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THE ECONOMIC THOUGHT OF DAVID HUME

A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE SOCIAL SCIENCES
IN CANDIDACY FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY

DEPARTMENT OF ECONOMICS

BY

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CHAPTER I

THE PHILOSOPHICAL FOUNDATIONS OF HUME'S ECONOMIC THOUGHT

The purpose of this study is of a dual character. It seeks to provide a comprehensive analysis of Hume's economic thought, and it attempts to show at what points and in what manner its various elements are related to his philosophy.

That in large measure early economic doctrine was conceived as part of an inquiry into the totality of man's experience is well recognized, and with respect to this relation much attention has been given the work of Adam Smith. However in the case of David Hume--a perhaps even more striking example of the eighteenth century "philosopher-economist"--far less comparably intensive work has been done. To some degree this is doubtless attributable to the nature of Hume's exposition. His economic analysis--contained in a series of eight brief essays--is formally separated from his philosophy proper. His discussion is of a highly condensed character, and no direct reference is made to other of his writings. Moreover those allusions of a non-economic nature which appear throughout the essays are introduced in so casual a manner that the reader--especially one who has an eye for the more purely economic relations--is likely either to bypass them completely or deem them worthy of little more than ad hoc at-

tention. Withal it is probable that considerably more attention would have been devoted to exploring the relations between his economics and his system of philosophy had Hume likewise developed a "system" of political economy in the same sense as did Adam Smith. However, in marked contrast to his philosophical studies, Hume's economic analysis does not reveal a consciousness of a momentous task to be consummated. Spread over a series of formally distinct essays, it rather appears comparatively fragmentary and, beyond the continuity in his critique of mercantilism, no consistently elaborated pattern is readily apparent.

However if the economic essays alone bear relatively little surface imprint of underlying philosophical dimensions, ample evidence of their existence is afforded by the main body of Hume's thought. Moreover these dimensions are then seen to be so pervasive as to require an approach to his economic thought substantially different from that commonly adopted. Students of Smith have long and vainly sought to formulate a full intellectual modus vivendi between his Wealth of Nations and his Theory of Moral Sentiments.[1] In Hume, however, no significant hiatus appears. On the contrary one finds a closely reasoned and highly systematic network of interrelations in which his economics is seen to form an integral part of a broader, and indeed virtually all encompassing, organon of social thought.

In its most general aspect a statement of the basic relationship is found, interestingly enough, in Hume's introductory

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[1]On this see J. Viner, "Adam Smith and Laissez Faire" in Adam Smith, 1776-1926 (Chicago: The University of Chicago Press, 1928), p. 116.

comments to his maiden work, A Treatise of Human Nature. Here he opens with a lament for contemporary philosophy. "Principles taken upon trust, consequences lamely deduced from them, want of coherence in the parts, and of evidence in the whole, these are everywhere to be met with in the systems of the most eminent philosophers, and seem to have drawn disgrace upon philosophy itself."[2] His Treatise, he announces, will be the initial attempt to remedy these deficiencies and will eliminate "the tedious lingring method, which we have hitherto followed." This it will accomplish by discarding all metaphysical disputation grounded on questionable hypotheses and reconstructing philosophy upon a comprehensive analysis of human nature. The study of human nature, inasmuch as it aims at laying bare the character of the percipient himself, in whom all experience is actualized, is the "capital or center" of all sciences. "'Tis evident, that all the sciences have a relation, greater or less, to human nature; and that however wide any of them may seem to run from it, they still return back by one passage or another."[3] This holds true even with respect to such sciences as "Mathematics, Natural Philosophy and Natural Religion," and, needless to say, is especially true in the case of the "moral," i.e. psychological, sciences such as "logic, morals, politics and criticism." Thus, "In pre-

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[2]A Treatise of Human Nature, ed. L. A. Selby-Bigge (1st ed.; Oxford: Oxford University Press, 1888), p. xvii. All future citations will be to this edition and will be referred to as Treatise.

[3]Ibid., p. xix. In view of the work of Locke, Hobbes and other of his predecessors, Hume's general perspective here, contrary to his claim, is not a novel one.

tending . . . to explain the principles of human nature, we in effect propose a compleat system of the sciences, built on a foundation almost entirely new, and the only one upon which they can stand with any security."[4] That Hume himself had originally intended to employ the findings of his study of human nature as the basis for developing the science of "politics" (to be construed as inclusive of economics)[5] is indicated in the Advertisement prefixed to the original edition of the Treatise. "If I have the good fortune to meet with success, I shall proceed to the examination of morals, politics and criticism; which will compleat this Treatise of human nature."[6]

It was probably because of the unenthusiastic reception which greeted the Treatise that Hume did not consummate his origi-

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[4] Ibid., p. xx.

