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We know already that, as the eighteenth century wore on, economics settled down into what we have decided to call a Classical Situation, and that, mainly in consequence of this, it then acquired the status of a recognized field of tooled knowledge. But the sifting and coordinating works of that period, among which the Wealth of Nations was the outstanding success, did not simply broaden and deepen the rivulet that flowed from the studies of the schoolmen and the philosophers of natural law [cf. ch. 2]. They also absorbed the waters of another and more boisterous stream that sprang from the forum where men of affairs, pamphleteers, and later on teachers debated the policies of the day. In this chapter we shall take a bird's-eye view of the various types of economic literature produced by these debates, reserving for subsequent chapters fuller treatment of works and topics that seem to require it [ch. 4-7].

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This literature is not a logical or historical unit. The men who wrote it, unlike the philosophers of natural law, form no homogeneous group. Nevertheless, there is a link between them all which it is necessary to emphasize. They discussed immediate practical problems of economic policy, and these problems were the problems of the rising National State. Therefore if we are to understand the spirit that animates these writers, their lines of reasoning, the // the data they took for granted, we must for a moment digress into the sociology of those states whose structure, behavior, and vicissitudes shaped European history--thought as well as action--from the fifteenth century on. The important point to grasp is that neither the emergence nor the behavior ('policies') of those states were simply manifestations of capitalist evolution. Whether we like it or not, we have to face the fact that they were the products of a combination of circumstances that, viewed from the standpoint of the capitalist process as such, must be considered as accidental. [f. 144n1]

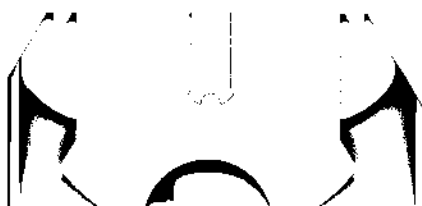
[(a) Incidental Factors in the Emergence of the National States.] First, it was an accident that the rise of capitalism impinged upon a social framework of quite unusual strength. "Feudalism no doubt gave way, but the warrior class that had ruled the feudal organism did not." // impinged upon did not. On the contrary, they continued to rule for centuries and the rising bourgeoisie had to submit. They even succeeded in absorbing a great part of the new wealth for their own purposes. The result was a political structure that fostered but also exploited the bourgeois interest and was not bourgeois in nature and spirit; it was feudalism run on a capitalist basis; an aristocratic and military society that fed on capitalism; an amphibial case very far removed from bourgeois control. This pattern produced problems and--'militarist'--angles to look at them, which were completely different from what the mere logic of the basic process would lead us to expect. Thus, for the majority of economists, monarchs that were primarily warlords and the class of aristocratic landowners, remained the pivots of the social system as late as the middle of the eighteenth century, at least on the continent of Europe. The reader should therefore apply the requisite qualification to what he has read in the preceding chapter on the increasing social weight of the bourgeoisie.

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Also, it was an accident that the conquest of South America produced a torrent of precious metals. The growth of capitalist enterprise might presumably have been expected to produce inflationary situations in any in any case, but the torrent made a lot of difference in the course of events. In a way that is too obvious to need elaboration, it speeded up capitalist development, but much more important are two other facts about it that point in the opposite direction. On the one hand, the access of liquid means greatly strengthened // the position of those rulers who were able to get hold of them. Under the circumstances of the times, this

conferred a decisive advantage in the planning of military ventures on lines that too often, as for instance in the case of the Spanish Hapsburgs, were quite unconnected with bourgeois interests in the component parts of their far-flung empire or with the logic of the capitalist process. On the other hand, the price revolution that ensued spelled social disorganization, and hence not only a propelling but also a distorting factor. Much that might have been gradual change, if nothing but the basic process had been at work, became explosive in the feverish atmosphere of inflation. Particular notice must be taken of the effect on the agrarian world. By the time that inflation set in, the greater part of the dues that continental peasants owed to their lords had been converted into terms of money. With the purchasing power of money rapidly falling, the lords attempted in many countries to raise the monetary values of those dues. The peasants resisted, Agrarian revolutions were the consequence, and the revolutionary temper thus engendered was an important factor in the political and religious upheavals of that epoch. But owing to the strength of the top feudal stratum, these revolutions did not, as we might have expected, accelerate social developments in accord with the basic process. The risings of the peasants and of the other groups that revolted in sympathy were put down with ruthless energy. The religious movements met with success only so far as they were sponsored by the aristocracies and in the most important cases quickly lost such social or religious radicalism as had been originally associated with some of them. Princes and barons, armies and clergies, emerged from the trial with enhanced prestige and power whereas the prestige and the political power of the bourgeoisie declined, especially in Germany, France, and Spain. The great exception on the continent was the Netherlands.

