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Source: *History of Economic Ideas*, 1993, Vol. 1, No. 1 (1993), pp. 1-42

Published by: Accademia Editoriale

Stable URL: <https://www.jstor.org/stable/23722129>

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SIR JAMES STEUART: THE MARKET AND THE STATE*

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The argument is divided into eight sections:

Parts I and II provide biographical details concerning Steuart's residence on the Continent and the difficulties which he encountered in formulating a systematic treatment of political economy.

Part III examines Steuart's use of the historical method in respect of his analysis of the relationship between economic development and constitutional change, illustrated further by reference to the treatment of population; areas of analysis which show the influence of David Hume.

Parts IV e V consider the ways in which Steuart examined the working of the exchange economy and the possibilities for economic growth.

Part VI addressed the problems of policy as they relate to relatively backward economies and to international trade, where rates of growth are assumed to differ.

Parts VII and VIII are concerned with the constraints under which governments are likely to operate and those problems of economic policy which are related to *circumstances* as distinct from the mercantilist interest in *power*.

I

Biographical

The Steuart family possessed two major estates, Goodtrees near Edinburgh and Coltness in the county of Lanarkshire, Scot-

* This essay is based upon an account of Steuart's system as set out in Skinner (1981). The argument includes some additional material which was introduced in Skinner (1988). The text printed here follows one which was prepared for translation into German to be published in B. Schefold (1993).

References to Steuart's *Principles* (1767) are given in parenthesis, followed by the reference to the Skinner edition (1966). The Skinner edition is based on the corrected copy, as reprinted in the *Works*, thus explaining some differences in the quotations.

land. But Sir James Steuart's branch of the family lived mainly in the vicinity of the capital city as befitted their standing in the legal profession. Sir James' grandfather had been Lord Advocate and his father (also James) had served as Solicitor General from 1709 to 1717. The link with the law was further enhanced when Steuart's father married Anne Dalrymple, the eldest daughter of Sir Hugh Dalrymple of North Berwick, Lord President of the Court of Session¹.

Steuart received his early education at the Parish School in North Berwick before proceeding to Edinburgh University where he studied for four years (1725-1729). He passed the Bar Examinations in 1735, aged twenty-two, and seemed set upon a course which would bring him distinction as an advocate and open up the possibility that he might follow in the footsteps of his forebears.

But Steuart chose to embark on a Foreign Tour (1735-1740) in the company of James Carnegy of the Southesk family, a fellow-advocate. The Tour was both profitable and eventful. To begin with the two young men studied in Holland at the Universities of Leyden and Utrecht before moving on to France, possibly to Paris and certainly to Avignon.

Alice Wemyss has now revealed a different pattern to that which I had originally assumed (Skinner, 1966, p. xxv). On this account it now appears that Steuart met the Duke of Ormonde, an ardent supporter of James 'III' on his first visit to Avignon, then a centre of political intrigue in favour of the "pretender" to the British throne. It was Ormonde, attracted by Steuart's wit and intelligence who invited him to visit Spain:

In Madrid he made the acquaintance of Earl Mariscal who (as a fellow Scot) realised what an acquisition this bright young man would be to the party, all the more in that he belonged to a *milieu* normally hostile to the House of Stewart (Wemyss, 1988, p. 92).

The discussions which took place in Avignon and in Madrid

1. Biographical materials are drawn from Chamley (1963, 1965), Skinner (1966), and the 'Anecdotes of the Life of Sir James Steuart, Baronet', appended to Steuart's *Works* (1805).

no doubt contributed to the fateful decision to travel on to Rome where, as Sir Walter Scott put it, “all manner of snares were spread by the Pretender and his sons” (Scott, 1814, chapter 5).

But Steuart may have been a willing convert. He was certainly an enthusiastic one being described by one contemporary as “the prettiest, most agreeable little Cur that ever liv’d if he were not such a Jacobite” (quoted in Chamley, 1965, p. 37). Certainly his letters to the Old Pretender’s secretary, written en route home, were full of youthful enthusiasm (Skinner, 1966, p. xxvi).

Steuart’s commitment to the Cause may have been confirmed by his meeting with Lord Elcho, who was later to command Prince Charles’ Life Guards during the Rebellion (although Alice Wemyss (1988, p. 93) suggests that it was Steuart who influenced Elcho). What is certain is that the two young men, who met in Lyons when Steuart was en route home, formed a lifelong friendship which was further cemented by Steuart’s marriage in 1743 to Lord Elcho’s sister, Lady Frances Wemyss. But a deciding factor, in terms of Steuart’s commitment to the House of Stewart, appears to have been his differences personal and political with the powerful family of Dundas of Arniston.

In a revealing letter addressed to Steuart’s sister, Mrs. Thomas Calderwood, Elizabeth Mure described Steuart’s character as amiable, affectionate, active and also “blessed with eloquence and a constant flow of cheerfulness and good humour”. But he was also described as ambitious, a quality “which must ever be considered as a strong feature of his character”. It was Elizabeth Mure who confirmed that the Dundas family had thwarted his political aspirations. She concluded:

I look on this as the foundation of all his after conduct, for had that revolution taken place which he wished, he would have been the first man in the state. When their Prince was at Edinburgh, he was consulted in everything, he wrote the Manifesto, and several little things in the public papers, and was sent as ambassador to France to negotiate assistance.

The commission was first offered to Elcho, who declined in favour of his brother-in-law (Wemyss, 1988, p. 95).

Elizabeth Mure added:

Our friends' notion of government would ill suit the rage for freedom (I may call it) that now reigns in this country, and is in fact running on to licentiousness. His ambition was to have an active share in a government that he approved of, and was a Jacobite on some whig principles, but not the whole of them ... had that revolution taken place which he wished, he would have been the first man in the state (Chamley, 1965, pp. 115–17)².

The promises which Steuart had made in Rome were thus soon to be confirmed. After the preparation and abandonment of a French invasion fleet, Prince Charles took matters into his own hands and sailed for Scotland in the summer of 1745.

Sir James Steuart had been sent to France in the autumn of 1745 in an ambassadorial capacity and, following defeat, his involvement with the Jacobites continued at least until the mid-1750s.

In December 1746 Prince Charles authorised Steuart to treat with the French Ministers but went on to note that if they

pretend that the King has a mind to undertake something in our favour you are to demand proof of his sincerity. Let that be either his Daughter in Marriage, or a large sum of money, not under a million ... You are to concur in no measures which seem only to work the Affairs of France by occasioning a diversion on the part of Great Britain, but on the contrary to take all possible measures to prevent and disappoint any such scheme (quoted in Bongie, 1986).

This commission was previously thought to be a copy of the

2. Elizabeth Mure's correspondent was Steuart's sister Margaret who married Thomas Calderwood of Polton in 1735. Mrs. Calderwood was a redoubtable lady who managed her husband's estate with great success. She also visited her brother when in exile. Details of the family history are given in the *Coltness Collections* (1842, pp. 391-407). This publication also contains a record of Mrs. Calderwood's *Journey* (*op. cit.*, pp. 105-275) which is dated 1756. Steuart had four sisters. Elizabeth who was unmarried, accompanied her brother to prison in France (see below, note 3) and spent the rest of her life at the family home in Coltness. Agnes married Henry David, afterwards the tenth Earl of Buchan, in 1739. Marianne married Alexander Murray of Cringletie in 1749. Murray served with his friend General Wolfe at the taking of Quebec (*Coltness Collections*, p. 387). All four sisters are described as both beautiful and talented.

original document given to Stuart when he left Edinburgh for the French Court in October 1745. The initiative, like to many others, failed.

Although Stuart's association with the Jacobites had been diplomatic rather than military, it seems that he adopted an extremely careful stance towards the British Government almost from the moment that the "fatal news" of Culloden reached him. But some years were to elapse before he returned once more to the habits of strenuous study which had been so marked a feature of his youth. Here the critical experience seems to have been his meeting, in Angouleme, with the exiled members of the Parlement of Paris (1753-54), one of whom was none other than Mercier de la Rivière, the latter-day physiocrat.

