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## Philosophy and economics. Some recent books on Hume's political economy

David Hume's *Political Discourses* published in 1752 was issued in numerous editions and had many translations on both sides of the Atlantic.

Hume did not consider economics as an autonomous science, but rather as a set of concepts, rules, and principles servicing, or accompanying, political science. He gave prominence to the general condition of intersubjective relationships and considered the problems concerning the economic sphere as a specific determination of such a relationship. Hume is certainly less systematic than Adam Smith, but his way of analysing is the same adopted by the latter in the study of human nature; i.e. criticism of rationalist and abstract principles on the one hand, and careful evaluation of experience on the other. His aim is to grasp the meaning of human activity, associated with passions, with historical development and with the limits of nature. The themes he deals with are crucial: the evolution of society in its various stages, the necessity of money, wealth originating from work, welfare, the characteristics of the fundamental sectors of economy, from agriculture, to industry, arts, and crafts, to commerce, social classes and their interconnections, private and public interest, taxes, international commerce.

Hume's economic thought should be placed within the context of the philosophy presented in the *Enquiry concerning Human Understanding*, and in particular in the passage in which he praised the median condition as the most suitable for humankind: "indulge your passion for science, says he, but let your science be human, and such as may have a direct reference to action and society" (Hume, 2000, [1748], p. 8). While in the eighteenth century the *Political Discourses* were considered as valuable as Adam Smith, Richard Cantillon, and Jean Francois Melon's works, their fame waned in the nineteenth and twentieth centuries and scholarship paid but little attention to Hume's essays on political economy, focusing only partially on issues immediately connected with politics.

Paola Zanardi Philosophy and economics. Some recent books on Hume's political economy

In contemporary scholarship, it is widely believed that there is a gap between the dozen essays dealing with topics of an economic nature, and the rest of Hume's philosophy, especially with those works that explicitly refer to economics, such as the *History of England*, where economic aspects and causes become prevalent in the analysis of England's historical events and so a material foundation by and by emerges as an integral part in the development of the political and social forces at stake.

I will now try to briefly outline the most meaningful contributions since the seventies, to finally focus on a volume that in my opinion plays a central role in the recent Humean recent bibliography.

It is around the seventies that we can again trace an increased interest in Hume's writings on political economy in the works of Duncan Forbes (*Hume's Philosophical Politics*, 1975). He openly affirmed that he avoided the choice of "Hume's political science" as the title of his essay since this phrase also included Hume's wide and challenging analysis of economic issues: while these topics were left to economists, philosophers were to deal with those problems of political philosophy more akin to ethics. J.G.A. Pocock's *The Machiavellian Moment* (1975) – further endorsed in his essays in *Virtue, Commerce and History* (1985) – set Hume within the broader conversation on commerce and politics, so that the understanding of *Political Discourses* became central in order to account for eighteenth-century British intellectual history. Then, Albert Hirschman's *The Passions and the Interests* (1977) made a great intellectual contribution in tying the theme of the passions to the development of modern society. His essay pictured the birth of modern commercial society through the reading of Bacon, Hobbes, Hume, and Hamilton and their emphasis on the use of the passions, successfully and fruitfully used in view of the common good. The "constraint" of egoism, together with work and the desire to make a profit in commercial transactions, had fuelled the economy and generated a general, non-individual welfare. To be fair, the rehabilitation of these concepts can be traced back to Machiavelli, but it was only in the eighteenth century, and mostly after Hobbes' writings, that it came to the fore.

In the eighties the proliferation of studies on Smith played a leading role in relation to Hume's writings. This reassessment is mostly due to Donald Winch's *Adam Smith's Politics* (1978), later resumed by Emma Rothschild's *Economic Sentiments* (2001). Donald Winch claims that Smith has a 'politics' which goes beyond certain political attitudes connected with the role of the state in economic affairs. It argues that he employs a consistent mode of political analysis which cannot be encompassed within the standard liberal capitalist categories, but can be understood by reference to the language and the qualities of contemporary political debate, and of the eighteenth-century science of politics cultivated by Montesquieu and, above all, Hume. It is com-

mon knowledge that between the two authors a deep friendship had been established, with reciprocal influence.

In our concise history of the fortune of Hume's economic writings, the volume edited by Istvan Hont and Michael Ignatieff, *Wealth and Virtue. The Shaping of Political Economy in the Scottish Enlightenment* (1983) is especially important. In its essays, two themes are contrasted: one, supported by Pocock, is civic humanism, with its concerns for virtue and corruption; the other is the tradition of natural jurisprudence with its focus on justice, as affirmed by Winch. Hont and Ignatieff claim that in the *Wealth of Nations* Smith set out to solve a "paradox" he had identified in his earlier *Theory of Moral Sentiments*; namely, that while commercial society was unequal in its distribution of property, it also provided more adequately for the needs of the poor than had earlier, more egalitarian (and more virtuous) societies. The paradox is resolved through Smith's theory of economic growth, a theory that takes into consideration the role of inequality in fostering emulation and thus the incentive to accumulation. In almost all these studies the economic and political part is seen as marginal or at any rate subordinate with respect to the weight that Hume's theoretic and moral philosophy covers in the broad range of Humean bibliography.

