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Author(s): Evelyn Forget

Source: *The Canadian Journal of Economics / Revue canadienne d'Économie*, Feb., 1993, Vol. 26, No. 1 (Feb., 1993), pp. 121-133

Published by: Wiley on behalf of the Canadian Economics Association

Stable URL: <https://www.jstor.org/stable/135848>

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J.-B. Say and Adam Smith: an essay in the transmission of ideas

EVELYN FORGET University of Manitoba

Abstract. This essay examines J.-B. Say's (virtually unknown) annotated copy of the *Wealth of Nations*, in order to gauge the impact on Say of Adam Smith just as the former was writing the *Traité d'économie politique* (1803). Say introduced several ideas, including the immaterial commodity, derived demand for factors and demand and supply analysis, while rejecting Smith's theory of natural value. Nevertheless, Say believed himself and Smith to be working in the same tradition.

J.B. Say et Adam Smith: un essai sur la transmission des idées. Cet essai examine la copie (virtuellement inconnue) de *La richesse des nations* d'Adam Smith annotée par J.B. Say afin d'établir l'impact d'Adam Smith sur Say au moment où celui-ci était en train d'écrire son *Traité d'économie politique* (1803). Say a introduit plusieurs idées, y compris celles de biens immatériels, de demande dérivée de facteurs de production, et d'analyse d'offre et de demande, tout en rejetant la théorie de la valeur naturelle de Smith. Néanmoins, Say croyait que lui et Smith travaillaient dans la même tradition.

Les grands hommes sont le résultat des événements non moins que de la nature. La nature fait les frais de leurs facultés, et les circonstances, au milieu desquelles la fortune les place, sont le terrain où ce germe se développe. (Jean-Baptiste Say, *Cours complet d'économie politique pratique*, 6th ed. (1845), 571

Jean-Baptiste Say acknowledged, in a letter to Malthus, that Adam Smith showed him the correct path when, jostled by mercantilists on one side and physiocrats on

Versions of this paper were presented in departmental seminars at the universities of Manitoba, Toronto, Brock, and Regina, and in a session organized by the History of Economics Society at the AEA meetings in New Orleans in January 1992. I would like to thank participants in these seminars, especially Bob and Mary Ann Dimand, Sam Hollander, and Rick Kleer for generous and helpful advice. I am grateful to the University of Manitoba and to the SSHRCC for supporting my research.

Canadian Journal of Economics / Revue canadienne d'Économie, XXVI, No. 1
February / février 1993. Printed in Canada / Imprimé au Canada

0008-4085 / 93 / 121-133 \$1.50 © Canadian Economics Association

the other, he took his first hesitant steps in the discipline (Say [1822] 1968, 622). Say ended his *Cours complet* with an abridged history of political economy in which he praised the *Wealth of Nations* for elevating political economy to the level of a positive science (Say 1968, 572). If he criticized Smith, and he did, it was only because Smith was worthy of his effort; it was, Say claimed, a type of success that evaded most books which merited neither much praise nor much criticism (572).

This paper examines the influence of Adam Smith on Say's political economy just as the latter was writing the first edition of the *Traité* (1803). Twenty-seven years and a narrow strait separate the *Wealth of Nations* and the *Traité d'économie politique*, but significantly different social and political environments and very different characters influenced their respective authors. At the end of his life Say would look back and warn his readers against imagining that political economy could remain untouched by the political tumult of the American and French Revolutions. Events, he claimed, made apparent some eternal truths and destroyed more than one error, and the spirit of the age encouraged all types of speculative investigations – political economy alongside mathematics and the natural sciences (Say 1968, 576).

Between 1800 and 1803, Say annotated his own copy of the fifth edition of the *Wealth of Nations*, which he had purchased in 1789 and still possessed in 1827. This copy went first to his son Horace Say (1794–1860) and then to his grandson Léon Say (1826–96), who donated it to the library of the *Institut de France* (Place de l'Institut, Paris (vi)).¹ These notes were carefully transcribed and published by Hitoshi Hashimoto (1980, 1982), who provides an introduction containing a brief biographical note and a statement of the editorial principles used to update obsolete spelling and to date the annotation.