During the period 1757-1761 Stuart wrote two pieces: *A Dissertation on the Policy of Grain* (1759) and, in the same year, *A Plan for Introducing an Uniformity of Weights and Measures Over the World*. But there were other developments of particular significance, one of which was the writing and publication of *A Dissertation Upon the Doctrine and Principles of Money Applied to the German Coin* (Tubingen, 1761). More importantly Stuart would appear to have written major sections of the *Principles of Political Oeconomy* (1767) while resident in Tubingen, the first two books of which were completed by August 1759, the date of the dedications made to Lady Mary Wortley Montagu and to the Margrave of Baaden-Durlach (Chamley 1965, pp. 130-139).

It is perhaps important to note that the date of completion for Books I and II suggests that the manuscript was essentially *pre-physiocratic* in character, and that internal evidence confirms the most important influences to have been Mirabeau's *Friend of Man* (1756) (and through Mirabeau, Richard Cantillon), together with the *Essays* of Stuart's old friend, David Hume.

Stuart returned to Britain under the mistaken impression that peace with France in 1763³ had also coincided with a pardon

3. Stuart was imprisoned by the French in 1762 as a result of publicly acknowledged satisfaction with the course of the War and of his close knowledge of the state of the French economy (Skinner, 1966, p. xliii). His stated satisfaction with regard to the war may have been intended to attract the attention of the

for previous misdemeanours, although that privilege was not to be accorded until 1771. Despite the tension of the situation, and the need to put his depreciated estate in order, the *Principles* was completed by 1766. Books I and II remain essentially unchanged as compared to the manuscript, while Book III is a development of the work on the German Coin. Book IV represents a mature assessment of information gathered on the Continent, especially with regard to the treatment of the Bank of Amsterdam, and contains a sympathetic account of John Law's adventures in France. Added to these materials are long analyses of the Scottish Exchange crisis of the early 1760s, Public Credit, and Taxation.

The *Principles* was published by Andrew Millar in 1767 and enjoyed a measure of success. The work was extensively reviewed and its author given some recognition by the editors of the new *Encyclopaedia Britannica* in 1771 and again in 1796⁴. Moreover, Steuart was invited to advise the East India Company on the currency problems in Bengal, and duly published his report in 1772 under the title of the *Principles of Money Applied to the State of the Coin in Bengal*. A year later, his opinion was sought on the problems of the British coinage; an approach which led him to write a new chapter for the *Principles*, entitled "State of the British Coin in 1773, at the time of passing the coin act. The consequences of the regulation then made. And a method laid down for establishing a gold standard".

By any standards the level of activity which Steuart sustained over a period of twenty years was considerable. Ambitious, charming, subtle, gregarious and a born intriguer Steuart did not allow himself, as did so many others, to sink into disappointed

French as a means of furthering his cause with the British Government. J.E. King (1988) also records that Steuart had been caught in possession of coded plans for the seizure of Santo Domingo (Haiti); plans which had been prepared by Mercier de la Riviere (1720-1793) "who had a personal pecuniary interest in an English invasion of the island and may also have realised that it would do his friend Steuart no harm in the eyes of London if he were arrested by the French" (King, 1988, p. 24). The authority for this statement is supplied by Chamley (1965, pp. 44-61, 110-11).

4. The main reviews appeared in the *Critical Review*, and the *Monthly Review* (1767). See Skinner (1966, pp. xlv-xlvi).

inactivity. Rather, he sought an outlet for his energy and talent. He died in 1780 and was buried in the family vault at Cambusnethan, near Glasgow, now sadly ruinous.

II

System

One of the most important features of Sir James Steuart's career was his extensive knowledge of the Continent. The Foreign Tour (1735-40) and exile as a result of his association with the Jacobites (1745-63) meant that by the end of the Seven Years' War Sir James had spent almost half of his life in Europe. In this time he mastered four languages (French, German, Spanish and Italian); facts which may help to explain Joseph Schumpeter's judgement that "there is something un English (which is not merely Scottish) about his views and his mode of presentation" (Schumpeter 1954, p. 176n).

In the course of his travels Steuart visited a remarkable number of places which included Antwerp, Avignon, Brussels, Cadiz, Frankfurt, Leyden, Liege, Madrid, Paris, Rome, Rotterdam, Tubingen, Utrecht, Venice and Verona. He seems, moreover, consistently to have pursued experiences which were out of the common way. For example, when he settled at Angouleme not long after his exile began, he took advantage of his situation to visit Lyons and the surrounding country. During his residence in Tubingen, he undertook a tour of the schools in the Duchy of Wurttemberg. Earlier he had spent no less than fifteen months in Spain where he was much struck by the irrigation schemes in Valencia, Mercia, and Granada; the mosque in Cordoba, and the consequences of the famine in Andalousia in the Spring of 1737⁵. In fact very little seems to have been lost and it is remarkable how

5. Steuart wrote two interesting letters from Spain, dated 5th and 17th March 1737, addressed to his brother-in-law, Thomas Calderwood and to his old professor, Charles Mackie (Laing MS, Edinburgh University). The first letter is reprinted in Chamley (1965, pp. 127-29).

often specific impressions found their way into the main body of the *Principles*. In his major book Steuart noted the economic consequences of the Seven Years' War in Germany, the state of agriculture in Picardy, the arrangement of the kitchen gardens round Padua⁶, and the problem of depopulation in the cities of the Austrian Netherlands – not as isolated examples but as a part of the broader fabric of the argument as a whole.

The critical point to note is that a broad fabric of argument is present, reflecting Steuart's attempt to produce a single great conceptual system, linking the most interesting branches of modern policy, such as "population, agriculture, trade, industry, money, coin, interest, circulation, banks, exchange, public credit, and taxes" (i. viii, 1966, p. 7). As Paul Chamley has pointed out, Steuart's attempt to produce a systematic treatise shows that he sought to include economics in the body of organised science, and that as such it conforms to the design of the *Encyclopédie* as described by D'Alembert (Chamley 1965, p. 50)⁷.

Steuart's desire to produce a scientific system whose parts are linked by common principles shows a certain similarity, as to motive, with that later articulated by Adam Smith – and the parallel extends to the former's attempt to organise his discourse by "contriving a chain of ideas, which may be directed towards every part of the plan, and which, at the same time, may be made to arise methodically from one another" (i. 15, 1966, p. 28). The intention is therefore clear. It was rather the execution of the plan which presented Steuart with his initial difficulties; difficulties which were compounded by the sheer mass of material which was available to him and by the lack of a single clear model on which to base his account.

Steuart himself explicitly drew attention to the difficulties

6. Steuart's treatment of land use theory was the subject of the presidential address to the Regional Science Association of the USA given by Martin J. Beckmann (1981); cf. W.J. Stull (1986).

7. It should be noted that "a new methodological order characterises all eighteenth century thought. The value of system, the *esprit systematique* is rather underestimated and neglected; but it is sharply distinguished from the love of system for its own sake, the *esprit de système*" (Cassirer, 1951, p. 8). Exactly this point is made by Steuart in the preface (i. ix, 1966, p. 8).

under which he laboured in the preface to the *Principles* precisely because he thought they would be of interest to the reader. He pointed out that the “composition” was the “successive labour of many years spent in travelling” (i. vi, 1966, pp. 3–4) during which he had examined different countries” constantly, withiures an eye to my own subject”:

I have attempted to draw information from every one with whom I have been acquainted: this however I found to be very difficult until I had attained to some previous knowledge of my subject. Such difficulties confirmed to me the justness of Lord Bacon’s remark, that he who can draw information by forming proper questions, is already possessed of half the science.

I could form no consistent plan from the various opinions I met with; hence I was engaged to compile the observations I had casually made, in the course of my travels, reading, and experience. From these I formed the following work after expunging the numberless inconsistencies and contradictions which I found had arisen from my separate inquiries. ... (i. vi-vii, 1966, pp. 5-6).

In approaching the problems involved, Steuart chose to adopt the broadly historical perspective associated with his friend David Hume whose essays he had read closely. Steuart too had taken a hint from what the late revolutions in the politics of Europe had pointed out to be the regular progress of mankind, from great simplicity to complicated refinement (i. 15, 1966, p. 28).

The approach was to find expression in a number of areas which include sociology, politics and economics. The outcome was distinctive, not least as a result of Steuart’s sensitivity to the issue of scientific method (Skinner, 1966, p. lx). He was also acutely aware of the diversity of conditions in the countries which he had visited, and of the problems of economic development.