[5] Hume defines the science of "politics" as the study which considers "men as united in society, and dependent on each other" (ibid., p. xx) and, following the usage customary to his period, construed it as the study of all those affairs which are properly the concern of the statesman. That this was meant to embrace economics is more specifically indicated in the publication of the economic essays under the title Political Discourses, in numerous of the other essays in which "trade and commerce" is regarded as a part of the subject matter of the study of "politics," and perhaps especially in Hume's discussion of the development of "justice" in the Treatise where man's economic dependence upon man forms a significant part of his treatment. As Egerton asserts, "In approaching Hume as economist, it must always be remembered that political economy grew out of political philosophy. Although he believes in the possibility of a science of economics, and describes its subject-matter, he does not use the term. The [subjects discussed in the] economic essays . . . are regarded largely from the statesman's viewpoint." H. E. Egerton, "David Hume," in R.H.I. Palgrave, Dictionary of Political Economy (London: The Macmillan Co., 1896), II, 341.

[6] Italics in original.

nal program. His theory of ethics subsequently appeared as Book III of this latter work, but both "politics" and "criticism" were left to the less systematic treatment of the essays and short dissertations. If altered in its pattern, it will be shown however that Hume's economic analysis nonetheless exhibits the major characteristics of a work conceived as part of a unified system of "moral sciences." In this chapter the relevant relations will be developed in a general fashion, and in subsequent chapters these will be elaborated in greater detail. In outline form these relations can best be seen when Hume's economic thought is considered as a composition of three levels of analysis: economic psychology, political economy, and economic philosophy.

The Economic Psychology

Hume's analysis of human nature (his "science of man") together with all the sciences of which it is the "capital or center" may be termed his "science of human experience." This in turn may be regarded as consisting of two general components: principles of human nature, and laws of human behaviour.[7] In the context of Hume's analysis "human nature" denotes qualities and relations which are universal or common to all mankind. Most fundamentally it is regarded as a complex of "ideas" and "impressions" related in a variety of ways. Ideas are treated as but

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[7]It should be noted that the word "law" does not appear in Hume's writings in the frame of reference in which it is here considered. As defined below, however, it is appropriate to Hume's universe of discourse and serves as a convenient way of distinguishing the substance of the various "moral sciences" from its "capital or center."

"faint" copies of impressions. The latter in turn are divided into "impressions of sensation" and "impressions of reflexion."

> The first kind arises in the soul originally from unknown causes. The second is derived in a great measure from our ideas, and that in the following order. An impression first strikes upon the senses, and makes us perceive heat or cold, thirst or hunger, pleasure or pain of some kind or other. Of this impression there is a copy taken by the mind, which remains after the impression ceases; and this we call an idea. This idea of pleasure or pain, when it returns upon the soul produces the new impressions of desire and aversion, hope and fear, which may properly be called impressions of reflexion, because derived from it.[8]

The study of the relations between the impressions of sensation and their corresponding ideas, contained in Book I of the Treatise, comprises Hume's analysis of the human understanding. The impressions of reflection and their relations, considered in Book II, constitute the subject matter of his analysis of the passions.

The second general component of Hume's science of human experience may be said to represent the application of the principles of human nature to the various realms of social experience--the moral, the political, the economic--with the purpose of relating their sequences to uniformities in the operation of specific elements and relations underlying all human behaviour. In a word the principles of human nature, representing the irreducible elements in all behaviour, may be regarded as the analytical or introspective aspect of the science of human experience; the laws of human behaviour, representing constructs based on these prin-

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[8] Treatise, pp. 7-8.

ciples as they relate to specific types of experience, may be said to form the synthetic phase of this science.