In this essay I take the critical comments, and divide them into three categories: notes on method, on value and distribution, and on the art of administration. The result is a measure of the intellectual distance between Say and Smith at this early period of Say's career. It is worth noting at the outset that Say's criticism is quite often unjust. He constantly berates Smith for poor textual organisation, while most of his contemporaries were enamoured of Smith's methodical presentation, and at least some accused the hapless Smith of 'system-building,' defined as too great a fondness for long and abstract chains of reasoning (Stewart 1793, 65–6, and 68–9; Mill 1806, 231–2; Buchanan 1814, iv, viii, xi; Horner 1853, i, 126–7). In the comments on Smith's theories of value and distribution Say overstates his quarrel with Smith, whom he believed to focus far too much on cost price and 'natural value' – a term Say vehemently rejected. At least some commentators since 1776 have found significant evidence of demand and supply analysis and even derived demand in the *Wealth of Nations* (Hollander 1973, chaps 4–5; Hollander, 1979, chap. 1). Say did not comment on this evidence and perhaps did not recognize

¹ The first volume is inscribed and signed as follows: 'Je prie l'académie des sciences morales et politiques, d'accepter l'hommage de l'exemplaire de la *Richesse des Nations* d'Adam Smith, qui a appartenu à mon grand-père J.-B. Say. Les notes dont sont couvertes les marges de ces trois volumes, sont toutes de la main de J.-B. Say. 7 janvier 1888 Léon Say'

it. He certainly seemed to believe that his demand and supply analysis was an addition to Smithian scholarship. What is intriguing for twentieth-century readers is that he did not seem to believe that demand and supply theory was, in any sense, inconsistent with Smithian analysis. Smith was, and remained, the ‘master’ as far as Say was concerned.

I. JEAN-BAPTISTE SAY: A BRIEF OUTLINE OF HIS VARIED CAREER

J.-B. Say emerges as an intriguing figure in a volatile age. He was far from a disinterested philosopher, but none the less he had a taste for system and for abstraction.² He followed political events closely, attaching himself to a revolutionary group of young intellectuals and serving in the Campaign of 1792. On his return, he wrote for and eventually edited *La Décade*, which was an important periodical of the era, dedicated to philosophical, literary, and political matters. It had a moderate republican tone (after the Terror, at least), and showcased the disciples of Helvétius, Condorcet and Diderot and *Idéologues* such as Cabanis and Destutt de Tracy. The journal survived until freedom of the press died under the Napoleonic regime.

In 1799 Say was appointed a member of the *Tribunat* attached to the *Comité des Finances* by Bonaparte, whose rise to power he (at least tacitly) supported. Say later claimed to have been somewhat ignorant of the factors that facilitated that event (Comte 1968, III). The mission of the *Tribunat* was to discuss, before a legislative body, the proposals of the government and to denounce unconstitutional acts to the *Senat*. The *Tribunat*, by its very nature, was incompatible with the emergence of an intolerant regime, and those members of the *Tribunat* who insisted upon exercising the powers imposed upon them by the constitution were invited to resign. Say was among them, and spent several years in ‘internal exile’ for (among other things) refusing to alter the *Traité* according to Bonaparte’s notion of what the political situation required (Reynaud 1953, 11–12). The intervention of well-connected friends, concerned that he would suffer financially, caused Say to be offered a position in the taxation bureaucracy. A rather haughty refusal to have anything more to do with ‘le dépouillement de la nation’ ensured that he would have the opportunity to spend the next eleven years augmenting his direct experience of industrialism. A cynic might be interested to learn that Say’s principled departure from the *Tribunat* occurred only after he had purchased a manufacturing concern in the Pas-de-Calais; for at least two years he and a partner had actively sought such a venture.³

Until 1814 Say found himself unable to publish anything; freedom of the press did not exist, and no publisher was prepared to bring out another edition of the *Traité*, or anything else from his pen. In fact, Say complained bitterly of the suppression of the moral sciences during the Napoleonic regime in his *Cours complet*

2 Much of the material in this section is synthesized from the excellent biography by Pierre-Louis Reynaud (1953) which acts as a preface to *Textes choisis*. Charles Comte has also summarized Say’s life in Comte (1968).