III

The Historical Perspective

Steuart made use of a theory of stages, now recognised as a piece of apparatus which was central to the historical work not-

ably of the Scottish Historical School. He cites, for example, the Tartars and Indians as relatively primitive socio-economic types of organisation (i. 46, 1966, p. 56) while concentrating primarily on the third and fourth stages – the stages of agriculture and commerce⁸. In the former case, Steuart observed that those who lacked the means of subsistence could acquire it only through becoming dependent on those who owned it; in the latter, he noted that the situation was radically different in that all goods and services command a price. He concluded, in passages of quite striking clarity:

I deduce the origin of the great subordination under the feudal government, from the necessary dependence of the lower classes for their subsistence. They consumed the produce of the land, as the price of their subordination, not as the reward of their industry in making it produce.

He continued: “I deduce modern liberty from the independence of the same classes, by the introduction of industry, and circulation of an adequate equivalent for every service” (i. 240, 1966, p. 209).

Steuart was also aware of the political aspect of these changes, and its effect upon the state:

From feudal and military, it is become free and commercial. I oppose freedom in government to the feudal system only to mark that there is not found now that chain of subordination among the subjects, which made the essential part of the feudal form.

He continued:

I oppose commercial to military, only because the military governments now are made to subsist from the consequences and effects of commerce; that is, from the revenue of the state, proceeding from taxes. Formerly, everything was brought about by numbers; now numbers of men cannot be kept together without money (i. 11, 1966, p. 24).

8. See R.L. Meek (1976). Steuart’s analysis of the relationship between the mode of subsistence and patterns of authority and dependence is located primarily in Book 2, Chapter 12. Like Smith, Steuart was critical of the contract theory of government.

Steuart noted that the gradual emergence of the stage of commerce had generated new sources of wealth which had affected the position of Princes:

The pre-rogative of Princes, in former times, was measured by the power they could constitutionally exercise over the *persons* of their subjects; that of modern princes, by the power they have over their *purse* (i. 335, 1966, p. 290).

Perhaps with the fate of his former Jacobite associates in mind, Steuart also observed that “an opulent, bold, and spirited people, having the fund of the Prince’s wealth in their own hands, have it also in their own power, when it becomes strongly their inclination, to shake off his authority” (i. 248, 1966, p. 216).

The change in the distribution of power which was reflected in the changing balance between proprietor and merchant led Steuart to the conclusion that “industry must give wealth and wealth *will* give power” (i. 245, 1966, p. 213). As an earnest of this position, he drew attention (in his Notes on Hume’s *History*) to the reduced position of the Crown at the end of the reign of Elizabeth: a revolution which appears “quite natural when we set before us the causes which occasioned it. Wealth must give power; and industry, in a country of luxury, will throw it into the hands of the commons” (1966, p. 213n)⁹.

The Theory of Population

The analysis of the emergence of the exchange economy is not untypical of the period and intrinsically interesting even if Steuart did consider that it was more properly the province of the science of politics than that of political economy strictly defined. But he also argued that the subjects reviewed above were not “altogether foreign to this” science, i.e. to economics (i. 237, 1966, p. 206), illustrating the truth of the remark by deploying the “stadial” thesis in a purely economic context. The technique finds

9. Steuart’s manuscript writings are detailed in Skinner (1966, pp. 741-43).

illustration in a number of fields, and generally involves the use of the stages of society treated as models which gradually increase in complexity. As Steuart put it, in constructing any body of theoretical knowledge:

Every branch of it must, in setting out, be treated with simplicity, and all combinations not absolutely necessary, must be banished from the theory. When this theory again comes to be applied to examples, combinations will crowd in, and every one of these must be attended to (i. 261, 1966, p. 227).

The first analytical problem to which Steuart addressed himself was that of population where his stated purpose was “not to inquire what numbers of people were found upon the earth at a certain time, but to examine the natural and rational causes of multiplication” (i. 28, 1966, p. 31). In so doing he stated that the “fundamental principle” is “generation; the next is food” (*Ibid.*), from which it follows that where men live by gathering the spontaneous fruits of the soil (the North American Indian model), population levels must be determined by their extent:

From what has been said, we may conclude, that the numbers of mankind must depend upon the quantity of food produced by the earth for their nourishment; from which, as a corollary, may be drawn.

That mankind have been, as to numbers, and must ever be, in proportion to the food produced; and that the food produced will be in compound proportion to the fertility of the climate, and the industry of the inhabitants (i. 24, 1966, pp. 36-7).

Where some effort is applied to the cultivation of the soil (the agrarian stage), Steuart recognised that the output of food and therefore the level of population would grow. But here again he drew a distinction between cultivation for subsistence, which was typical of the feudal stage, and the application of industry to the soil as found in the modern situation where goods and services command a price, and where the potential for economic growth (and therefore population) is greatly enhanced¹⁰.

10. Steuart’s procedure provides a classic example of the methodology of the School of Padua, whereby a complex problem is first reduced to its component

Perhaps two major points arising from this argument deserve further notice.

To begin with, attention should be drawn to the emphasis which Steuart gives to the interdependent state of the sectors in his model of the exchange economy, recognising as he did that “*Agriculture among a free people will augment population, in proportion only as the necessitous are put in a situation to purchase subsistence with their labour*” (i. 28, 1966, p. 40). Secondly, Steuart gave a good deal of attention to the point that the whole process depended on ‘reciprocal’ wants so that there are cases where the limited extent of the latter will constrain economic development and population growth:

Experience everywhere shows the possible existence of such a case, since no country in Europe is cultivated to the utmost: and that there are many still, where cultivation, and consequently multiplication, is at a stop. These nations I consider as being in a *moral incapacity* of multiplying: the incapacity would be *physical*, if there was any actual impossibility of their procuring an augmentation of food by any means whatsoever (i. 30, 1966, p. 42).

Although we cannot review the theory in any detail here, it can be said that in Book I we confront a single major theme, the theory of population; a theory which while owing a great deal to David Hume (and possibly to Cantillon) nonetheless represents one of Steuart’s most distinguished contributions and one of the best examples of his capacity for the systematic deployment of different levels of abstraction. But equally characteristic of his mode of argument is the fact that the theory is built up in such a way as to permit him to provide an account of the modern or exchange economy (the last of the “models” used above), thus gradually widening the scope of the inquiry while still preserving a coherent “chain of ideas”.

parts which are then reassembled to form a coherent whole. See Watkins (1965), Chapter 3 and Cassirer (1951).

IV

The Exchange Economy

In dealing with the nature of the exchange economy, it is significant that Steuart made little use of the division of labour in the Smithian sense of the term. On the other hand, he gave great emphasis to the social division of labour in using the basic sectoral division to be found in Cantillon, Hume, Mirabeau, and Quesnay's *Encyclopédie* articles:

we find the people distributed into two classes. The first is that of the farmers who produce the subsistence, and who are necessarily employed in this branch of business; the other I shall call *free hands*; because their occupation being to procure themselves subsistence out of the superfluity of the farmers, and by a labour adapted to the wants of the society, may vary according to these wants, and these again according to the spirit of the times (i. 31, 1966, p. 43).

In both cases productive activity involves what Steuart defines as *industry*, namely, "*the application to ingenious labour in a free man, in order to procure, by means of trade, an equivalent, fit for supplying every want*". *Trade*, on the other hand, is defined as "*an operation by which the wealth, or work, either of individuals, or of societies, may, by a set of men called merchants, be exchanged, for an equivalent, proper for supplying every want, without any interruption to industry, or any check upon consumption*" (i. 166, 1966, p. 146). The whole pattern is carried on through the use of money, also defined, with characteristic care as "*any commodity, which purely in itself is of no material use to man ... but which acquires such an estimation from his opinion of it, as to become the universal measure of what is called value, and an adequate equivalent for anything alienable*" (i. 32, 1966, p. 44).

For Steuart the modern system was clearly an exchange economy characterised by a high degree of dependence between forms of activity and the individuals who carried them on, so that the idea or ideal of a free society emerges as involving "*a general tacit contract, from which reciprocal and proportional services result universally between all those who compose it*" (i. 83, 1966, p.