In conformity with this general pattern it will be observed that Hume's economic psychology is composed of a complex of laws which seek to explain economic behaviour in terms of specific passions drawn from his general "science of man." Within the context of the economic analysis these motives are termed "causes of labour."[9]

A second consideration of primary significance is the role of history in Hume's moral sciences. As is well known, Hume was virtually as much a historian as a philosopher. Indeed his interest in historical process began to develop long before he undertook any major works in this field. In a letter to Henry Home, early in 1747, for example, he refers to the "prospect of leisure, and opportunity to prosecute my historical projects,"[10]

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[9] "Everything in the world is purchased by labour; and our passions are the only causes of labour." D. Hume, Essays, Literary, Moral, and Political (New York: Ward, Lock, and Co., no date), p. 154. All future citations will be to this edition, unless otherwise specified, and will be referred to as Essays.

[10] The Letters of David Hume, ed. J.Y.T. Greig (Oxford: Oxford University Press, 1932), I, 99. The italics were first used by A. F. Tytler (Lord Woodhouselee) in his Memoirs of the Life and Writings of the Hon. Henry Home (Lord Kames) to emphasize Hume's early interest in history. J. H. Burton finds evidence of what he believes to be an even earlier indication of this interest in an undated, unpublished manuscript entitled "An Historical Essay on Chivalry and Modern Honour." "From many rhetorical defects and blemishes which do not appear in any of his published works, it may be inferred that this is a production of very early years, and properly applicable to this period of his life; although its matured thought, and clear systematic analysis, might, in other circumstances, have indicated it as the fruit of a mind long and carefully cultivated." Life and Correspondence of David Hume (Edinburgh: William Tait, 1846), I, 18. The essay in ques-

and a year later, writing to Oswald, he declares "I have long had an intention in my riper years of composing some history."[11] The most well known of Hume's historical works is his History of England. However in the sense in which history is peculiarly related to Hume's science of human experience it is not this but rather his "natural" histories which are most significant. Hume uses the term "natural" in a variety of ways--as opposed to the "artificial,"[12] to the "original,"[13] to the "miraculous,"[14] to the "philosophical,"[15] to the desirable,[16] to the "civil,"[17] and and to the "rare and unusual."[18] Here it is relevant as the antithesis of the latter, in which sense it denotes that which is recurrent, that which, in brief, can serve as the basis for laws of behaviour. Unlike the History of England, which in its attention to unique particulars is of a more conventional character,[19]

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tion can be found in E. C. Mossner, "David Hume's 'An Historical Essay on Chivalry and Modern Honour,'" Modern Philology, XLV (August, 1947), 54-60. Mossner argues that it was probably written between 1725-1727, while Hume was still attending college. In another study Mossner cites hitherto unnoticed manuscripts of Hume's to show that "Hume was devoting much of his spare time to research and even to the actual composition of his projected history of England" as early as 1745. Ernest C. Mossner, "An Apology for David Hume, Historian," Publications of the Modern Language Association, LVI (September, 1941), 676-684.

[11] The Letters of David Hume, I, 109.

[12] Treatise, pp. 474-475. [13] Ibid., pp. 280-281.

[14] Ibid., pp. 474-475, 549. [15] Ibid., p. 13.

[16] Ibid., p. 226. [17] Ibid., p. 528.

[18] Ibid., pp. 474-475, 549.

[19] Even in this work one finds much evidence of Hume's characteristic emphasis on psychology. As is stated by a near contemporary of Hume, this history "has been aptly styled the 'History of English Passions, by Human Reason.'" Anonymous in-

"natural history" thus confines itself to mass phenomena as reflected in changes in "manners, customs and opinions." As a fabric of laws it explains historical development in broad outline and adduces specific events only for the purpose of illustrating and supporting a general relation. In a word it is an attempt at "scientific" history. In many of its sequences, however, "natural history" remains unsubstantiated by experience. In these cases its laws, employed for the specific purpose of filling the gaps in recorded history, are of an a priori character or, based wholly on inferences drawn from a general observation of mankind, rest entirely on reason."[20] In this respect Hume's "natural history" bears a substantial affinity to what in the eighteenth century was variously termed "theoretical," "ideal," "hypothetical," or "conjectural" history and to the "histoire raisonée" of the French writers.[21]

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troduction to the Private Correspondence of David Hume with Several Distinguished Persons between the Years 1761-1776 (London: H. Colburn and Co., 1820), p. iii.

[20]As compared with other developmental sequences which Hume introduces in the form of laws those of the economic essays, however, are more largely based on an appeal to both "reason" and "experience," and are more generally employed to explain observed facts. The major exceptions to this are to be found in the essay "Of Public Credit," which is predominantly in the nature of a forecast (see below, pp. 98 ff.) and in parts of Hume's economic philosophy. See below, pp. 121 ff.

