a century and a half of classical political economy, beginning with William Petty in Britain and Boisguillebert in France, and ending with Ricardo in Britain and Sismondi in France".²

¹ Karl Marx, *Capital*, Vol. II, Moscow, 1967, p. 7.

² Karl Marx, *A Contribution to the Critique of Political Economy*, Moscow, 1970, p. 52.

Boisguillebert attracted Marx not only as a scholar and writer. This clever and honest man, himself a "tiny cog" in the state machine of absolute monarchy, raised his voice in defence of the oppressed majority of the French people and had to pay for it.

THE FRENCH POOR

In the first two decades of the reign of Louis XIV Colbert was in charge of the country's economy. He realised the importance of industry and did a great deal to develop it. The growth of some branches, however, caused harm to agriculture which Colbert regarded solely as a source of financial revenue for the state. The main defect of Colbert's policy was that it left feudal relations intact, and they were hampering the country's economic and social development. Perhaps Colbert's efforts would have been more successful if the king had not given him one main task: to extort money at any price for the wars which the ambitious Louis was constantly waging and for his unprecedentedly lavish court.

After Colbert's death some of the achievements of his policy were quickly lost, but its defects made themselves felt twice as strongly. In 1701 France's most unsuccessful and ruinous war began, the so-called War of the Spanish Succession, in which it faced a coalition of England, Holland, Austria and some small states.

As he grew old Louis XIV lost the knack of finding capable people to run the state. The energetic and industrious Colbert was succeeded by mediocrities. The most important of the ministers under Louis XIV and the two Bourbon monarchs who succeeded him was the controller general of finance, who concentrated in his hands the management of state finance, the country's economy, domestic affairs, justice, and sometimes military affairs also. He was essentially a prime minister, but one who merely executed the monarch's will.

The introduction of any economic reforms depended on the controller general. Knowing this Boisguillebert constantly sought to persuade the men who occupied this post in the last decade of the 17th century and the first decade of the 18th, Pontchartrain and Chamillart, of the usefulness of his projects. But these people would not even give him a proper hearing.

Having obtained an audience with Pontchartrain, Boisguillebert began his report by saying that the Minister would think him mad at first, but would soon change his mind when he had heard his, **Boisguillebert's**, ideas. After listening to him for a few minutes, Pontchartrain burst out laughing and said he adhered to his original opinion and did not need to prolong the conversation.

The government would not even hear of reforms which might affect the interests of the privileged estates (the nobility and clergy), or of the tax farmers, the rich financiers. Yet only such reforms **could** rescue the country's economy from prolonged crisis, and it was to this end that the importunate Rouen judge's projects were directed.

Boisguillebert's writings are a most important source of information about the disastrous state of the French economy at that time, the hard lot of the people, 75 per cent of whom were peasants. But many wrote about this. The eminent political and economic writer Marshal Vauban estimated in 1707 that 10 per cent of the total population was destitute, 50 per cent on the verge of destitution, 30 per cent in very straitened circumstances, and **only** 10 per cent lived well, the upper class, including several thousand people who were living in luxury.

Boisguillebert differed from other critics in that he understood to a certain extent the basic reasons for this state of affairs. Consequently he was able to do a great deal for the development of economic thought. It is no accident that he concentrated on the countryside. Here was the key to the development of bourgeois economy in France. The king, nobility and Church stubbornly kept this key locked up until the revolution at the end of the century broke all locks. The French peasant had gained his personal freedom several centuries before. But he was not the free owner of the land on which he lived and worked. The medieval principle of "no land without a seigneur" still operated in full force, although in changed forms. At the same time France did not possess the strong new class of capitalist tenant farmers which was developing in England. The peasantry was suffering under a triple burden: it paid rent and rendered all manner of feudal dues to the landowners; it supported the vast army of priests and monks by giving the Church a tenth of its income; and it was essentially the only payer of taxes to the king.

As Boisguillebert repeated many times in his works and report notes, this economic system deprived the peasant of any stimulus to improve land cultivation and expand production.

In subjecting all economic policy to the task of deriving tax revenue, the state made use of feudal survivals and delayed their destruction. The whole of France was divided into separate provinces by customs barriers, at which tolls were levied on all transported commodities. This hindered the development of the domestic market and the growth of capitalist enterprise. Another obstacle was the preservation in the towns of craft guilds with their privileges, strict rules and limited production. This was also profitable for the government, because it was forever selling the guilds the same old privileges. Even the few large manufactories which Colbert set up declined at the beginning of the 18th century. In 1685 Louis XIV revoked the Edict of Nantes which had allowed a certain amount of religious tolerance. Many thousands of Huguenot families, craftsmen and traders, left France taking with them their money, skills and entrepreneurial spirit.