In the nineties, in *Opinion and Reform in Hume's Political Philosophy* (1992), John B. Stewart provided a comprehensive and perceptive study of one of the most profound reformers Western society has ever known. He underlines the importance Hume accorded to reasoning as an experimental activity, which discovers practices and institutions which are inconsistent with the enduring claims of the human passions. Religious toleration and the defence of freedom of trade adopted in the early nineteenth century may be traced to the opinions of Hume and Adam Smith. Stewart argues that Hume is better understood as a liberal than as a conservative. Again in this work, Hume's economic theses are placed in and confined to the context of his political philosophy.

Andrew Skinner's contribution for the *Cambridge Companion to Hume* (Norton 1993) is especially groundbreaking. He emphasized to what extent political history is itself moved by material forces, the interplay between economic growth, and liberty.

Skinner identifies the close ties between the passions and work. Everything in the world is purchased by labour, and our passions are the only causes of labour. The stage of commerce would induce an accelerating rate of change due to changes in habits and manners.

Desire for earning stimulates man to be more active. Hume is aware of the relationship between the discovery of gold and the speedy economic growth during the reign of Charles I and during the glorious revolution of 1688. Consumption and happiness go hand in hand, and Hume warns against the risk of imposing a casual fiscal system; taxes need to be moderate.

Paola Zanardi Philosophy and economics. Some recent books on Hume's political economy

Starting from the individual in the essay about the refinement of arts, economic development is seen as a great incentive for the improvement of society, but without introducing any principle of egalitarianism, of which in fact one must be aware. Amongst the economic essays, Skinner distinguishes those which are most innovative, i.e. those dealing principally with the role of the institutions and human behaviour. The essay on population, money and interest is in the development of quantity theory and in the analysis of 'specie flow'. The price-specie-flow mechanism is a logical argument invented by Hume against the mercantilist idea that a nation should strive for a positive balance of trade, or net export. The argument considers the effects of international transactions in a gold standard, a system in which gold is the official means of international payments and each nation's currency is in the form of gold itself or of paper currency fully convertible into gold.

The Scottish philosopher's point of view is one of interconnection of factors. The modern population is more numerous than the ancient one because of a higher production of goods. Likewise for interest, which is the barometer of a nation: the lower it is the more indicative it is of the positive expansion of the population's wellbeing. Money is important not so much to signal wealth, rather to signal the relation between money reserves and general prices. Commerce and productivity are tightly connected. According to Stewart, Hume also succeeded in establishing that there is a relationship between the production of commodities and the level of aggregate demand. Hume's analysis of the sectoral division of labour, his treatment of the theory of population, and consideration of international trade separately and together prompt the conclusion that there is a production which opens up a demand for products. Hume sought to shed light on the behavioural dynamics of commercial societies and, conversely, to understand human behaviour in terms of commercial development. Besides, there is great appreciation for the development of international trade against the mercantile bias of envy for other countries' welfare. Economies with different characteristics and different rates of growth introduced the 'rich country-poor country' debate. His economic thought spreads in a dimension which is more Euro- than Anglocentric.

A further point of interest to the modern economist is Hume's systematic comparison of different economic stages and his concern with the process of transition between them. This procedure sheds important light on the problems of economic and social development. He was the only eighteenth century economist who always insisted on the variability of human beings, and on the relativity – to time and place – of all policies.

Skinner's essay deals further with the role the passions (particularly action, pleasure, indolence) play in the development of society. The passions are important and, if not well regulated, can lead to the destruction of society. Hume in fact recognizes the importance of establishing rules. With the

balance of political and diplomatic power in Europe now fairly securely established, one needed a trading regime that was not based on one's neighbours' exploitation policy.

A crucial episode in our historical survey is the new edition of the *Political Essays* edited in 1994 by Knud Haakonssen, whose introduction aims to place Hume's essays in the dynamic environment which engendered the wider Enlightenment in Scotland, a political arena made difficult and dangerous by commercial development and constitutional change. Hume's essays are deemed as an effort to provide more sophisticated means for the understanding of a world that should appear new and confusing to young Scottish readers.

Specific and technical economic theories have been developed in the contemporary monetarist thought, focusing especially on the role played by currency in national politics. For monetary economists, the Humean quantity theory of money within startlingly efficient automatic mechanisms of international adjustment has ensured that his text remains a touchstone for monetarism. Two prominent twentieth-century economists, Paul Samuelson and Milton Friedman – both eager to find assonances or discord with their own theories – entered a heated debate on Hume in the 1980s. However, in their works, an analytic approach prevailed on the historical survey of Hume's multi-faceted thought.