3 See the partial diary preserved in the Say papers at the Bibliothèque Nationale. (Carton F)

(Say 1968, 5). He spent these years in the textile industry, building an establishment of significant size and taking some pride in bringing the benefits of industry to an undeveloped region of the country.

After the destruction of the empire and the installation of the restoration government, he could again travel and communicate with English and European intellectuals, including Ricardo, James Mill, and Malthus. In 1815 he was sent to England as an ‘industrial spy,’ charged with the duty of reporting upon the economy of a nation with which there had been no regular communication for twenty-three years. Writing, publishing, and giving lectures once again, he began teaching a systematic course in ‘industrial economics’ at the *Conservatoire des Arts et Métiers* in 1819. Political considerations dictated the course title; ‘political economy’ seemed a good deal more dangerous, in certain quarters, than the more technical-sounding ‘industrial economics.’ Some care was also taken to locate Say’s course in an area remote enough to ensure that no law student or emerging administrator would accidentally come upon it; for a period of twelve years Say lectured to potential industrialists and a large number of European auditors without producing a single student dedicated to the science. This is not to say that the lectures were uneventful. They did attract the attention of the secret police (Liesse 1901).⁴ But by all accounts Say was something less than a gifted orator; he read previously composed notes and, in later years, sent his eldest son Horace to read the notes for him without provoking any complaints from disappointed students. During this period he continued his association with leading liberals, such as Charles Comte and Dunoyer. In 1830, two years before his death, he was appointed ‘professeur d’économie politique’ at the *Collège de France*.

Say wrote his political economy with an eye on the changing political and ideological developments of the age. But he was also a scientist, who read carefully the works of the best political economists and who was dedicated to propounding what he believed to be the eternal truths of a science. Say wrote very specific works for different audiences. His *Traité* went through several editions over his lifetime, and fundamental aspects (even in such central areas as his theory of

4 Liesse (1901) includes in an appendix transcriptions of police reports on Say’s lectures which give some idea of their timeless flavour. On 17 December 1824 it is reported that: ‘les auditeurs y sont beaucoup moins appliqués que ceux qui suivent le cours de M. Dupin; ils entrent et sortent fréquemment, circulent dans toutes les parties de chaque salle et forment des groupes qui peuvent fournir à la malveillance l’occasion d’y semer les germes d’un mauvais esprit.’ On 28 December, it is acknowledged that Say did not discuss political events in class, although he did manage to find ways of disparaging the institutions and laws of the country in passing. Of more concern to the agent is that some of the auditors appeared to be Spanish, and they had been seen frequenting (in disguise) ‘les Cabinets littéraires les plus mal famés de la capitale.’ Then, rather incredibly, he concludes: ‘Ces observations, Monseigneur, vous feront juger du parti que la faction peut tirer dans l’avenir de ces cours publics ou des hommes du peuple essentiellement simples et crédules sont exposés aux séductions de leurs professeurs et à celles de certains hommes qui, pour parvenir plus sûrement à les égarer, paraissent ne se réunir à eux que pour partager leurs travaux. Ces manœuvres, dont je fais suivre les traces, ne me laissent aucun doute qu’après avoir perdu l’espoir d’opérer désormais des bouleversements par la force, la faction a conçu le projet de faire pénétrer dans l’esprit du peuple la Révolution et ses funestes doctrines, afin qu’elles portent leurs fruits un jour.’

value and the ubiquitous ‘law of markets’) changed significantly between editions. His *Catéchisme* was a simplified version of the principles of the discipline. His *Cours complet* was designed to teach political economy to statesmen, merchants, Landlords, and capitalists, scholars, farmers, manufacturers, lawyers and ‘en général ... tous les citoyens.’ All three undertakings can be seen as an aspect of a need outlined in *Olbie: ou Essai sur les moyens de réformer les moeurs d’une nation* (1800), in which Say imagines the existence of a people he calls Olbiens who desire a political system and set of institutions to ‘discourage vice and encourage virtue.’⁵ One of Say’s principal suggestions was the creation of an elementary text in political economy which could be taught in public schools, so that every citizen would be aware of the principles which governed their economic welfare. Any citizen running for office would be publicly interrogated upon the principles of the science. This early goal reflects the grandiose idea of political economy’s promise that characterized the age, and accords well with Say’s much later recollection that ‘sous le gouvernement de Napoleon, on reprochait à l’économie politique de rendre les hommes trop raisonneurs et trop peu soumis aux décrets de l’autorité’ (1968, 26).