THE ROUEN JUDGE

Economic projectors are a special type of people whom one can find, probably, at any time and in any country. They are similar to another peculiar tribe, inventors, and frequently face the same obstacles: the selfish interests of the strong of this world, conservatism and sheer stupidity.

Boisguillebert was one of the most passionate, honest and disinterested economic planners. He was bound to fail in the France of Louis XIV, and failure was a greater personal tragedy for him than even for Petty. Boisguillebert is perhaps not such a versatile and colourful figure as Sir William. But he commands more respect. In describing the bold judge from Rouen his contemporaries turned to classical antiquity for examples of similar civic virtues. Speaking of these two economists Marx wrote that "whereas Petty was just a frivolous, grasping, unprincipled adventurer, **Boisguillebert** ... stood up for the interests of the oppressed classes with both great intellectual force and **courage**".¹ It **could** be noted that

¹ Karl Marx, *A Contribution to the Critique of Political Economy*, Moscow, 1970, p. 55.

Marx knew Boisguillebert only from his published works and in this description anticipated the man himself who was revealed more fully after his correspondence was discovered in the 1860s.

Pierre Le Peasant¹ de Boisguillebert was born in 1646 in Rouen. His family belonged to the Normandy *Noblesse de robe* which was the term applied in old France to noblemen who held hereditary judicial and administrative office: in addition there was the *noblesse d'epée* who served the king with their swords. The *noblesse de robe* was rapidly augmented in the 17th and 18th centuries from the ranks of the *nouveau riche* bourgeois. Such is Boisguillebert's family background.

The young Pierre Le Peasant received an excellent education for his day, after which he went to Paris and took up literature. He soon turned to the traditional family profession of law, married a young woman from his circle in 1677 and obtained an administrative legal post in Normandy. For some reason he quarrelled with his father, lost his inheritance which went to his younger brother and was forced to "go out and seek his fortune". This he did most successfully, with the result that by 1689 he was already able to pay a large sum for the highly paid and influential post of lieutenant general in the judicial district of Rouen. In the strange governmental system of the period this was something like head town judge together with the administration of police and general municipal affairs. Boisguillebert held this post all his life and passed it on to his eldest son two months before he died.

The system of selling posts was one of the most flagrant social evils of the Bourbon monarchy. In this way the treasury extorted money from the bourgeoisie, thereby preventing the latter from investing it in production and trade. New posts were often invented or old ones divided up and resold. One of Louis XIV's ministers joked that as soon as his majesty created new posts there were fools to purchase them.

Boisguillebert evidently began to study economic questions in the late 1670s. Living among the rural population of Normandy and travelling around other provinces he saw the

¹ This was the economist's real surname. Boisguillebert was the name of the landed estate acquired by his ancestors. This addition to the surname was generally made when a bourgeois received a title. However, Pierre Le Peasant was always known under the name of de Boisguillebert.

desperate position of the peasantry and soon came to the conclusion that this was the cause of the country's general economic decline. The nobility and the King left the peasant just enough to prevent him from starving to death, and sometimes not even that. In such circumstances he could hardly be expected to increase production. In its turn the terrible poverty of the peasantry was the main cause for the decline of industry, since it did not have any large markets.

These ideas gradually matured in the judge's head. In 1691 he was already talking about his "system" and, obviously, setting it out on paper. The "system" was a series of reforms which we would describe today as bourgeois-democratic in character. Moreover Boisguillebert appears more as the defender of the peasants than the champion of the interests of the urban bourgeoisie. France is being treated like a vanquished country in the refrain that runs through all his works.

One might say that Boisguillebert's "system" in both its original form and the final form which it had acquired by 1707 consisted of three main elements.

Firstly, he considered it essential to introduce extensive tax reforms. Without going into details, let us say that he suggested replacing the old, obviously regressive system by proportional or slightly progressive taxation. These principles of taxation are still a matter of controversy today, so it is worth explaining them. Under the regressive system the greater a person's income the smaller the percentage of tax deducted; under the proportional system the percentage deducted for tax always remains the same; under the progressive system it increases the higher the income. Boisguillebert's proposal was exceptionally daring for his time: for the aristocracy and the Church paid practically no taxes, and he wanted to tax them at least at the same percentage as the poor.