A third historic event of prime--and lasting--importance was the breakdown of the only effective international authority the world has ever seen. As has been pointed out, the medieval world was a cultural unit and, in principle at least, professed allegiance both to the Empire and to the Catholic Church. Although widely different views were held as to their true relation to one another, these two together formed a supernational power that was not only ideologically but also politically invincible so long as they were united. According to the traditional view, this power was bound to wane as soon as the acids of capitalism began to dissolve the basis of medieval society and its beliefs. This is not so. Whatever those acids might have eventually done to that dual power, they had nothing to do with the actual breakdown that occurred long before those beliefs were impaired--which, from the standpoint of the basic process, was again accidental--that for reasons which cannot be analyzed here, the empire was unable either // to accept the supremacy of the Popes or to conquer them. A prolonged struggle that shook the Christian world ended in a Pyrrhic victory of the Popes in the time of Frederick II (1194-1250). But in this struggle both parties had so thoroughly exhausted both their political resources that it is more correct to speak of a common defeat of both: the Popes lost authority, the Empire disintegrated. In consequence, medieval internationalism was at an end and the national states began to assert their independence from that super-



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national authority only so long as the Roman church cooperated with the 'temporal sword' of Germany.

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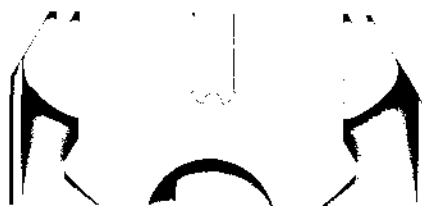
Perhaps it is misleading to stress the national element in this change. Though it shows well enough in the most important cases, those of France, Spain, and, earlier than anywhere else, in England, the true nature of the phenomenon will be more clearly visualized if we take account of the fact that in Germany and Italy, the countries that had been immediately subordinated to the imperial power, such states or 'principalities' emerged on a nonnational basis: it was not at first, national feeling that welded those units but rather the interest of feudal princes who were strong enough to organize, to defend, and to rule a territory...

[(b) Why the National States were Aggressive.] It must be left to the reader to develop the implications of all this. But it should be clear that it was the persistence of aristocratic rule, the access to ideally disposal wealth, and the breakdown of the supernational power of the Middle Ages--rather than anything derivable from the capitalist process itself--that explain not only the emergence but also the physiognomy of the modern state. ~~In particular; those facts explain national from the first; and refractory to any supernational consideration~~

In particular, those facts explain why the modern state was 'national' from the first, and refractory to any supernational consideration; why it insisted and was compelled to insist on absolute sovereignty; why it fostered national churches even in Catholic countries--as instanced by Gallicanism in France; and above all why it was so aggressive. The new sovereign powers were warlike by virtue of their social structure. They had emerged in a haphazard way. None of them had all it wanted; each of them had what others wanted. And they were soon surrounded by new worlds inviting competitive conquest. Because both of the this situation and the social structure of the epoch, aggression--or, what comes to the same thing, 'defense'--became the pivot of policy. In this fermenting world, peace was but armistice, war was the normal remedy for political disequilibrium, the foreigner the ipso facto enemy--as he had been in primitive times. All this made for strong governments; and strong governments, chronically suffering ~~suffering~~ from political ambitions that went beyond their economic means, were driven to increasingly successful attempts to make themselves still stronger by developing the resources of their territories and harnessing them in their service. This in turn explains, among other things, why taxation // assumed not only a much greater but a new significance (see ch, 3, #6).