88). Later Steuart was to state an hypothesis of obvious relevance to the situation under review in remarking that “the principle of self-interest will serve as a general key to this inquiry; and it may, in one sense, be considered as the ruling principle of my subject, and may therefore be traced throughout the whole. This is the main spring...” (i. 162, 1966, p. 142). But the main underlying theme remains that of the interdependence of economic phenomena; a theme which brought Steuart quite logically to the treatment of price and allocation.

As far as the supply price of commodities is concerned, Steuart noted two elements: “to wit, the real value of the commodity, and the profit upon alienation”. Real value was defined in such a way as to include three elements.

The first thing to be known of any manufacture when it comes to be sold, is how much of it a person can perform in a day, a week, a month, according to the nature of the work, which may require more or less time to bring it to perfection. ...

The second thing to be known, is the value of the workman’s subsistence and necessary expense, both for supplying his personal wants, and providing the instruments belonging to his profession, which must be taken upon an average as above. ...

The third and last thing to be known, is the value of the materials, that is the first matter employed by the workman. ...

These three articles being known, the price of the manufacture is determined. It cannot be lower than the amount of all three, that is, than the real value; whatever it is higher, is the manufacturer’s profit (i. 182, 1966, pp. 160-61).

He went on to note that:

when we say that the balance between work and demand is to be sustained in equilibrio, as far as possible, we mean that the quantity supplied should be in proportion to the quantity *demanded*, that is, *wanted*. While the balance stands justly poised, prices are found in the adequate proportion of the real expense of making the goods, with a small addition for profit to the manufacturer and merchant (i. 217, 1966, p. 189).

As far as the *process* of price determination was concerned, Steuart contended that the outcome of the “contract” would be determined by competition between buyers and sellers:

Double competition is, when, in a certain degree, it takes place on both sides of the contract at once, or vibrates alternately from one to the other. This is what restrains prices to the adequate value of the merchandise (i. 196, 1966, p. 172).

Thus, for example, if there is a relative shortage of some commodity there may be competition between buyers in order to procure limited supplies, thus causing prices to rise. In the event of an excess supply, e.g. of a perishable commodity such as fish, there will be competition between sellers to rid themselves of excess stocks, thus causing prices to fall below their equilibrium values. Both cases present examples of what Steuart called "simple competition" prevailing in effect on one side of the "contract" only.

Three points follow from this argument: first, that a "balance" between demand and supply does not of itself indicate a position of equilibrium; and, second, that the process of bargaining will normally affect both parties to the exchange:

In all markets ... this competition is varying, though insensibly, on many occasions; but in others, the vibrations are very perceptible. Sometimes it is found strongest on the side of the buyers, and in proportion as this grows, the competition between the sellers diminishes. When the competition between the former has raised prices to a certain standard, it comes to stop; then the competition changes sides, and takes place among the sellers, eager to profit of the highest price. This makes prices fall, and according as they fall, the competition between the buyers diminishes (i. 200, 1966, p. 174).

Steuart was thus able to offer a definition of *equilibrium* but also a statement of a *stability* condition in noting that:

In proportion therefore as the rising of prices can stop demand or the sinking of prices can increase it, in the same proportion will competition prevent either the rise or the fall from being carried beyond a certain length (i. 203, 1966, p. 177).

Finally, it should be noted that Steuart was aware, in general terms, of the allocative functions of the market. As he put it:

Trade produces many excellent advantages; it marks out to the manufacturers when their branch is under or overstocked with hands. If

it be understocked, they will find more demand than they can answer; if it be overstocked, the sale will be slow (i. 180, 1966, p. 158).

Arguments such as these are obviously broadly ‘static’ in character but in fact are to be found in a setting which shows the same preoccupation with long run dynamics which characterise the argument of the first Book, thus presenting the reader with yet another change of focus.

V

Economic Trends

Adam Smith would have had little difficulty in appreciating the broadly optimistic assessment which Steuart offered with regard to economic growth. It is readily apparent that Steuart saw no reason to doubt the potential for economic development in the context of the *exchange* economy. Here, and for the first time in an *institutional* sense:

Wealth becomes *equally distributed*; ... by *equally distributed* I do not mean, that every individual comes to have an *equal* share, but an equal chance, I may say a certainty, of becoming rich in proportion to his industry (i. 452-3, Works, 1805, ii. 156).

Steuart also argued that the potential for economic growth was almost without limit or certain boundary in the current “situation of every country in Europe” – and especially France, “at present, is in her infancy as to improvement, although the advances she has made within a century excite the admiration of the world” (i. 142, 1966, p. 137). An equally dramatic confirmation of the general theme is to be found in the chapter on machines, which he considered to be “of the greatest utility” in “augmenting the produce or assisting the labour and ingenuity of man” (i. 123, 1966, p. 123).

In the manner of Smith and Hume, it was Steuart’s contention that the modern economy had opened up new forms of demand and new incentives to industry. In a passage reminiscent of

Smith's *Moral Sentiments* (which he may have read), Steuart drew attention to man's love of ingenuity and to the fact that the satisfaction of one level of perceived wants tends to open up others by virtue of a kind of 'demonstration' effect (i. 178, 1966, p. 157, cf. Smith, 1759, Part IV, ch. 1).

The general point at issue is best caught by Steuart's earlier (but recurring) contrast between the feudal and modern systems:

'Men were then forced to labour because they were slaves to others; men are now forced to labour because they are slaves to their own wants' (i. 40, 1966, p. 51).

But Steuart was to offer a further application of the thesis just considered which was to have a significant effect on his policy recommendations.

It will be recalled that Steuart's definition of equilibrium required that the balance between supply and demand be such that "prices are found in the adequate proportion of the real expense of making the goods, with a small addition for profit to the manufacturer or merchant". It was Steuart's view that this definition, originally applied to particular commodities, must also apply to *all* goods, thus suggesting, as in the case of Smith's *Lectures*, an intuitive grasp of the general interdependence of economic phenomena. Indeed this perspective seems to dominate Steuart's treatment of the long run, where he argues in effect that the balance of work and demand, taking the economy as a whole, is likely to change over time with consequent effects on the components of real value and on the relationship between real value and price (as described above).

Some causes of change, while important, were easily explained. Steuart recognised that taxes, for example, could affect the prices of commodities. He also drew attention to the tendency for the prices of primary products (subsistence and materials) to rise over time, especially as the result of "the increase of population, which may imply a more expensive improvement of the soil" (i. 227, 1966, p. 198). But the most significant problem, for Steuart, was located on the demand side.

In addressing himself to the modern state in particular, Steuart drew attention to the "extraordinary flux of money" (i.

357, 1966, p. 309) and to the fact that its institutions had greatly stimulated that “taste for superfluity and expence” (i. 279, 1966, p. 243) which was associated with “luxury” in its modern or “systematical” form; a point which he (like Hume) thought to be of greater significance than the discovery of the mines of the New World¹¹. It was in this connection that he drew attention to two problems of particular importance. First, he suggested that the long run trend would be for the balance of demand to preponderate thus suggesting a tendency for prices to rise over time and to generate higher levels of profit. In this connection he suggested that higher profits “subsisting for a long time ... insensibly become consolidated, or, as it were, transformed into the intrinsic value of the goods” (i. 221, 1966, p. 193) in such a way as to become “in a manner necessary” to their existence. Secondly, and related to the above, Steuart distinguished between *physical* and *political* necessities, where the former is defined almost in biological terms as “*ample subsistence where no degree of superfluity is implied*” (i. 311, 1966, p. 269). He added:

The nature of man furnishes him with some desires relative to his wants, which do not proceed from his animal oeconomy, but which are entirely similar to them in their effects. These proceed from the affections of his mind, are formed by habit and education, and when once *regularly established*, create another kind of necessary, which, for the sake of distinction, I shall call *political* (i. 312, 1966, p. 270).

Steuart went on from this point to suggest that the political necessary was “determined by birth, education or habit” and “rank” in society, clearly recognising that it is “determined by general opinion only, and therefore can never be ascertained justly” (i. 313, 1966, p. 271). But he was clear in respect of one point; namely that there is a tendency for the acceptable definition of political necessary to rise over time. The importance of this argument was to emerge in a later stage of the exposition: the treatment of international trade.