Secondly, he proposed removing all restrictions on internal trade. He hoped that this measure would expand the home market, increase the division of labour and promote commodity and money circulation.

Thirdly, Boisguillebert demanded that a free market for corn be introduced and that its natural price should not be kept down. He regarded the policy of maintaining artificially low corn prices as extremely harmful, for these prices did not cover production costs and hampered agricultural growth. Boisguillebert believed that the economy would develop best

with free competition, under which commodities would find their "true price" on the market.

He regarded these reforms as essential conditions for an economic recovery and an increase in the prosperity of the country and its people. Only in this way could the state's revenue be **increased**, he sought to **convince** the rulers. **In** an effort to inform the public of his ideas he published his first book anonymously in 1695-96 under the characteristic title of *Le détail de la France, la cause de la diminution de ses biens et la facilité du remède, en fournissant en un mois tout l'argent dont le roi a besoin et enrichissant tout le monde* (A detailed description of France, the reason for the decline in its prosperity, and a simple remedy which will supply in a single month all the money which the King needs and enrich the whole population).

The reference to a simple remedy and the possibility of achieving all this in one month is designed to a certain extent to catch the eye. Yet it also reflects **Boisguillebert's** genuine belief that all one needed to do was pass a number of laws and the economy would recover in a flash.

But the chain of disappointments had only begun. The book went almost unnoticed. In 1699 Pontchartrain's place was taken by **Chamillart** who knew Boisguillebert personally and appeared to be in sympathy with his views. The Rouen judge was again full of hope and worked with fresh energy, writing new works. But his main produce over the next five years was a series of long letters, memoranda to the Minister. These remarkable documents are letters, a real *crie de coeur*, as well as report notes.

Boisguillebert argues and cajoles, threatens economic disaster, begs and entreats. Confronted with a total lack of understanding, sometimes even ridicule, he remembered his dignity and fell silent. Then, consciously sacrificing personal pride for the sake of his native land, he again appealed to those in power: hurry, act, rescue.

CRIME AND PUNISHMENT

The years went by. The Minister forbade Boisguillebert to publish his new **writings**, and the latter bided his time hoping that his ideas would be put into practice. In 1705 Boisguillebert

finally received an area in the province of Orleans **for** his "economic experiment". It is not entirely clear how and in what conditions this experiment was carried out. In any case by the following year it had already ended in failure. In a small isolated area with the opposition of influential powers it could not have ended otherwise.

Now nothing could stop Boisguillebert. At the beginning of 1707 he published two volumes of his works. As well as theoretical treatises they also contained bitter political attacks on the government, serious accusations and ominous warnings. He did not have to wait long for the reply: the book was banned and its author exiled to the provinces.

Boisguillebert was now sixty-one. His affairs were in chaos and he had a large **family**—**five** children. His relatives tried to calm him down. His younger brother, a respected adviser of the parlement (provincial court) in Rouen, **pleaded** on his elder brother's behalf. He was not short of intercessors, and Chamillart himself realised the absurdity of his punishment. But the crazy inventor of schemes must submit. Gritting his teeth, Boisguillebert agreed: it was pointless to go on beating his head against a brick wall. He was allowed to return to Rouen. As a contemporary memoirist informs us, the **Duc de Saint-Simon**,¹ to whom we are indebted for many of the details in this story, the citizens greeted him with honour and joy.

Boisguillebert was never again subjected to direct repression. He published another three editions of his works, omitting, it is true, the most controversial passages. But morally he was a broken man. In 1708 Chamillart was replaced as controller general by **Colbert's** nephew, the clever and efficient Desmarests. He was well disposed towards the disgraced Boisguillebert and even tried to bring him into the administration of finance. But it was too late: Boisguillebert was a changed man and the finances were rapidly deteriorating, preparing the ground for John Law's experiment. Boisguillebert died in Rouen in October 1714.

Boisguillebert's integrated and strong personality emerges from all his works, letters and the scanty evidence of his contemporaries. In both business and private life he was obviously not an easy person to deal with: his characteristic

¹ An ancestor of the great Utopian socialist Count Claude Henri de **Saint-Simon**.

features were obstinacy, persistence, and stubbornness. Saint-Simon remarks briefly that "his lively character was unique of its kind". It is clear, however, that he felt respect for Boisguillebert, bordering on awe.