[21]In this connection cf. Dugald Stewart, "An Account of the Life and Writings of Adam Smith," in Adam Smith, Essays on Philosophical Subjects (London: T. Cadell and W. Davis, 1795), p. xxiii; F. J. Teggart, The Theory of History (New Haven: Yale University Press, 1925), p. 87; Gladys Bryson, Man and Society: The Scottish Inquiry of the Eighteenth Century (Princeton: Princeton University Press, 1945), pp. 85, 109. The principal difference between most of these other "natural histories" and Hume's work lay in the concept of history itself. Frequently these others implicitly assumed a teleology in nature and regarded evolutionary

The one work which is formally designated a natural history is the Natural History of Religion. However, so pervasive was Hume's interest in tracing the development of new behaviour patterns in different areas of social activity that small groups of historical generalizations which conform in varying degrees to this same model are scattered throughout the discussion of the wide variety of issues considered in the essays.[22] As will be

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process as a uniform movement toward greater perfection. (See Teggart, op. cit., p. 243, and J. B. Bury, The Idea of Progress (New York: The Macmillan Co., 1932), esp. chap. xii. Preserving his characteristic "toughminded" skepticism, Hume however treats the search for final causes as a pursuit of will o' the wisps. (See Treatise, pp. xxi-xxii, and his An Enquiry Concerning Human Understanding, ed. L. A. Selby-Bigge (Oxford: Oxford University Press, 1902), pp. 30-31; Letter to Francis Hutcheson, The Letters of David Hume, I, 33.) In his treatment of the theory of history some specific aspects of historical process are given special emphasis. In opposition to Montesquieu (see C. L. Montesquieu, The Spirit of the Laws (Cincinnati: Robert Clarke and Co., 1873), I, Bks. XIV-XXI), Hume argues that physical factors such as climate, air and the like are not important in terms of their direct biological effects but only in so far as they have a "moral," i.e., psychological, influence. (See his essay "Of National Character," Essays, p. 244.) In many places, moreover, he seems to stress the cyclical view of historical process which he bases in large measure on the analogy with the life history of biological organisms. (See ibid., pp. 184, 248, 250.) On the whole, however, his position is pluralistic. Inertia, slow change, rapid and cataclysmic change are all considered as fundamental historical processes. (See ibid., pp. 184, 248, 250.) Moreover, although excluded from the natural histories, the behaviour of individuals is regarded as no less significant than the behaviour of the mass. "The revolution of states and empires depends upon the smallest caprice or passion of single men." (Ibid., p. 408.) It is doubtless because of the freedom permitted by his non-parochial view of historical process that one can say with Sabine that "in appreciation of the distinction between a real genetic method and mere logical analysis . . . Hume was far in advance at least of the philosophical thought of his day." George Sabine, "Hume's Contribution to the Historical Method," Philosophical Review, XV (January, 1906), 26.

[22] In the Treatise Hume's analysis of the origin and development of justice (some further questions concerning which are briefly considered in the essay "Of the Origin of Government") is likewise a history of this character. For this point, as well

seen, Hume's treatment of economic motivation likewise reflects this general pattern. More particularly it will be shown that the laws of behaviour which comprise the economic psychology form a body of historical analysis designed to explain the expansion of economic activity through the effects of the opening of trade on the various "causes of labour." As this crystallizes in the course of Hume's treatment of other issues, it does not appear as a separate compartment of his general analysis. When its various parts are brought together, it becomes evident, however, that it is in effect what Hume elsewhere terms a natural history of "the rise and progress of commerce."

The Political Economy

Political economy is a set of laws dealing with market phenomena and market relations. As will be observed either explicitly or otherwise a substantial portion of these laws is introduced for the purpose of directing attention to the economic significance of the behaviour transformations considered in the natural history of the rise and progress of commerce. Many of the economic laws are themselves historical and presuppose these same transformations. Here the continuity is obvious. Some of the most important, however, are of an "analytical" character--that is their relations are based on the assumption of rationality operating within a given pattern of behaviour.[23] The most

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as for a general perspective on Hume which has proved invaluable in the preparation of this study, I am indebted to an unpublished manuscript by Professor R. S. Crane entitled Philosophy and History in David Hume.