11. The role of “natural wants” in Steuart’s work is considered by Eagly (1961).

The Changing Role of the State

But there is another side to Steuart's work, namely his preoccupation with economic policy and the role of the statesman. As S.R. Sen and others have frequently pointed out, Steuart was particularly interested in the issue of welfare, with particular regard to the level of employment, for reasons which are entirely consistent with his earlier definition of the exchange economy. Since, as we have seen, this was held to involve "a general tacit contract from which reciprocal and proportionate services result universally between all those who compose it", it followed that:

Whatever ... anyone is found, upon whom nobody depends, and who depends upon every one, as is the case with him who is willing to work for his bread, but who can find no employment, there is a breach of the contract and an abuse (i. 83, 1966, p. 88).

Where market forces fail, the state must intervene in Steuart's view simply because there is no alternative:

The state of affairs in Europe, and in England in particular, is changed entirely, by the establishment of universal liberty. Our lowest classes are absolutely free; they belong to themselves ... (i. 70, 1966, p. 77).

Once again these are not arguments to which Smith would have taken exception even if the difference in the perspective adopted by the two men is very clear. As Steuart put it:

my point of view is, to investigate how a statesman may turn the circumstances which have produced this new plan of oeconomy to the best advantage for mankind ... My object is to examine the consequences of what we feel and see daily passing, and to point out how far the bad may be avoided, and the good turned to the best advantage (i. 69, 1966, pp. 75-76).

In fact, Steuart's selection of the problems to be considered closely related to the structure of the analytical system whose outlines we have just sketched, and to the nature of his own experience. Perhaps two broad examples may be used by way of illustra-

tion, based upon Steuart's treatment of what may be called domestic and international issues.

VI

Economic Policy

Domestic

While Steuart's theoretical system cannot be compared with Smith's carefully articulated model, it can be said that both men concentrated on the transition from the feudal state, and that Steuart is to be numbered among those (like Hume and Smith) who associated "order and good government" with the emergence of the commercial stage.

There are, however, other dimensions to Steuart's treatment of this general theme. He may, for example, be seen to have used historical experience, as in the earlier treatment of population theory, as a model on the basis of which advice could be offered to the statesman who actually confronted the *economic and social problems* involved in emergence from the agrarian stage – a condition which obtained in many countries of Europe at the time of writing (i. 247, 1966, p. 215). It is in this context for example that the statesman is invited to consider the employment of redundant nobles¹².

In yet another version of the same argument Steuart suggested that the historical and contemporary record would provide a guide to the problems which would confront a statesman seeking to *induce* change, i.e. a guide to the statesman who seeks to adopt a selfconscious policy of economic, and therefore of social, development. It was, in fact, Steuart's contention that in many cases the transition from a state of 'trifling industry' and subsist-

12. In this context Steuart favoured using the higher classes in a military capacity, and drew attention to the importance of martial spirit and its decline in the case of the industrious. He also commented extensively on the role of the standing army (Steuart, 1805, ii. pp. 140-62).

ence farming would not occur without 'the interposition of the sovereign, and a new plan of administration (i. 92, 1966, p. 96).

Perhaps the most striking feature of this whole area of Steuart's thought is to be found in his preoccupation with the "multitudes of poor" generated in the shorter-run, and in his suggestion that the state should take steps to encourage industry in backward areas, thus providing a means of exchange, and contributing to those reciprocal wants which bind the elements of society together:

Pipers, blue bonnets, and oat meal are known in Swabia, Auvergne, Limousin, and Catalonia, as well as in Lochaber: numbers of idle, poor, useless hands, multitudes of children, whom I have found to be fed, nobody knows how, doing nothing at the age of fourteen ... If you ask why they are not employed, their parents will tell you because commerce is not in the country: they talk of commerce as if it was a man, who comes to reside in some countries in order to feed the inhabitants. The truth is, it is not the fault of these poor people, but of those whose business it is to find out employment for them' (i. 106, 1966, p. 108).

Writing much later, J. B. Say made the same point when speaking of the United States government's attempt to establish industry among the Creek Indians in 1802. The object was to encourage trade between the white citizens and the Indians, and this, Say felt, could only be done by encouraging the Indians to produce commodities, thus providing them with an equivalent which could be used in exchange:

The design was, to introduce habits of industry among them, and make them producers capable of carrying on a barter trade with the States of the Union; for there is nothing to be got by dealing with a people who have nothing to pay (quoted in Skinner, 1967, p. 158).

Steuart's related interest in regional issues is a marked feature of the *Principles* and was to find further expressions in his *Considerations of the Interest of the County of Lanark in Scotland*, which was first published in 1769 under the name of Robert Frame. This short work was explicitly designed to illustrate general principles by reference to a particular case; namely that of a backward county in which Steuart resided and which supplied corn to the neigh-

bouring city of Glasgow. Steuart was concerned to demonstrate the impact of the city's demand for agricultural products on an undeveloped region (*Works*, v. p. 321). He also drew attention to the fact that economic development had enhanced local demand, and thus temporarily reduced the supply of food available for sale outwith the region.

From the point of view of the city, the fact that local supply was fitful had lent support to the proposed Forth and Clyde Canal which was intended to link the two coasts and further to improve the market for grain. Steuart clearly welcomed this development, while warning his contemporaries that its *short-run* effect would be to *ruin* local agriculture *unless* steps were taken to further the cause of agricultural improvement and to develop the local *infrastructure*. In particular he contended that the *infant industry argument* which had been applied to the textiles of the neighbouring town of Paisley should be extended to agriculture (*Works*, v. p. 308). He also advocated high and stable prices for agricultural products, while calling for a granary scheme which would in effect secure supplies and stabilise incomes at a level which was consistent with improvement¹³.

International

In the second book Steuart dropped the assumption of the closed economy and proceeded to examine the further issue of international trade. Characteristically, he traced the interrelationship between developed and undeveloped nations in terms of the distinction between active and passive trade, which had already been established by Malachy Postlethwayt¹⁴. Here the purpose was to examine the positive impact of foreign demand on

13. See Steuart's *Memorial on the Corn Laws*, dated 10th October, 1777, reprinted in Chamley (1965, pp. 140-42) and in Skinner (1966, pp. 737-38, and cf. pp. lii-lv). See also Steuart's *Dissertation on the Policy of Grain* (1759), in Steuart, 1805, v. Walter Eltis (1986, p. 44) has argued that Steuart's position anticipated that of the modern EEC.

14. The point is made by Johnson (1937, p. 225).

a backward economy in terms of an argument which would not have disgraced one of Adam Smith's most notable disciples, the French economist, J.B. Say, who in effect elaborated on an argument which is implicit in Smith's Book III¹⁵.

Equally striking is the fact that Steuart treated different states as competitive firms:

The trading nations of Europe represent a fleet of ships, every one striving who shall get first to a certain port. The statesman of each is the master. The same wind blows upon all; and this wind is the principle of self-interest, which engages every consumer to seek the cheapest and the best market. No trade wind can be more general, or more constant than this (i. 233, 1966, p. 203).

Steuart's treatment of international trade takes as its basic premise the proposition that economic conditions and performance will differ even in the context of relatively developed nations whose trade he described as "active".

He was clearly aware of variations caused by "natural advantages" such as access to materials, transport and the nature of the climate (i. 273, 1966, p. 238), as befits a close student and admirer of "the great" Montesquieu (i. 274, 1966, p. 238). To these he added the form of government in arguing that "trade and industry have been found mostly to flourish under the republican form, and under those which have come nearest to it" (i. 242, 1966, p. 211)¹⁶. But equally important for Steuart were the spirit of a people and "the greater degree of force" with which "a taste for refinement and luxury in the rich, an ambition to become so, and an application to labour and ingenuity in the lower classes of men"

15. Cf. J.B. Say (1821, Book I, Ch. 15) and cf. Skinner (1967).

16. The quotation continues: "May I be allowed to say, that, perhaps, one principal reason for this has been, that under these forms the administration of the laws has been the most uniform, and consequently that most liberty has *actually* been there enjoyed: I say actually, because ... in my acceptation of the term, liberty is equally compatible with monarchy as with democracy: I do not say the enjoyment of it is equally secure under both; because under the first it is much more liable to be destroyed" (i. 242, 1966, p. 211).

manifested themselves in different societies at any one point in time and over time.