The novelty of the Scottish philosopher has emerged more clearly when scholars have attempted to relate the economic essays with Hume's masterpiece, *A Treatise on Human Nature*, in particular with Book 2 (Wennerlind 2001, Sturén 2004).

Passions such as esteem, avarice, jealousy, and desire of luxury play a crucial role in economics, not only as a spur to individual actions, but also affecting large associations, like social classes, categories of producers (farmers, merchants, manufacturers), and nations. Moreover, motives such as refinement and emulation stimulate progress in the global political transformations (Berdell 1995, Waterman 1998).

Not only among individuals but also among nations themselves such competition is established that entails the innovation of products and the exchange of goods, as well as the exchange of what is intellectually inherent in technology and manufacture.

Hume's analyses of money, luxury, growth, trade and commerce engross most of the scholarly literature on his economics. Among these are such subjects as the interest rate, population growth and reproduction, consumption, taxation, public finance, and distributive justice. These are the issues tackled in the volume edited by Carl Wennerlind and Margareth Schabas.

The volume *David Hume's Political Economy* (2008), edited by Wennerlind and Schabas, contains a series of essays aimed at detailing Hume's political-economic thought which, according to the editors, has always moved in

Paola Zanardi Philosophy and economics. Some recent books on Hume's political economy

within the grey area between mercantilism, physiocracy, and the growing political economy.

The volume is divided into four sections: the first one, with Emerson's and Ross's essays, investigates the biographical and historical events which impacted on Hume's ideas pertaining to his political-economic thought. The second is devoted to the connection between his moral philosophy and his economic writings; the third one confronts the problem of the relationship between money and credit; finally, the fourth one explores the international reception of Hume's writings on political economy.

The objective of the book is to understand how Hume became a renowned economist, without undoing the tight ties with the rest of his philosophy. It aims therefore to grasp relevant aspects of his theory, accurately pointing out the similarities and differences with other authors and thinkers of the time.

Now to a more detailed description of the volume. Roger Emerson and Ian Ross anchor the development of Hume's economic ideas to his biography, from the Darien Scheme and the South Sea Bubble to his encounters with Cantillon and Isaac de Pinto.

Emerson in particular addresses the relevance of the Scottish context when considering Hume's economic essays. In his view, Hume wrote as a Scotsman with Scotland in mind and there is a very Scottish orientation to much of the practical and theoretical material he wrote. This is testified in the Highlands problem, as well as in the essays 'Of the Populousness of Ancient Nations' and 'the Idea of a Perfect Commonwealth' which have Scottish contexts. A clear example for all is that henceforth demographic science enters fully into economic analysis, thanks also to the confrontation with Wallace, whose manuscript Hume got to read. Ian Simpson Ross, in his essay 'The Emergence of David Hume as a Political Economist', tries to identify the biographical episodes which led the Scottish thinker to become to all effects and purposes a renowned economist, from the meaning of 'circulation' after the dire consequences of the South Sea Bubble, his commercial experience in Bristol, the experience acquired in his Parisian stay, during serious problems of excess circulation, the echoes of debates on contemporary politics, as recorded in *Early Memoranda*. Not to mention the meeting with Isaac de Pinto, a new man on the economic scene, who made him reflect on public debt and circulation.

Following these essays, which provide us with an extremely interesting historical frame necessary to fully appreciate Humean ideas, Christopher Berry and Richard Boyd, along with Till Grüne-Yanoff and Edward McClennen, consider some themes in Hume's economic thought, which are connected with human passions, with the effects of vice – such as luxury – and with the several relationships produced in society by new forms of com-

merce and industrialization. Commerce encourages mental habits and behaviours that are typical of a specific civil life and *modus vivendi*.

In particular, Berry stresses the meaning of "luxury" as neutral, as opposed to the negative connotation in the mediaeval world. In Hume's historical perspective, desire has no limits and freedom in economics improves human practical life. Berry's analysis aims to explain how "superfluous value" is an important ingredient in Hume's political economy.

Economic issues really come to the fore in the second half of the book. Wennerlind states that the role of money in Hume's vision of commercial society is fundamental and provides a sophisticated elaboration on how money relates to such diverse features as "industry, knowledge, and humanity".

Schabas discusses very acutely the strictures of Hume's economic thought, especially regarding the "specie-flow mechanism".

C. George Caffentzis stresses the importance of Hume's distinction between natural and artificial virtues, and uses it to underline the dualism between "fictitious" metallic money and "counterfeit" paper money. Robert Dimand's essay also focuses on the problem of paper money and on Hume's personal commitment to the "right use of paper money" on the occasion of the affair of the Canada bills affair, in which Hume was involved by a group of British merchants. The negotiations, which were aimed at solving the affair, lead Hume to deeply revise his ideas on the utility of bank notes expressed in his 1764 *Essays*.