Say was acutely aware of his audience and of the goals he hoped to achieve. One of the compliments he affords Turgot is that the writer was sensitive to issues of rhetoric – that he knew the necessity of managing well the instrument by means of which thoughts are communicated (Say 1968, 570). Charles Comte says of Say himself that his clear, simple, and elegant style can be read with pleasure, because the author has studied the great writers of the seventeenth and eighteenth centuries: ‘Une phrase obscure ne lui paraissait propre qu’à couvrir une pensée fausse’ (Comte 1968, vi). This facility of style has led to the charge that Say was nothing but a popularizer. But Say was not a simple propagandist. He emphasized throughout his work the distinction between the science of positive economics and the art of administration (cf. Say 1968, 569), and he believed that the former could not be moulded to suit political expediency. He spent several years in the textile industry to prove the point. But Say’s intended audience and the goals he hoped to achieve with a particular work are not immediately apparent to readers separated from his world by two centuries. He moves, often without warning, between speculations on human nature, analytical discussions of the costs of taxation, and specific criticism of specific taxation policies of specific governments. Say may have been aware of the distinction between positive and normative economics, but it is often difficult to determine when he was engaging in one and when the other.

It is accordingly meaningless to speak of ‘Say’s political economy,’ without attempting to attach a date and a title and a motive to the undertaking. Fundamental

⁵ *Olbie* is in the same tradition as Adam Smith’s *Theory of Moral Sentiments* and reflects the eighteenth-century preoccupation with ‘vice and virtue.’ The French Revolution, of course, was accompanied by an outpouring of work on all sides of this issue, including the utopian reflections of political writers like Godwin and Condorcet, whose *Esquisse d’un tableau historique des progrès de l’esprit humain* was written while he was hiding from the police and published in 1795 after his execution at the hands of the revolutionary government.

changes and apparent inconsistencies abound. Say's annotation of the *Wealth of Nations*⁶ is one of the few sources where we need not worry about separating his political, scientific, and pragmatic goals, since he never intended its publication. The annotation is pure science.

II. SAY ON SMITH: METHOD

Say's work is brimful of methodological references. He lauds political economy as an experimental science and induction as its principal method. Three points, however, should be kept in mind. First, Say is never so simple-minded as to suggest that pure observation or pure induction is either possible or helpful. A passage in the *Cours complet* is representative: 'Les hommes peu accoutumés à la réflexion ont dédaigné le raisonnement; ils ont dit: *Je ne veux que des faits et des chiffres*. Ils n'ont pas pris garde que les faits et les chiffres n'ont une valeur qu'autant qu'ils prouvent quelque chose, et qu'ils ne peuvent prouver qu'à l'aide du raisonnement. Le raisonnement seul peut montrer comment ils sont les résultats d'une certaine donnée, ou l'annonce d'un certain effet' (Say 1968, 8, his italics). He seems, rather, intent upon ensuring that the first axioms of the science are reasonably realistic, and that the results of chains of deduction actually occur sometimes (Say 1968, 6–9).

Secondly, when it comes to method, Say is a good deal more consistent in word than in deed. As much as he condemns 'system,' he shows a definite taste for abstract deduction. Reynaud divides what he labels as Say's primary contributions to the science into two categories. Induction, or what Reynaud calls 'la méthode réaliste' predominates in the first, which includes Say's theory of value, and his discussion of the entrepreneur and of industrialism. The deductive method, however, surges to the fore in Say's discussions of free trade, the law(s) of markets, money, distribution, and the analyses of crises (Reynaud 1953, 17–49). Finally, one need only compare the *Traité* and the *Cours complet* to recognize that Say's illustrative examples multiplied as he aged. His earliest work is the simplest and the most 'systematic.' His later work shows the effect of his experience and his study; at base, it may be as deductive as anything else he wrote, but the *Cours complet* has a richer anecdotal content.