His unaccommodating nature was the result of firm principles. He passionately defended his principles in both major and minor matters. And since these principles were, to put it mildly, unusual for the time, clashes were inevitable. For twenty years the modest judge from Rouen waged his hard battle, sacrificing peace of mind, prosperity and his material interests (Chamillart punished his stubbornness by imposing strange fines on him, forcing him to pay for posts he had already purchased). The ministers did not like him, but were also slightly (perhaps even more than slightly) afraid of him: Boisguillebert's superiority lay in the intrepid candour and conviction with which he defended his ideas and beliefs.

THE THEORETICIAN

Like all previous economists, Boisguillebert subordinated his theoretical constructions to practice, to substantiating the policy put forward by him. His role as one of the founders of economic science is determined by the fact that he based his reforms on an integrated system of theoretical views which was quite profound for its time. Boisguillebert's logic was probably similar to Petty's. He asked himself what determined the country's economic growth; he was specifically concerned about the causes for the stagnation and decline of the French economy. From here he proceeded to a more general question: which laws operate in the national economy and ensure its development?

We have already quoted Lenin's idea that the desire to discover the law of the formation and change of prices runs through the whole of economic theory, beginning with Aristotle. Boisguillebert made an original contribution to this long search. He approached the problem from the standpoint of what we would today call "optimal price formation". He wrote that the most important condition of economic balance and progress are proportional or normal prices.

What sort of prices are these? First and foremost, they are prices which ensure on average in every branch the defray-

ment of production costs and a certain profit, net income. Further, they are prices which enable the process of commodity marketing to proceed without interruption and steady consumer demand to be maintained. Finally, they are prices under which money "knows its place", promotes the payments turnover and does not acquire a tyrannical hold on people.

The interpretation of the law of prices, i. e., essentially the law of value, as the expression of the proportionality of the economy was an entirely new and daring idea. Boisguillebert's other basic theoretical ideas are linked with this one. Given this treatment of prices the question naturally arose as to how "optimal prices" could be ensured in the economy. Boisguillebert took the view that this price structure would develop naturally under free competition.

He saw the fixing of the highest possible prices for corn as the main violation of the freedom to compete. Boisguillebert believed that if maximum prices were abolished the market prices for corn would go up, which would raise the incomes of the peasants and their demand for industrial goods, production of the latter would increase, and so on. This chain reaction would also ensure the universal establishment of "proportional prices" and the flourishing of the economy.

It is still a matter of dispute to whom the famous phrase "laissez faire, laissez passer" belongs¹, which later became the motto for free trade and non-intervention by the state in the economy, and consequently the guiding principle of the classical school in political economy. It is ascribed variously in full or in part to Francois Legendre, a rich merchant of the time of Louis XIV, the Marquis D'Argenson (1730s), and Vincent Gournay, a trade superintendent and friend of Turgot's. But even if Boisguillebert did not invent the phrase, he expressed the idea contained in it most clearly. "Nature must be allowed to operate..." he wrote.

As Marx pointed out, Boisguillebert does not endow the concept of "laissez faire, laissez passer" with the selfish egoism of the capitalist entrepreneur, which it acquired later. In his writing "this teaching has also something *human* and *significant* in it. Human in contrast to the economy of the old

¹ At the end of the 19th century the German scholar August Oncken expressed the opinion that the first part of the phrase referred to freedom of production and the second to freedom of trade.

state, which was striving to increase its income by unnatural means, significant, since it was the first attempt to liberate bourgeois life. It had to be liberated to show *what it is like*.¹

At the same time **Boisguillebert** did not reject the economic functions of the state; this was inconceivable for such a realistic and practical person. He assumed that the state, particularly with the help of a sensible tax policy, could promote a high level of consumption and demand in the country. Boisguillebert realised that the sale and production of commodities invariably decreased if the flow of consumer expenditure diminished. It would not diminish if the poor earned more and paid fewer taxes, for they tended to spend their income quickly. The rich, on the other hand, were inclined to save their income and thereby aggravate the **difficulties** of selling produce.

This line of argument is important for the development of economic thought in the following centuries. Two fundamentally different standpoints on the question of the main factors of the growth of production and wealth in capitalist society emerged in the history of bourgeois political economy. The first was briefly that production growth is determined solely by the extent of accumulation (i.e., savings and capital investment). With regard to the money demand this will "come on its own", so to say. This conception led logically to a rejection of the **possibility** of economic crises and general overproduction. The other standpoint emphasised consumer demand as the factor for maintaining high rates of production growth. To a certain extent Boisguillebert was its forerunner. This standpoint, on the contrary, led logically to the problem of economic crises.