In the fourth part of the book Loïc Charles, John Shovlin, and Paul Cheney deal with the reception of Humean thought in France. Recently, this topic has been extensively investigated by other scholars, such as Jeremy Jennings (2008) and Robert Whatmore (2008 and 2009).

Istvan Hont revisits to the "rich country-poor country debate", which he analysed more than twenty years ago. In this somewhat rich and complex essay, the author adds new reflections and ideas to his previous works. Hont places Hume in his own historical context. Firstly, it was his lifetime interest for the economic future of poor countries to make Hume a Scottish scholar of economics. Like many of his Scottish contemporaries, Hume was considered to be expressing a threateningly negative vision of Britain's economy.

Hume's strategy for economic development had a dual aim. He envisaged a system of inter-regional and inter-national division of labour wherein poor provinces and nations specialized in simple but labour intensive manufacturing industries, in which low wage costs alone could ensure reasonable competitiveness. Developed economies, Hume suggested, had no reason to continue with these rather crude economic activities. On the contrary, they should shift their manufacturing role towards the production of complex and innovative luxury goods. Producing them well, or at all, required skill, capital and affluent markets, all of which existed only in rich countries. By insisting that rich and poor

Paola Zanardi Philosophy and economics. Some recent books on Hume's political economy

nations should specialize in industries of different complexity and then exchange their products through reciprocal trade, Hume implied a non-competitive trade policy based on "comparative advantage" and "product cycles".

Many thinkers engaged in this debate which was labelled "the rich country-poor country debate", amongst them Adam Smith, Sir James Steuart, John Millar, Dugald Stewart and Lord Lauderdale. The label was invented by George Davie, who described the argument as David Hume's economic question, i.e. whether a backward Scotland, under the free-trade conditions provided by the union, could ever catch up with the immense superiority of England, her predominant partner.

Hont's essay shows how the debate was immediately received within French culture. French-British rivalry was then at its peak not only because of the Seven Years' War, but also due to the existing economic competition between the two nations.

Eighteenth-century Scottish political economy cannot be studied fruitfully in isolation to the great French politics and theory debates of the time. Paris was the intellectual powerhouse of the world.

Hont suggests to interpret Hume's *Discourses* in the light of the French cultural context in which a thinker like Melon produced his *Political Essay upon Commerce*, one of the most important texts on political economy published between 1730 and 1740.

Of extreme interest is the debate in France, which followed the translation in 1754 of Hume's *Discourses*, concerning whether Cantillon, Melon, or Montesquieu were his inspirers. The Gournay-group found it difficult to accept Hume's ideas, opposed to any relation between commerce and war, to public credit, and to monetarist strategies supporting economic growth. Rousseau had understood that Hume criticised some negative consequences of commerce, but he preferred a commercial society to a poor one. Hume was in favour of a world with more, rather than less, commerce. He had raised the problem of stable conditions of modern politics and the dangerous synergy between economic competition and international rivalry for power. Hume wished the Scottish economy to grow at the expense of some of England's manufacturing industries, but he clearly wished to see healthy economic growth in both countries. He readily acknowledged England's superiority and therefore looked for a pattern of trade in manufactured goods between the two nations that sidestepped any direct competitive rivalry. He developed a theory of 'comparative advantage' and 'product cycles'.

In his complex essay, Hont deeply revises the common outlook on Hume's economic thought and does not neglect themes that are relevant for our contemporary society, such as the government's involvement in the management of monetary policies, an issue which Hume agreed upon, failing however to clarify the details of the political actions.



The section on the reception of Hume's *Political Discourses* in France and in Gournay's circle is indeed extremely remarkable. Their success was enormous – as it is confirmed by the early translations edited by Mauvillon and Le Blanc in 1745 and the several reprints during the eighteenth century – but it would be equally interesting and fruitful to explore their dissemination in Italy and Germany. In Italy, Hume's fame in the eighteenth century is mostly due to his economic writings, as Pietro Verri wrote in 1763, thanks to the partial translation (7 essays out of 12) edited by Matteo Dandolo in 1767 in Venice. *I saggi politici sopra il commercio del signor David Hume (Political essays on commerce by Mr. David Hume)*, published in Italian and in English, were reissued in 1774 with an introduction on the commerce in Sicily written by Isidoro Bianchi and again reprinted again in 1798. Afterwards, Hume's name was closely tied with the crucial problems of the new science, such as the public debt, currency, and commerce, issues that were later to become decisive for the Italian governors of the *ancien régime* (Zanardi 2005).

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Paola Zanardi Philosophy and economics. Some recent books on Hume's political economy

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