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These facts, though fundamentally the same all over Western and Central Europe, produced somewhat different results according to the circumstances of different nations. Neglecting smaller countries, we find the main difference was between England and the Continent. In Germany, economic and political trends were broken by the course of events centering in the Thirty Years' War (1618-48), which created an entirely new situation and changed the political and cultural pattern of Germany for good. On the ravaged soil and in a population that had in places been reduced to less than 10 per cent, the princes, their soldiers, and their bureaucracies were, in the greater part of



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the national territory, practically all that was left of the political forces of the past. In Italy, alien rule and also devastation were responsible for a situation that differed from the German one only in degree. France and Spain did not have to go through experiences like these, but religious troubles and unending war efforts produced similar impoverishment in Spain and similar political and administrative conditions in both France and Spain.

In most of these countries--one exception is instanced by Switzerland and Hungary--the prince came to personify the state and the nation from the sixteenth century on. He succeeded in subjecting all classes to his authority--the nobility and clergy not less than the bourgeoisie and peasantry, though the two former on the understanding that they should continue to hold a position of social and economic privilege. The wealth and power of the state was the unquestioned object of policy: maximum public revenue--for the court and the army to consume-- was the purpose of economic policy, conquest the purpose of foreign policy. There should be no need for showing how the welfare for the classes on which that social system fed entered into that policy: this welfare was not looked upon simply as a means to an end; it was an end in itself for many a great monarchy or administrator, exactly as the welfare of his workmen was and is an end in itself for many a great industrialist; but it had to fit in with the given political pattern and the given social system. All this--precisely where concern for the welfare of manufacturers, farmers, and laborers was most real--meant management of everything which in turn meant the rise of modern bureaucracy, a fact that is no less important than the rise of the business class. The resulting economy was a Planned Economy, and it was planned, primarily, with a view to war.

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On great administrators, especially Colbert.

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In England we observe the same tendencies. But there they were weaker and resistance to them was stronger because she was saved from the experiences that elsewhere broke the backbone of aristocracies and bourgeoisie alike. This was perhaps not merely a matter of a few miles of channel; but we may for brevity's sake adopt a theory which is only inadequate not untrue, namely that it was the absence of actual foreign invasions and the rarity of serious threats of invasion that reduced the necessity for a military establishment--a navy of course carries much less political weight--and in consequence of this, the power and prestige of the crown and of all administrative agencies dependent on the crown. The most obvious symptom of the difference this made, the survival in England of the old semifeudal constitution, is not in itself important for us. But all the more so is the fact that, throughout, the English state did not succeed in taking hold of national life as did the states elsewhere and that in particular the economic sector of national life, colonial venture included, remained relatively autonomous. Planning if not absent was more limited in scope--concerned principally with the relation of the English economy to Ireland and the colonies, and with foreign trade--and what is still more to the point, was less strictly enforced than it was in most continental countries. But for writers on economic topics this made less difference than we might expect. Some of them nevertheless reveled in visions of planning. And while some of them voiced

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Count Pietro Verri (1728-97), an officer in the Austrian administration of Milan--but not a teacher--would to be included in any list of the greatest economists. While it would be easy to survey his various recommendations as to policy-- which for him were the important things,... it is less easy to convey an idea of his purely scientific achievement... Here we need to mention only two of his publications, the Elementi di commercio (1760), which established him, and the Meditazioni sull' economia politica (1771) [Mention of French and German translations].... Besides presenting a powerful synthesis, these works contain a number of original contributions (among them his constant-outlay demand curve). Among other things, he had a clear if undeveloped conception of economic equilibrium based in the last instance, upon the calculus of pleasure and pain (he anticipated Jevons' phrase) and was, as far as this goes, rather above than below A. Smith. It is important to emphasize his fact-mindedness. Not only did he do historical research of importance (Memorie storiche, pub. posthumously) but he was a true econometrician--for example, he was one of the first economists to figure out a balance of payments--that is to say, he knew how to weave fact finding and theory into a coherent tissue: the methodological problem that agitated later generations of economists, he had successfully solved for himself... The best exposition and appraisal of Verri's is.. to be found in Professor Einaudi's masterly introduction to his new edition of Verri's Bilancio del commercio dello stato di Milano (1932).