He also believed that there are likely to be variations in the extent to which the definition of “political necessary” changes through time and the rate and extent to which the “balance” of demand tends to preponderate in different countries. Steuart was acutely conscious of the sheer variety of economic conditions and indeed noted early in the book that:

If one considers the variety which is found in different countries, in the distribution of property, subordination of classes, genius of people, proceeding from the variety of forms of government, laws, climate, and manners, one may conclude, that the political oeconomy of each must necessarily be different (i. 3, 1966, p. 17).

The number of possible “combinations” opened up by the proposition that growth rates and other characteristics will vary is virtually endless, and it was in recognition of this point that Steuart employed three broad classifications, all of which may derive from Mirabeau but which generalise on the argument of Hume; the stages of infant, foreign, and inland trade.

Infant Trade represents that situation “known in all ages, and in all countries, in a less or a greater degree” and which is antecedent to supplying the wants of others. Here the ruling principle:

is to encourage the manufacturing of every branch of natural productions, by extending the home-consumption of them; by excluding all competition with strangers; by permitting the rise of profits, so far as to promote dexterity and emulation in invention and improvement; by relieving the industrious of their work, as often as demand for it falls short. And, until it can be exported to advantage, it may be exported with loss, at the expence of the public’ (i. 304, 1966, p. 263).

At the same time, Steuart suggested that the statesman must control profit levels so that when the real value of commodities indicates that they are competitive in the international context, trade may begin. In the same vein he argued that while protection is essential if industry is to be established, “the scaffolding must be taken away when the fabric is completed” (i. 499, *Works*, ii. 235). The argument is essentially the same as that set out in the discus-

sion of protection for the agricultural interests in Lanark (see above).

In the case of *foreign trade*, taken as representing the attainment of a competitive stage, the policies recommended are simply designed to retain the capability: here the ruling principles are “to banish luxury; to encourage frugality; to fix the lowest standard of prices possible; and to watch, with the greatest attention, over the vibrations of the balance between work and demand. While this is preserved, no internal vice can affect the prosperity of it” (i. 304, 1966, p. 263).

Inland Trade, on the other hand, represents a situation where a developed nation has lost its competitive edge as a result of the tendency for the balance of work and demand to be disturbed in the historical long run¹⁷. Here the basic preoccupation must once more be the maintenance of the level of employment. Steuart also recognised the importance of the balance of payments¹⁸ in advocating a restrictive monetary policy, and concluded that:

I will not therefore say that in every case which can be supposed, certain restrictions upon the exportation of bullion or coin are contrary to good policy. This proposition I confine to the flourishing nations of our own time (ii. 327, 1966, p. 581)¹⁹.

But in this case the basic problem was not demand so much as the need to keep domestic price levels as low as possible with a view to taking advantage of the present and future difficulties of other states. With the possible exception of Holland, it was

17. M.A. Aktar (1979) has presented an interesting macro economic model based on the stage of “inland trade” which makes due use of the part played by government.

18. For comment on Steuart’s clear distinction between the balance of payments and the balance of trade, see S.R. Sen (1957, pp. 74ff) and Jacob Viner (1965).

19. Steuart also argued that the flow of specie from a relatively underdeveloped economy could prove irreversible, arguing that banks should borrow abroad to fund current deficits while continuing to support domestic credit in the interests of development (1966, pp. 505-520), cf. Eltis (1986).

Steuart's contention that because all nations would suffer the same long run trends, but at different rates, it followed that:

as industry and idleness, luxury and frugality, are constantly changing their balance throughout the nations of Europe, able merchants make it their business to inform themselves of these fluctuations, and able statesmen profit of the discovery for the re-establishment of their own commerce (i. 342, 1966, p. 296).

This possibly endless process of competition and of fluctuating fortunes was only qualified by Steuart by reference to the classic eighteenth century theme of growth and decay; the belief (shared in some form by, amongst others, Cantillon, Hume and Smith) that:

no trading state has ever been of long duration, after arriving at a certain height of prosperity. We perceive in history the rise, progress, grandeur, and decline of Sydon, Tyre, Carthage, Alexandria, and Venice, not to come nearer home. While these states were on the growing hand, they were powerful; when once they came to their height, they immediately found themselves labouring under their own greatness' (i. 224-25, 1966, pp. 195-96).

Perhaps four aspects of this argument are particularly worthy of note. First, while it appears that nations are expected to go through a series of stages of trade, this should not distract attention from the point that trade takes place between nations at a given point in time where these nations (and industries and regions within them) are differently circumstanced.

Secondly, it should be observed that the need for intervention arises only because of variation in economic experience.

Thirdly, it should be remarked that Steuart's pre-occupation with the stages of economic organisation and with the stages of trade, is not unconnected with his rejection of the quantity theory, and in particular of Hume's doctrine of the Specie Flow – suggesting as he did that the doctrine could only pretend to relevance “on the supposition ... that all nations are equally frugal and industrious ... together with a reciprocal trade laid entirely open” (i. 516, *Works*, ii. 256).

Finally, it is important to emphasise that the broad principles stated in dealing with the stages of trade were seen by Steuart to be

applicable to economic systems, the regions which exist within them and even to particular industries.

VII

Instruments and Constraints

If most of the problems just considered could be said to be associated with the exchange economy, then so too were the *means* of implementing the appropriate policies. In this connection Steuart drew attention to the role of the public debt, while giving particular emphasis to the fact that “by the imposition of taxes, and the right employment of the amount of them, a statesman has it in his power to retard or to promote the consumption of any branch of industry” (i. 385, 1966, p. 332). Steuart also drew attention to the rate of interest as an instrument of economic policy (ii. 130, 1966, p. 462) and to the statesman’s capacity to manipulate the money supply, concluding that “he”:

ought at all times to maintain a just proportion between the produce of industry, and the quantity of circulating equivalent, in the hands of his subjects, for the purchase of it; that, by a steady and judicious administration, he may have it in his power at all times, either to check prodigality and hurtful luxury, or to extend industry and domestic consumption, according as the circumstances of his people shall require the one or the other corrective ... For this purpose, he must examine the situation of his country, relatively to three objects, viz. the propensity of the rich to consume; the disposition of the poor to be industrious; and the proportion of circulating money, with respect to the one and the other (i. 375, 1966, pp. 323-24).

Steuart clearly recognised that the modern statesman, by virtue of his capacity to manipulate taxation, public debt, monetary, and fiscal policy, had at his disposal greater sources of power than in any previous age²⁰. He added that the modern citizen was in a sense much *more* constrained than his predecessors:

20. On public debt and monetary theory, see especially W. Stettner (1944-45) and D. Vickers (1960).

Can any change be greater among free men, than from a state of absolute liberty and independency to become subject to constraint in the most trivial actions? This change has however taken place over all Europe within these last three hundred years, and yet we think ourselves more free than ever our fathers were (i. 13, 1966, p. 26).

Later he was to remark that:

So powerful an influence over the operations of a whole people, vests an authority in a modern statesman, which in former ages, even under the most absolute governments, was utterly unknown. The truth of this remark will appear upon reflecting on the fate of some states, at present in Europe, where the sovereign power is extremely limited, in every arbitrary exercise of it, and where at the same time, it is found to operate over the wealth of the inhabitants, in a manner far more efficacious than the most despotic and *arbitrary* authority possibly can do (i. 321, 1966, p. 278).

But in practice, Steuart gave a great deal of emphasis to the *constraints* confronting the statesman, in drawing attention, much as Smith had done, to the importance of the “spirit” of a people as “formed upon a set of received opinions relative to three objects: morals, government, and manners” (i. 8, 1966, p. 22) – opinions of such significance “that many examples may be found, of a people’s rejecting the most beneficial institutions, and even the greatest favours, merely because some circumstance had shocked their established customs” (i. 14, 1966, p. 27). Linked to the above, but separate from it, was Steuart’s concern with the subjects’ imperfect knowledge of the purposes of particular policies – indeed he pointed out in the Preface that although the work may “seem addressed to a statesman, the real object of the inquiry is to influence the spirit of those whom he governs” (i. xiv, 1966, p. 12). He went on to note that “A people taught to expect from a statesman the execution of plans, big with impossibility and contradiction, will remain discontented under the government of the best of Kings” (i. xv, 1966, p. 13).