How, then, did Say react to Smith's *Wealth of Nations* between 1800 and 1803? He demonstrated quite clearly that illustrative examples alone are unconvincing. In the *Wealth of Nations* (5th ed., vol. II, 89), Say remarks that he is unconvinced by Smith's efforts to demonstrate that slaves of ancient empires were less productive than free workers of the eighteenth century, because those ancient empires were characterized by great extremes of wealth and consumption, idle nobility, and huge public expenditures on amphitheatres, aqueducts, and so forth. The nineteenth

⁶ All references to the *Wealth of Nations* are to the fifth edition of 1789, which Say was annotating. It is easy to make the transition to the Glasgow edition of the *Wealth of Nations* because the Glasgow edition refers to the corresponding page of the third edition (1784), and the fifth edition maintains the pagination of the third.

century, Say argued, could not maintain such production with free workers. Say simply quarrelled with Smith's version of history.

Similarly, when Smith claimed that only profitable industries like sugar and tobacco could afford the luxury of using slaves who were, he argued, less productive than free workers, Say replied that one could use the same 'fact' to prove, equally well, the opposite point; that is, that profits are large in sugar and tobacco production because the maintenance of slaves is less costly and they are worked harder than would be possible with a voluntary labour force (vol. II, 90).

The most important methodological points that Say made in these notes, however, concerned Smith's definition of political economy and the alleged lack of order in the presentation of his ideas. Say declared (vol. II, 138) that he would prefer to define political economy as a study of the means by which wealth is created, distributed, and destroyed (or consumed). The government enters this system only as an accessory, to encourage or to inhibit production, or to lay claim to a share of the produce. This is an important issue, because it is one that Say carried with him throughout his life. In the *Cours complet*, for example, he blames the physiocrats for confusing the independent investigations of the science of human wants (economic analysis) and the art of political administration. Adam Smith, he claims, without sharing the error, perpetuates it by using the name 'political economy' to refer to the science of economic analysis, instead of 'social economy,' which Say would have preferred on the grounds that careless readers would be less likely to confuse economics and politics (Say 1968, 569).

Finally, Say is often praised for his methodical and orderly presentation of the principles of political economy, and for the three-way division of the subject into production, distribution and consumption. We have just seen a reference to the latter division, and we can also find references to Smith's supposed disorganisation. Say mentions (vol. I, 119) that one is always struck that an investigator as excellent as Smith can put so little order into the presentation of his ideas, in this case allowing a discussion of related but peripheral issues to intrude upon an analysis of wages. And a few pages earlier (vol. I, 111) Say notes (with some exasperation) that it takes Smith eight pages to prove that salaries in England are higher than would be necessary to purchase the physical means of subsistence. Similarly, he remarks that chapter 10 of volume I contains many developments of material belonging in chapters 8 and 9, 'et le chapitre 11 est grossi outre mesure par des digressions qui mériteraient seules de former des *chapitres*, et même des *livres* par elles-mêmes' (vol. I, 96). As we shall see below, what Say labels a lack of organization allows Smith to make significant errors (according to Say) in his theory of value.

The methodological criticism, it seems, amounts to little more than a wish on Say's part that Smith had laid out the work in a more orderly fashion. This, to a very large extent, is what Say chose to tackle in his own *Traité*. The apparently more profound question, the relative importance of induction and deduction in political economy, is not significantly considered in Say's notes on the *Wealth of Nations*. One is left with the suspicion that, for all Say's later methodological

pronouncements, there really is not a great deal separating Smith and Say with respect to methodology. Perhaps Say recognized as much. In the *Cours complet*, he remarked of Smith: ‘S’il énonce une vérité générale, cette proposition abstraite n’est que l’expression commune de plusieurs faits réels’ (Say 1968, 572).

III. THE THEORY OF VALUE

While Say’s methodological approach remained fairly stable over his lifetime, the same cannot be said for his theory of value. It would lend a false sense of certainty and consistency to the project if we were to draw comparisons between Say’s critique of Smith’s value theory, and later editions of the *Traité* or the *Cours complet*. By contrast, there is a remarkable similarity between the critique of Smith and the value theory outlined in the first edition of the *Traité*, which (in fact) is the reason that Hashimoto (1980, 63–4) is able to date Say’s annotation of the *Wealth of Nations* with so much certainty.