It is true that Boisguillebert linked "crises" (or rather, phenomena similar to crises, the latter being characteristic of the later stage of capitalist development only) not so much with the inner laws of economics as with bad governmental policy. He can also be understood as saying that given a good policy insufficient demand and crises can be **avoided**.² Be that as it

¹ K. Marx, F. Engels, *Historisch-kritische Gesamtausgabe, Werke, Schriften, Briefe*, Moskau u.a., Abt. I, Bd. 3, S. 575.

² The incomplete and contradictory nature of Boisguillebert's views on this question allows historians of economic thought to take conflicting views on his role. The French economist Henri Denis writes that in the final analysis Boisguillebert's conception means that crises are impossible under free

may, in his main theoretical work *Dissertation sur la nature des richesses, de l'argent et des tributes* (Dissertation on the nature of wealth, money and taxes) Boisguillebert describes clearly and vividly what happens in an economic crisis. People can die from an excess of goods as well as a shortage. Imagine, he says, ten or twelve men chained at a distance from one another. One has a lot of food, but nothing else; another an excess of clothing, a third of drink, etc. But they cannot exchange with one another: their chains are the external economic forces, incomprehensible to man, which cause economic crises. This picture of disaster amid abundance calls to mind the 20th century: milk poured into the sea, corn burnt in locomotive **fire-boxes**—and this amid unemployment and poverty.

In theory and policy Boisguillebert's standpoint differs from mercantilist views and is to a large extent directed against them. He looked for economic laws not in the sphere of circulation but in the sphere of production, regarding agriculture as the basis of the economy. He refused to see the country's wealth in money and sought to dethrone it, differentiating between money and real wealth in the form of commodities. Finally, Boisguillebert's defence of economic freedom also meant a direct break with mercantilism.

BOISGUILLEBERT AND FRENCH POLITICAL ECONOMY

The fine and attractive feature of Boisguillebert's views is their humanism. Yet his "peasant mania" also had its reverse side from the point of view of economic theory. To a great extent he was looking backwards, not forwards, in underestimating the role of industry and trade and idealising a peasant economy. This influenced his views on fundamental economic questions.

competition and consequently "prepares (if not already contains) the famous 'law of markets' attributed to Jean-Baptiste Say, according to which there can never be general overproduction of products in a system based on the free exchange of products" (H. Denis, *Histoire de la pensée économique*, Paris, 1967, p. 151). Schumpeter, on the other hand, stresses that Boisguillebert saw lack of consumer demand and excess savings as a threat to the stability of capitalist economy and as the cause of crises, and is therefore a forerunner of the critics of "Say's law", in particular Keynes (J. A. Schumpeter, *History of Economic Analysis*, pp. 285-87).

The reasons for **Boisguillebert's** standpoint, which was appreciably different from Petty's, must be sought in the historical peculiarities of the development of French capitalism. The industrial and trade bourgeoisie was incomparably weaker in France than in England and capitalist relations developed more slowly. In England they were already established in agriculture as well. The English economy was characterised to a large extent by division of labour, competition, mobility of capital and labour. In England political economy was developing as a purely bourgeois system of views, while in France it was mainly petty bourgeois in nature.

English classical political economy, at the source of which Petty stands, put two most important and inter-connected problems at the centre of scientific analysis. What is the ultimate basis of commodity prices and where does the capitalist's profit come from? In order to answer these questions it was necessary to examine the nature of value. The labour theory of value was the logical basis of English economists' thought. In developing this basis they gradually approached an understanding of the difference between concrete labour which creates the various consumer values and abstract labour which lacks a qualitative characteristic, possessing only one **parameter**—length, quantity. This difference was never revealed and formulated before Marx, but the approach to it constitutes, to a certain extent, the history of English political economy from Petty to **Ricardo**.

The law of value was the true subject of its investigations. Yet, as Marx pointed out, "the full development of the law of value presupposes a society in which large-scale industrial production and free competition obtain, in other words, modern bourgeois society".¹ This society developed much later in France than in England, which made it difficult for theoreticians to observe and understand the operation of the law of value.