To such constraints must be added those of a broadly constitutional kind in that the major sources of modern power (for example public debt and taxes) have to be sensitively applied if they are not to be counterproductive. Steuart also noted that the advent

of the modern economy had led to a shift in the balance of political power. While recognising, as Smith was to do, that the institutions of the commercial stage are compatible with both republican and monarchial forms, he observed that he knew of:

no Christian monarchy (except, perhaps, Russia) where either the consent of states, or the approbation or concurrence of some political body within the state, has not been requisite to make the imposition of taxes, constitutional (i. 335, 1966, p. 290).

But perhaps the most important element in what A.O. Hirschman has recently called Steuart's "deterrence model" of government, is the emphasis given to the role of purely economic laws. For Steuart, the statesman "is neither master to establish what oeconomy he pleases, or, in the exercise of his sublime authority, to overturn at will the established laws of it, let him be the most despotic monarch upon earth" (i. 2, 1966, p. 16). Later he wrote:

The power of a modern prince, let him be by the constitution of his kingdom, ever so absolute, immediately becomes limited so soon as he established the plan of oeconomy which we are endeavouring to explain. If his authority formerly resembled the solidity and the force of the wedge ... it will at length come to resemble the delicacy of the watch, which is good for no other purpose than to mark the progression of time, and which is immediately destroyed, if put to any other use, or touched with any but the gentlest hand.

As modern oeconomy, ... is the most effectual bridle ever ... invented against the folly of despotism; so the wisdom of so great a power never shines with greater lustre, than when we see it exerted in planning and establishing this oeconomy, as a bridle against the wanton exercise of itself in succeeding generations (i. 322, 1966, pp. 278-79).

Earlier in the work he remarked that:

When once a state begins to subsist by the consequences of industry, there is less danger to be apprehended from the power of the sovereign. The mechanism of his administration becomes more complex, and ... he finds himself so bound up by the laws of his political economy, that every transgression of them runs him into new difficulties (i. 249, 1966, p. 217).

This point did not go unnoticed.

When the *Principles* was reviewed in 1767, it was in the main criticised for the role ascribed to the statesman. The point was repeated in the reviews of Steuart's *Works* (1805) when the *Monthly* complained that the author had committed a "capital and injurious mistake" when insisting on the "statesman's constant superintendence over trade"²¹. Yet the same reviewer perceptively remarked that:

a reader of the present day will most prize, in these volumes, their illustration of the influence of political economy on civil government; which places in the strongest light the mischiefs of arbitrary rule, and which exhibit it as not less prejudicial to its depositaries than to their subjects. This very momentous question, is no where, to our knowledge, so satisfactory treated.

The reviewer of the Playfair edition of the *Wealth of Nations* in the same journal, noted that:

Wide as have been the excursions of Dr. Smith into politics and statistics, he never discussed the influence of the true principles of political economy over civil government. This fine subject, however, has been treated by Sir James Steuart with considerable success.

But it is equally important to remember that in referring to the statesman Steuart was not speaking of "ministers of state, and even such as are eminent for their knowledge in state affairs", nor yet of a particular type of government. As he put it, within the context of the *Principles*, the *statesman* is taken to be a "general term to signify the legislature and supreme power, according to the form of government". Moreover, we should note that Steuart abstracted from those particular constraints which arise from the nature of the monarch, or from the types of political pressures to which a legislature might be subject. In sharp contrast to the position adopted by Smith, Steuart spoke only:

21. The *Critical Review* (1767) is representative: "We have no idea of a statesman having any connection with the affair, and we believe that the superiority which England has at present over all the world, in point of commerce, is owing to her excluding statesmen from the executive part of all commercial concerns". Vol. 23, p. 412.

of governments which are conducted systematically, constitutionally, and by general laws; and when I mention princes, I mean their councils. The Principles I am enquiring into, regard the cool administration of their government; it belongs to another branch of politics, to contrive bulwarks against their passions, vices and weaknesses, as men (i. 249, 1966, p. 217).

In a *political* sense the statesman is an essentially abstract concept, which reminds us once more that Steuart differentiated more clearly than most, between economics, politics, and ethics.

VIII

The Main Features of Steuart's System

It is known that David Hume visited Steuart at Coltness on a number of occasions during one of which the two men discussed the latter's *History*. The work also figures in the one long letter from Steuart to Hume that has survived; a letter which is remarkable for its good humour and familiarity and which attests the "many proofs which you have given me of your friendship" (Burton, 1849, p. 174). Hume had probably given assistance in the vexed question of Steuart's pardon. He had also read the *Principles* in draft. In a letter dated 11 March 1766, Professor Rouet wrote to Baron Mure that "George Scott and David Hume have looked into our friend's MS and are exceedingly pleased with it" although Hume was later stated to have been critical of its "form and style" (Skinner, 1966, p. xlv).

Hume was correct in his criticism although it must also be stated that the author of the *Political Discourses* had good reason to be pleased with the general "philosophy" which underlies the work.

Parallels are evident in Steuart's treatment of the links between economic and political change, the deployment of the historical method notably in the context of the treatment of population, and in the analysis of the problems which arise when we confront variations in rates of growth. It is quite possible that Steuart found in Hume's *Essays* a broad model which could be

deployed in his particular choice of analytical system (cf. Skinner, 1990a).

This model, taken together with Steuart's wide experience of European conditions may well help to explain a number of characteristic features of the *Principles* which should continue to attract the attention both of economists and of students of the Scottish Enlightenment.

To begin with, it should be emphasised that while Smith and others gathered information about remote peoples, Steuart exploited a unique if unwanted opportunity with respect to contemporary Europe. In the course of his travels he visited, as we have seen, a number of places which would be remarkable even by modern standards and which is astonishing given the problems of communication at the time. It is scarcely surprising that Dugald Stewart, the most perceptive of commentators on Adam Smith, should have recommended his students to *begin* their study of political economy with the *Wealth of Nations* and then proceed to the *Principles* as a work which contained "a great mass of accurate details" gleaned by "personal observation during a long residence on the Continent" (Stewart, 1854-60, ix. 458). Dugald Stewart may also have intended his students to appreciate a very different perspective, in that Sir James's stance (like that of Hume) was European rather than English in orientation.

Steuart's 'Euro-centric' perspective did not attract favourable attention from some of his reviewers. The *Monthly Review*, for example, alleged that Steuart had "imbibed prejudices abroad, by no means consistent with the present state of England and the genius of Englishmen" (vol. 36, p. 464): a charge to which Steuart replied with unanswerable logic:

If from this work, I have any merit at all, it is by divesting myself of English notions, so far as to be able to expose, in a fair light, the sentiments and policy of foreign nations, relatively to their own situation (1966, p. 5; this passage was added to the corrected edition).

Attention should also be drawn to Steuart's interest in "that spirit of liberty, which reigns more and more every day, throughout all the polite and flourishing nations of Europe" (i. 4, 1966, p. 18). He was acutely aware of the current "revolution" in the

affairs of Europe: “*Trade and the Industry* are in vogue: and their establishment is occasioning a wonderful fermentation with the remaining fierceness of the feudal constitution” (i. 247, 1966, p. 215).

In fact Steuart, notably in Book I of the *Principles*, directly addressed a problem, which is implicit in the analysis of the third book of the *Wealth of Nations*, but which was not *explicitly* considered by Smith: namely, the *economics* of the process which finally resulted in the emergence of the fourth stage of commerce in an *advanced* form. Steuart’s model may be loosely described as that of “primitive accumulation” in *contrast* to Smith where the process of “primitive accumulation” has now been completed (Kobayashi, 1967, p. 19)²². The same point has been made by Michael Perelman in noting that Steuart *directly* addressed the problems of a *primitive* version of the stage of commerce (Perelman 1983, p. 454) in a way which led Marx to appreciate his sensitivity to historical differences in modes of production (*op. cit.*, p. 467)²³.

It is a striking fact that although Smith considered primitive and advanced versions of the stages of pasture and agriculture (*Wealth of Nations*, Book III), he did not consider the primitive case of the stage of commerce.