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Cesare Bonesana, Marchese di Beccaria (1738-94), was a Milanese and the product of Jesuit education. His international fame as a enologist, won at the age of about thirty and the place he incidentally acquired in the history of utilitarianism have been mentioned already (pp. 130, 132). Mainly on the strength--he had as yet done little as an economist--the Austrian government appointed him to a chair of economics in Milan founded for the purpose (1768). After only two years of tenure, he exchanged this chair for employment in the Milanese administration, in which he continued to serve until his early death, rising by degrees to to the highest rank open to a man not qualifying for governor, taking part in, and in some instances, initiating the reforms of the period, busily writing a great many reports and memoranda--on grain storage, monetary policy, the metric system, population, and what not--and roaming over a wide range of intellectual interests at the same time. Among other things, cofounder of, and contributor to, Il caffè, a periodical modeled on the example of the English Spectator. In 1770 he published the first and only volume of his aesthetics (on Style). Moreover he seems to have been a fair mathematician.

The bulk of his economic writing consisted of those government reports. The only piece of economic reasoning that he published himself (in Il caffè, 1764) on smuggling, which presents two features of interest, first, the algebraic treatment of the problem and, second, the analytic device embodied in the question he made basic to his pure theory of smuggling: given the proportion of the goods smuggled that will on the average be seized by the authorities, what is the total quantity that smugglers must move in order to be left without either gain or loss. This spells the discovery of the idea that underlies modern indifference-variety analysis. Beccaria's argument was developed by G. Silio 1792 (see Augusto Montanari's La matematica applicata all' economia politica, 1892). Here we are concerned with Beccaria's lectures (written 1769-70). These he did not publish himself: he left them in his files for nearly

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a quarter of a century. They were first published in Custodi's collection under the title: Elementi di economia pubblica (1804).

The sweeping success of his Dei delitti e delle pene, An Essay on Crimes and Punishments (1st ed. 1764; E. T. 1767) has in a way obliterated the greatness of the man: ever since he has been considered primarily as a penologist. The Beccaria literature deals with little else and is therefore only peripherically interesting for us. Reference should be made however to P. Custodi's life (Cesare Beccaria, 1811) and to P. Villari's edition of his works (Opere, 1854).

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For the moment we concentrate upon Beccaria, the Italian A. Smith. The similarity between the two men and their performances is indeed striking. There is even some similarity in their social backgrounds and locations. There is a similarity in their lives-- and in those attitudes that are conditioned by one's // pursuits-- though Beccaria was much more of a public servant than A. Smith, who only held a subordinate position without creative possibilities, and A. Smith was much more of a professor than Beccaria, who taught for only two years. Both were intellectual lords of a vast intellectual realm that extended far beyond, even then, was possible for ordinary mortals to embrace. Beccaria presumably knew more mathematics than A. Smith, but A. Smith seems to have known more physics and astronomy than Beccaria. Neither was merely an economist. A. Smith's life work contains no match for Dei delitti e delle pene, but his Moral Sentiments are more than a match for Beccaria's aesthetics. Both swam joyfully in the river of their time, but with a difference: whereas Beccaria accepted all that utilitarianism stands for but also was a leading force in shaping it, A. Smith quite clearly showed some critical coolness towards it, and whereas A. Smith not only accepted (almost) all that free trade and *laissez-faire* stand for but also was a leading force in their victory (so far as economic literature is concerned), Beccaria clearly showed some critical coolness toward them. Splendid figures both of them. But at least after 1770, Beccaria, almost certainly more richly endowed by nature, ~~Beccaria~~ gave to the public service of the Milanese 'state' what Smith reserved for mankind.

Beccaria's Elementi, after defining the subject of economics in the same normative way as did A. Smith in the introduction to the Fourth Book of the Wealth of Nations, starts with considerations about the evolution of technology, division of labor, and population (the increase of which he made a function of the increase in the means of subsistence). As the principle of economic action, we know already, he embraced without qualification the utilitarian doctrine of hedonist egotism, which he himself had done much to develop, and which later on proved so embarrassing an ally to economics. The second and third parts of the lectures deal with agriculture and manufactures, and the fourth, on commerce, is made the repository of the theory of value and price: barter, money, ~~money~~, competition, interest, foreign exchanges, banks, credit, and public credit follow each other in a sequence that is as suggestive of nineteenth text-book practice as is the framework as a whole. In detail, Beccaria's argument--particularly in the theories of cost and capital--are not always faultless or logically rigorous. But all the essential problems are seen, and seen in co-ordination. Some points will be mentioned in subsequent chapters. There are several contributions, however-- such as the indeterminateness of isolated barter, the