It is true that by his conception of "proportional prices" Boisguillebert reduced "although he may not be aware of it ... the exchange-value of commodities to **labour-time**".² But he was far from understanding the dual nature of labour and

therefore completely ignored the value aspect of wealth, which actually embodies universal abstract labour. He saw only the material aspect of wealth, regarding it merely as a mass of useful goods, consumer values.

This shortcoming in Boisguillebert's thought is seen particularly clearly in his views on money. He does not understand that in a society where the law of value operates, commodities and money are an indivisible whole. For it is in money, that absolute repository of exchange value, that abstract labour finds complete expression Boisguillebert fought against money fanatically, distinguishing it from commodities which he regarded simply as useful goods. Since money is not in itself an object of consumption, it seemed external and artificial to him. Money acquires an unnatural, tyrannical power and this is the cause of economic disaster. He begins his *Dissertation* with bitter attacks on money: "... gold and silver, which the corruption of the heart has erected into idols.... They have been turned into gods to whom more goods, valuables and even people are still sacrificed than blind Antiquity ever offered the false divinities which have for so long formed the cult and the religion of most peoples."¹

The Utopian urge to free capitalist production from the power of money, without at the same time changing its foundations is, as Marx put it, the "national failing" of French political economy, from Boisguillebert to Proudhon.

Boisguillebert could not reveal the class, exploitative nature of bourgeois society, which in his time was only just beginning to form within the feudal order. But he bitterly criticised economic and social inequality, oppression and force: Boisguillebert was one of the first people whose works prepared the collapse of the "old order" and paved the way for revolution. The defenders of absolute monarchy realised this already in the 18th century. Almost fifty years after Boisguillebert's death one such defender wrote that his "disgusting works" incited hatred for the government, encouraging robbery and rebellion, and were particularly dangerous in the hands of the younger generation. Yet this is one of the reasons why we find Boisguillebert's works and personality important and interesting.

¹ Karl Marx, *A Contribution to the Critique of Political Economy*, Moscow, 1970, p. 60.

² *Ibid.*, p. 54.

¹ *Economistes financiers du XVIII^e siècle*, Paris, 1843, pp. 394, 395.

CHAPTER V

JOHN LAW—ADVENTURER AND PROPHET

The name of Law is well-known. The first biography of the famous Scot came out during his lifetime. After the collapse of "Law's system" in France he was written about in all the European languages. No French political writer of the 18th century neglects to mention him.

The creation of modern banks and the vast development of credit and stock-exchange speculation in the 19th brought with them a new wave of interest in the activity and ideas of this passionate apostle of credit. He was regarded no longer as just a brilliant adventurer, but also as an eminent economist.

The 20th century, the "century of inflation", has discovered a new aspect of this remarkable individual. John Law hoped through an abundance of credit and paper money to secure a constant flourishing of the economy. The same idea (in a new form naturally) lies at the basis of the **anti-crisis** policy of the modern bourgeois state. Bourgeois researchers are finding a really mystical similarity between Law and Keynes: "The parallel between John Law of Lauriston (1671-1729), controller general of French finance, and John Maynard Keynes (1883-1946) goes so deep and covers so wide a ground, even touching some aspects of their personal life, that a spiritualist might say that Keynes was a reincarnation of Law after two centuries."¹

¹ Ferdinand **Zweig**, *Economic Ideas. A Study of Historical Perspectives*, New York, 1950, p. 87.

Even the titles of books about Law which have come out in recent years are characteristic: *John Law. Père de l'Inflation*, *Der Magier des Kredits* and *La strana vita del banchiere Law*. At the same time he occupies a place of honour in weighty volumes of the history of economic thought.

A DANGEROUS CAREER AND BOLD IDEAS

John Law was born in 1671 in Edinburgh, the capital of Scotland. His father was a goldsmith and, according to the custom of the times, also lent money on interest. In 1683 he purchased the small estate of Lauriston, thereby becoming a member of the landed gentry. Possessing money, good looks and charm, John Law embarked early on the life of a gambler and swashbuckler. At the age of twenty when, to quote one of his associates, he was "nicely expert in all manner of debaucheries", Law found Edinburgh too provincial and went to London. Although Scotland and England had the same king in all other respects the former was still an independent state.

In London the young Scot soon became known by the nickname of Beau Law. In April 1694 he killed an adversary in a duel. The court passed a verdict of murder and sentenced Beau Law to be executed. Thanks to the intercession of some influential persons King William III pardoned the Scot, but the relatives of the dead man began a new lawsuit against him. Without waiting for the outcome, Law escaped from prison with the help of friends after jumping thirty feet and spraining his ankle. The only place he could go was abroad and he chose Holland.