Say’s criticism is trenchant, and many of the novel ideas that are developed in the first edition of the *Traité* appear in his notes. An extreme and unsympathetic reading of Smith’s labour theory of value attracts attention from the first page of volume 1, where Say rejects outright the idea that labour is the sole source of value. The primacy of the division of labour is queried (vol. 1, 6) and Say suggests that increases in productivity can be attributed to natural agents harnessed by industry. Say questions Smith’s attempt to reduce the productivity of machinery to the division of labour (vol. 1, 14). He acquiesces to Smith’s suggestion that scientific discovery is aided by the division of labour (vol. 1, 16) but notes that once the techniques of using natural agents are known and the machinery built, both the land and the capital can be seen as productive along with labour. But Say’s fundamental criticism of Smith’s labour theory of value appears on page 44, where he argues that Smith has committed a double error. First, he has neglected the productivity of agents other than labour. Secondly, he has ignored the fact that different types of labour are paid differently depending upon the utility of the product they produce. Labour, then, cannot be used (according to Say) as an invariable standard of value, because it cannot be reduced to a common unit independent of how it is allocated in production.

This comment is significant, because it is a reasonably clear recognition of the idea that the demand for labour is a derived demand. If the wage of labour depends upon the utility of the final commodity in consumption, then we are not far from recognizing that the demand for a factor of production depends upon the demand for the final commodity. Say, of course, chooses neither to define ‘utility’ nor to cast the argument in terms of demand curves. Moreover, Say implicitly assumes that competition will not equalize wage rates between industries; labour, for some reason, is not mobile. Either there are institutional rigidities, or the analysis must be confined to the short run, where it cannot be assumed that wages are equalized. And finally, to suggest that Smith ignored the productivity of agents other than labour, and did not recognize (at all) the notion of derived demand is not consistent with

most interpretations. Say's reading is extreme, and serves chiefly to highlight his own contribution, which emphasized utility.

This criticism is the foundation upon which Say builds a more elaborate critique of Smith. First of all, if what labour produces is 'utility,' Smith's distinction between productive and unproductive labour cannot be sound. Say notes (vol. I, 415) that the thesis that Smith is attempting to defend is that labour that produces nothing but a utility (like the services of a lawyer or a musician) is unproductive. Say argues that this sounds a little like the physiocratic doctrine, and in fact can be used to demonstrate that manufacturing is no more productive than service industries. He notes that manufacturers produce nothing but an augmented value embodied in the product of their industry, which (he argues) is nothing but a utility or a purely immaterial quality. Similarly, Say notes (vol. II, 2) that the employment of domestic servants impoverishes a nation *not* because they are unproductive, but rather because what they produce is immediately consumed. Say recounts that (according to Smith) the rent of land pays for a productive service and the rent of buildings for an unproductive service, but he would prefer to say that buildings are, in fact, productive of an immaterial product (vol. III, 284).

Recognizing the productivity of agents other than labour means that Smith's identification of the annual product with annual labour input must also be rejected, Say claims (vol. I, 81). Attempting to reduce capital to labour input in the past is no solution. First of all, capital consists of both accumulated labour and (in modern terms) a commodity residue: 'Le capital représente en partie un travail humain & partie de sa valeur en provient' (vol. I, 75). Moreover, the value of the service rendered by the capital good in production has nothing at all to do with the labour required to produce it in the past. The value of the capital good depends upon the utility of the good it helps to produce: 'la valeur du service qu'il rend ne représente plus de travail humain. Il n'en entre pas dans le service que rend le capital' (vol. I, 75). Again, the notion that the value of a factor of production depends upon the market for the final commodity – that is, that the demand for a factor is a derived demand – is apparent. Value is not determined by cost of production, but by the value of the good it is expected to produce; the analysis is forward looking rather than backward looking.

It is not surprising, perhaps, that Say also objects to Smith's notion of a 'surplus' (vol. I, 433), since he questions Smith's theory of value. He claims that Smith has gotten himself into a muddle by trying to distinguish between the gross and the net revenue of an economy – a pointless and impossible distinction according to Say. Had he clarified his theory of value, Say claims, Smith would have realized that the 'revenue' of a society is not a physical entity, but simply a value, whatever material form it might take. Similarly, Say claims (vol. I, 428) that Smith seems to confuse revenue (in the form of material products) with capital. Smith says that circulating capital disappears during production and then reappears but does not form part of the revenue of an economy. It is the commodity ultimately produced that forms the revenue. According to Say, this obscures the problems associated

with aggregation and with valuation.⁷ This criticism focuses on the issues we deal with in national income accounting, at least in part, by using the concept of ‘value added.’ Say rejected the whole notion of trying to define a surplus in a complex economy where it could not be identified in simple physical terms.