Although Steuart was to introduce a great number of changes to his text between 1767 and 1780, he did *not* add materials which reflect a reading of the *Wealth of Nations*, or of physiocratic writing. The reason is not analytical deficiency; rather Steuart believed the model of “primitive accumulation” to have intrinsic merit and *continuing relevance*: as indeed it does to this day where the economic and social conditions which he *actually* confronted are duplicated.

We should also note Steuart’s interest in the variety of econo-

22. Kobayashi (1967) has suggested that Steuart’s emphasis on what he calls a model of “primitive accumulation” may help to explain the popularity of his work in contemporary Ireland and Germany. See also Chamley (1965, pp. 88-89).

23. The relationship between Steuart and G.W.F. Hegel has also been noted, especially by Chamley (1963) and (1965).

mic conditions which were likely to face competing nations: and the difficulties which this situation could generate from a policy point of view:

Were industry and frugality found to prevail equally in every part of these great political bodies, or were luxury and superfluous consumption, everywhere carried to the same height, trade might, without any hurt, be thrown entirely open. It would then cease to be an object of a statesman's care and concern (i. 342, 1966, p. 296).

But there is a certain realism in Steuart's general conclusion:

Nothing, I imagine, but an universal monarchy, governed by the same laws, and administered according to one plan, well concerted; can be compatible with an universally open trade. While there are different states, there must be different interests; and when no one statesman is found at the head of these interests, there can be no such thing as a common good; and where there is no common good, every interest must be considered separately" (i. 425, 1966, p. 365).

Steuart's appreciation of this point, and his grasp of the problems presented by differences in economic performance as between different nations, provides an elaboration of Hume's thesis with respect to the 'rich country, poor country' relationship which has been noted by Istvan Hont (1983, see below, Section X).

IX

Steuart and Smith

The lives of Steuart and Smith, like their careers, scarcely touched. Steuart qualified as a lawyer in 1735 two years before Smith became a student in Glasgow. Having embarked on the Foreign Tour in the same year, Sir James returned to Scotland at the very time that Adam Smith went to Oxford as the Snell Exhibitioner (1740). By the time Smith left Oxford in 1746, Steuart was already in exile, and when in 1764 the Professor left for France as tutor to the Duke of Buccleuch, Steuart had just re-

turned to Scotland. At this time he was busily engaged in completing a work which was published within a year of Smith's return from France. In their later years, the two men lived on opposite sides of the country: Smith as a government official based in Edinburgh, and Steuart as a country gentleman living in Lanarkshire, having abandoned all hopes of further official recognition.

Smith's position with regard to the *Principles* has not emerged with any clarity. While it is known that he owned a copy of the book, he made no mention of it even in respect of areas where Steuart had provided relevant information – notably with regard to the Bank of Amsterdam where Smith claimed in the advertisement to the fourth edition of the *Wealth of Nations* that “no printed account had ever appeared to me satisfactory, or even intelligible”. Steuart's interesting account of Law's Bank suffered the same fate, as did his careful analysis of the Scottish Banks (Book IV, Part 2). But it is probably unwise to take speculation too far: Smith provided many examples of what now seems to be a cavalier attitude to authorities, the most notable of which is surely that passage in WN where it is claimed that “Mr Hume is the only writer who, so far as I know, has hitherto taken notice” of the association between commerce and “the liberty and security of individuals” (WN, III. iv 4). Quite apart from Steuart, a number of people, including many of Smith's closest friends, must have been either hurt or amused by a claim which Smith never saw fit to qualify.

On the other hand, it has been noted that Smith had “been heard to observe that he understood Sir James's system better from his conversation than from his volumes” (Rae, 1895, p. 63).

But this is not a remark to be taken other than at face value. Even Elizabeth Mure, in the letter above cited, commented that the “eloquence and clearness of comprehension that he showed in conversation does not appear in his works; there is a darkness in his writing, that he could dispel in a moment by words” (Chamley, 1965, p. 116).

It is also known that Smith wrote to William Pulteney on September 4th, 1772, to the effect that:

I have the same opinion of Sir James Stewart's (sic) book that you

have. Without once mentioning it, I flatter myself, that every false principle in it, will meet with a clear and distinct confutation in mine (Smith 1977, Letter 132).

Yet such a statement does not preclude recognition of the fact that there were principles in the book which were not incorrect. Reading the work in 1767, the author of the essay on “Astronomy” could hardly fail to appreciate Steuart’s scientific purpose; his concern with the emergence of the “present establishments in Europe”, the successful deployment of the “theory of stages” which Smith himself had used in his *Lectures*, or the interest shown by a trained lawyer in the relationship between the mode of subsistence and the patterns of authority and subordination. There is a similar emphasis on the importance of “natural wants” as a stimulus to economic activity, and the same broadly sociological dimension to a discussion which features so strongly in Smith’s ethics.

In terms of economic analysis Smith would have confronted a sophisticated theory of population, an advanced theory of the determination of prices, and the same clear grasp of the interdependence of economic phenomenon that marked his own early work in the *Lectures on Jurisprudence*. Other and more general parallels are to be observed in Steuart’s awareness of the enormous potential for economic growth and in his appreciation of the contribution made by international trade to the process (i. 118, 1966, p. 119).

If this is hardly surprising in view of the influence exerted by David Hume on both his friends, it might also be claimed that the *Principles* outstrips the economic sections of the *Lectures* in terms of technical sophistication.

But the *Wealth of Nations* differs from the *Principles* analytically; especially in respect of Smith’s clear distinction between factors of production (land, labour, capital), and categories of return (rent, wages, profit), and in Smith’s use of a macroeconomic model of the circular flow (see above, section V).

Looked at from an *analytical* point of view, it would appear that Smith had little to fear from the *Principles*. But if we look at the matter from the standpoint of *policy*, and at the same time

subscribe to the view that one aspect of Smith's purpose was to expose the limitations of the "mercantile system", then the issue may appear in a different and more complex light.

Smith may well have perceived that Steuart's book did *not* fall within the broad category of mercantilist literature as he had defined the term, while at the same time recognising that it offered a legitimate interpretation of economic phenomena in the *contemporary* setting. Steuart, it will be recalled, offered a number of policy prescriptions in the form of a general system which *included* Smith's claim for 'free trade' in particular cases, but which recognised that this claim could *not* be regarded as universally valid – given the premise that growth rates were likely to vary as between different nations. In exactly the same way it must have been evident to Smith that Steuart's pre-occupation with economic development and regional policy had obvious relevance in the contemporary situation – especially bearing in mind the problems of poverty and employment, not to mention the backward state of the provinces of his own country.

The contrast is between a "philosophy" which emphasised 'the things the age does not yet see' and one which concentrates on the features which presently exist²⁴. Adam Smith may well have perceived that his critique of the mercantile system would have been blunted by confronting a body of thought which bore some superficial resemblance to it and yet was differentiated from it, on his own definition of the term²⁵. Or, to put the point in another way, it may well be that while it is impossible to attack the *Wealth of Nations* from the analytical perspective supplied by

24. This is not however to deny that Smith's work lacked contemporary relevance. This subject is examined by R.H. Campbell in his contribution to the general introduction of Smith (1776), pp. 40-60, especially at pp. 40-50 where he considered the 'Institutional Relevance of the WN'. In this section, Professor Campbell examined the question of Smith's reception on the Continent (p. 47) and drew attention, *inter alia*, to his emphasis on agriculture (p. 45). This theme is examined by McNally (1988). On related subjects, see also Stettner (1944-45), Clark (1928), Checkland (1967, 1975) and Davie (1967).

25. Cf. Johnson (1937, p. 210): "Smith would have had real difficulty in refuting completely a system of economic theory which comprised so many elements. Very wisely he rejected the challenge". Cf. Anderson and Tollison (1984).

Steuart's *Principles*, the tactical position might have been thought to be reversed from the standpoint of a *mature consideration of economic policy in its contemporary setting*²⁶.

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26. Cf. Sen (1957): "Even a cursory reading of his works should convince one that he was anything but a mercantilist in the conventional sense of the term". Rather, Sen suggests that Steuart is best seen as a pioneer theoretician of social or welfare economics. Cf. Grampp (1952).

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