In the three years Law spent in London he kept company not only with drunkards and women. Possessing a good practical education and a gift for calculation and all manner of financial business, he made the acquaintance of financial dealers with whom London was swarming after the Revolution of 1688-89. A few years later the Bank of England was founded, an important event in the history of English capitalism.

Law was a romanticist about banking. This sounds rather strange today: romance and banking. But at that time, the dawn of capitalist credit, its possibilities seemed unlimited and miraculous to many. It was not without reason that Law in his writings frequently compared the setting up of banks and the

development of credit with the "discovery of India", i.e., the sea passage to India and America, along which precious metals and rare goods came to Europe. All his life he sincerely believed that by his bank he would do more than Vasco da Gama, Columbus or Pizarro had done! In John Law the as yet untested power of credit found its admirer, poet and prophet.

This began in England and continued in Holland, where Law studied the largest and most respectable bank in Europe at the time, the Bank of Amsterdam. In 1699 we find him in Paris. From there he set off for Italy, taking with him a young married woman, English by birth, called Catherine Seingieur. From then onwards she was to accompany him on all his wanderings. Obsessed by the idea of creating a new type of bank, Law returned to Scotland in 1704 with Catherine and their one-year-old son, to try and put this idea into practice.

The country was in the grip of economic difficulties. There was a depression in trade, unemployment in the cities, and the spirit of entrepreneurialism was crushed. All the better! Law expounded his plan for solving these difficulties in a book published in Edinburgh in 1705 under the title of *Money and Trade Considered, With a Proposal for Supplying the Nation With Money*.

Law was not a theoretician in any broad sense. His economic interests hardly ever extended beyond the problem of money and credit. But in fighting ardently for his plan he expressed on this problem thoughts which played a large and very conflicting role in economic science. Of course, Law's economic views must be seen in conjunction with his practical activity, the consequences of which were enormous. But in this activity as in his subsequent writings he merely put into practice and developed the basic ideas expounded in the Edinburgh book.

"He was a man of system," repeated the Duke of Saint-Simon, who has left us some important information about Law as an individual. Having arrived at the basic tenets of his system, Law preached and practised it with unwavering persistence and consistency.

Law maintained that the key to economic prosperity was an abundance of money in a country. It was not that he considered money itself as wealth, for he realised perfectly well that true wealth is commodities, factories and trade. But an abundance of money, in his opinion, ensured full use of land, labour and entrepreneurial talent.

He wrote: "Domestick Trade is the Employment of the People, and the Exchange of Goods..., Domestick Trade depends on the Money. A greater Quantity employes more People than a lesser Quantity.... Good Laws may bring the Money to the full Circulation 'tis capable of, and force it to those Employments that are most profitable to the Country: But no Laws ... can more People be set to Work, without more Money to circulate so, as to pay the wages of a greater number."¹

Law obviously differs from the old mercantilists: although he too looks for the mainspring of economic development in the sphere of circulation, he does all he can to disparage metal money, rather than glorifying it. Two hundred years later Keynes called gold money a "barbarous relic". This might equally well have been said by Law. Money should not be metal. It should be credit which is created by the bank in accordance with the needs of the economy, or in other words, paper money. "The use of Banks has been the best Method yet practis'd for the increase of Money."²

Law's system contained two more principles, the importance of which is difficult to overestimate. Firstly, for banks he proposed a policy of credit expansion, i. e., the granting of loans many times in excess of the supply of metal money held by the bank. Secondly, he demanded that the bank should be a state one and should carry out the economic policy of the state.

We must clarify this somewhat, especially as similar problems—in different conditions and forms—are just as topical today. Imagine that the owners of a bank have invested £1 million as its capital. In addition they have received gold deposits to the value of £1 million. The bank prints notes to the value of £1 million and loans them. To anyone with even the most rudimentary idea of bookkeeping it is obvious that the bank's balance-sheet will be as follows:

ASSETS		LIABILITIES	
Gold	2 million	Capital	1 million
Loans	1 million	Deposits	1 million
		Bank notes	1 million
Total		Total	
	3 million		3 million

¹ J. Law, *Oeuvres complètes*, Vol. 1, Paris, 1934, pp. 14-16.

² *Ibid.*, p. 46.