Smith’s alleged obscurity of exposition is also the cause of his erroneous explanation of the sources of profit (vol. 1, 133). According to Say, Smith would have saved himself much difficulty had he divided what he calls ‘profits of stock’ into two parts, namely the profit of industry (or the salary of the director) and the interest of capital. These two components are regulated by very different principles. The first is determined by the degree of difficulty of the work, the length of study required to undertake it, and so on. The latter is determined by the abundance of capital and the risk of the investment. He makes the same point on page 154, when he argues that if the apparent profit is higher in an industry characterized by disagreeable work, it is because the wage of the entrepreneur is higher, not the interest on capital. Similarly, on pages 157 and 170, Say argues that interest will vary only in response to risk differentials. Say gives Smith credit for recognizing the distinction in certain places (cf. vol. 1, 133, 171) but calls his failure to integrate the distinction ‘un exemple de plus de la négligence des auteurs anglais dans la formation, et la réforme de leurs plans’ (vol. 1, 133).

Say also objects to Smith’s concept of ‘natural price,’ but the dispute seems to be about something other than economics because he is ultimately prepared to accept the concept if it carries the label ‘cost price.’ Say wonders, first of all, how useful the concept is because it is a price which is not observed (vol. 1, 84); as soon as anything actually sells, the market price is the relevant concept. More profoundly, however, ‘natural price’ is influenced by circumstances which one could (according to Say) hardly call natural (vol. 1, 96). What Smith calls the natural price is simply the cost of production when wages, interest and rents are at their natural levels in a given set of circumstances, which may well include factors (like government regulations) which are not in any sense natural. Say argues that if Smith uses the term natural price because it is derived from the nature of things, then the market price merits the same designation, since it is also determined by the nature of things (vol. 1, 96). Say, himself, prefers the phrase ‘cost price,’ and one might suspect that it is because ‘nature’ and ‘natural’ bring to Say’s mind echoes of a philosophical debate from which he chooses to distance himself. The criticism of ‘natural price’ might have more to do with Rousseau than with Smith.

Finally, demand and supply are concepts that preoccupied Say (and many of the classical economists) for a number of years, and it is interesting to see how Say was prepared to use these ideas at this early period in his career. Say notes (vol. 1,

7 ‘Smith ne paraît ici confondre le revenu consistant en produits, avec le capital. Son capital circulant ou mobile, disparaît pendant la production, réparaît ensuite, mais ne fait point partie du revenu de la société. C’est le produit sortant de toutes ces métamorphoses, qui en fait partie. Sous ce point de vue il n’y a, quoiqu’en dise Smith, aucune différence entre le capital mobile de la société & le capital d’un particulier. Je sais bien que cette erreur n’entraîne aucune fausse conséquence dans les raisonnements de Smith, mais elle obscurcit singulièrement son idée’ (vol. 1, 428).

498) that the market price of a commodity is determined by what it costs to bring it to market, and by the proportion between the quantity of the merchandise and the demand for it in the same market. Interestingly enough, the example he uses is a simple quantity theory of money argument. Suppose one were to increase the money supply by two-thirds, by issuing bank notes. This would mean, he argues, that two-thirds of the silver in circulation would now be superfluous. Total money supply would have increased without changing the demand, and the result would be that the value of the money must fall until enough demand is called forth to match the level of the supply. Of course, he notes, the markets for gold and silver are international markets, and a single country might increase its money supply without much affecting the proportion between total demand and supply (vol. 1, 498).

Say's critical comments on the *Wealth of Nations* are most striking where they concern the theory of value. They are not in all cases fair, but they serve to emphasize Say's preoccupations. Central areas of value theory and distribution were considered, and found wanting in one way or another. Nevertheless, the general impression with which we are left is that, while Say made a number of novel suggestions which he and others would develop in later years, he believed that his work and Smith's were not only compatible but closely related. His primary criticism of Smith is that the latter was careless.

IV. THE ART OF ADMINISTRATION

In later years Say could reflect upon the *Wealth of Nations* and excuse Smith for not being a very good prophet. In the *Cours complet*, for example, Say acknowledges that Smith could hardly have been expected to anticipate the 'scandalous abuse' that came to characterize public borrowing in later years (Say 1968, 575) – that is, public borrowing in France twenty-five years after the publication of *Wealth of Nations*. But there is little direct reference to current political events in Say's notes. There is an oblique reference to the campaign of 1792 (vol. III, 62), but by far the most significant points Say has to make in this area are not in matters of detail but rather in general outlook.

Smith considers whether fixing the rate of interest might be in the best interests of the nation and concludes that it might, in fact, be advantageous (vol. 1, 45). Say rejects this position outright for both economic and ideological reasons. He claims that Smith's position departs from his own principles. Fixing the rate of interest is analogous to fixing any price and would create the same negative effects. Rather than eliminating usury, a fixed rate of interest would worsen it. And any such interference in the freely negotiated contracts of individuals was contrary to justice.

Say quarrels with Smith's claim that 'it is only by means of a well-regulated standing army that a civilized country can be defended; so it is only by means of it, that a barbarous country can be suddenly and tolerably civilized ... It is the instrument which executes and maintains all his other regulation' (vol. III, 68–9).

The somewhat more cynical Say notes that a standing army maintains the arbitrary wants of the prince rather than laws created in the interest of the nation. Smith implies that tranquility accompanied by despotism is preferable to agitation in the name of liberty, and Say responds that (while the question cannot be resolved absolutely) he believes that freedom, even if its price is some political agitation, is much to be preferred.

The relative dearth of comments from Say on Smith's political and ideological statements is due to three factors. First, Smith and Say had very similar ideological outlooks; differences of opinion (as in the two examples cited) largely reflect differences of experience. Second, Say argued that Smith was quite capable of distinguishing between the positive science of political economy and the art of political administration, and Say was most interested in Smith's work on the former. Third, Say did not intend the publication of these notes and the comments he made were the comments of a scientist in the process of articulating his own scientific principles. He had no reason to articulate matters of ideology or politics, as he often did in his later published work which was specifically created to transform 'les moeurs d'une nation.'

V. CONCLUSION

Say's annotation of the *Wealth of Nations* allows us to determine precisely how Say viewed the novelty and the significance of his own unique contributions to political economy at the beginning of his career. It is also one of the very few sources where we can isolate Say the scientist. He had no motive for writing these notes except to clarify his own principles of political economy by comparing and contrasting them with Smith's.

Many of the points that Say was to expand upon in his later writing made their appearance in these notes, particularly on Smith's theories of value and distribution. One can find the ubiquitous references to 'utility,' and evidence of demand and supply considerations (although it is not entirely clear how Say chose to define any of these notions). The importance of the 'produit immatériel' is recognized, and the related rejection of the distinction between productive and unproductive labour is clear. The focus on market price rather than natural price is already present, as is the immediate rejection of any type of labour theory of value. The careful distinction between the entrepreneur and the capitalist (and the related distinction between the returns to the services of the entrepreneur and those of his capital) is already a preoccupation. The most striking feature of Say's critique of the *Wealth of Nations* is his persistent (but not entirely successful) attempt to steer economic analysis away from the classical preoccupation with the material and the physical, embodied in concepts like 'surplus,' 'productive and unproductive labour,' 'natural price,' 'labour theory of value,' and even 'subsistence wages.'

It is, perhaps, surprising that Say could make all of these apparently serious criticisms of Smith's core theory of value, and introduce ideas that later came to dominate neoclassical economics, while retaining so much respect for the Scottish

economist. One might speculate that later events in the development of economic theory made the differences seem much more extreme and much more important than they appeared to Jean-Baptiste Say. He seemed to think that they were, on the whole, minor matters of carelessness on Smith's part – the result of faulty definitions and too little attention to details of organization. There is certainly no suggestion, at this point in his career, that Say believed himself to be working in a fundamentally different paradigm from Smith's.

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