[23]More generally an "analytical law" may be defined as a

prominent of these are to be found in the monetary theory, e.g., the quantity theory, and the quantity theory specie flow mechanism. However it will be seen that of this group the larger part likewise conforms to the above model. In a word, viewed in its critical context, the bulk of Hume's political economy may be regarded as a series of answers to one central question: Do the commonly received beliefs concerning market relations prove valid when considered in the light of the factors underlying the devel-

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series of relations which either presupposes a given mode of behaviour or treats all changes in this pattern as independent variables. Most of the laws of economic theory in its more conventional form are, needless to say, of this analytical variety. Hume provides a convenient classification of the elements of which any form of behaviour is composed when he resolves it into the "passion," its "object," and the "means" by which it is gratified. (Cf. Treatise, pp. 277 ff., 416, 459.) To explain changes in these factors may thus be regarded as the function of a historical law. Where sequences are shown to be independent of changes in any one of these ingredients they may be said to contain a "universal" element. With respect to this Hume's treatment is not entirely clear. In some contexts, usually outside the economic essays, he speaks as though he believed all men to be intensely avaricious. (See his discussion of the origins of justice in the Treatise, pp. 491-492, his comment on avarice in his treatment of methodology below, p. 22, and in his economic philosophy below p. 136.) With respect to the passion involved it would thus seem that he intended the analytical laws of the political economy to be construed as "universal." (In his treatment of Hume Bonar assumes that all of these laws, as well as those of economic theory in general, "may be called universal because they apply without distinction of social conditions." James Bonar, Philosophy and Political Economy in Some of Their Historical Relations (London: Swann Sonnenschein and Co., 1893), p. 120. On the other hand, within the context of his "natural history" he regards the interest in monetary gain and material wealth as substantially dependent upon historical development and such factors as "education, custom, and example." See below, p. 30. However, on the whole, it would seem that, although conscious of their wide variability, Hume believed that amongst all people these motives were either an effective force or, if relatively dormant, could easily be excited to an effective degree.

opment of economic activity? So seen much of Hume's analysis may be said to parallel his technical philosophy--that is, in both cases his primary purpose is to expose prevailing errors by reducing the phenomena in question to their underlying psychological determinants. In his philosophy this largely takes the form of showing that important elements and relations are products of the life history of the individual,[24] in his economics that they are products of the life history of society.

The Economic Philosophy

Economic philosophy may be defined as an evaluation of economic institutions and policies based on some standard of the moral "good." It thus differs from the remainder of Hume's analysis in that it is of a normative character, and to this extent Hume's economic thought will be seen to be dependent upon his own theory of ethics.

In contrast to the ordinary run of contemporary economic studies Hume's analysis lays considerable stress on economic philosophy. The latter does not appear as obiter dicta to discussions of mechanical market relations. Rather, introduced in one of the opening essays, the ethical implications of economic activity form an integral part of his economic thought. Moreover, here as well it will be seen that the natural history is of fundamental significance. In this respect it performs three functions. First, as is essential in any ethical philosophy, its analysis of the

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[24]Perhaps one of the best illustrations of this is his treatment of the doctrine of causality considered below, pp. 14 ff.

"causes of labour" provides an understanding of the relationship between economic activity and the total complex of drives which make up "human nature." Secondly, it furnishes the basis for tracing the impact of economic development on other areas of social activity and thus serves as the foundation for a comprehensive moral appraisal of a commercial society. Lastly, in dealing with the various forms which individual and social behaviour assume in the course of historical process, it seeks to delimit the field of choice to alternatives which have been shown to be practically attainable and thus to block normative judgments resting on standards which the realities of human behaviour might render illusory.

General Methodological Considerations

Before proceeding to a detailed elaboration of the general thesis presented above, attention will be given those methodological aspects of Hume's philosophy which have a direct bearing both on the "scientific" character of his broader organon of thought and on that special aspect which deals with economic relations.

As is well known, the empiricism for which Hume's philosophy is noted finds its foundation in his attack on the belief in the self-evident character of causality. This emerges from his treatment of the human understanding in the Treatise. "All distinct ideas," he points out, "are separable from each other, and as the ideas of cause and effect are evidently distinct, 'twill be easy for us to conceive any object to be non-existent this moment, and existent the next, without conjoining to it the distinct

idea of a cause or productive principle."[25] Since what is conceivable is possible, and since any principle is "demonstrable" only if its opposite is shown to be impossible, the necessity of a cause cannot be demonstrated as can an idea whose verification depends solely on its logical relations to other ideas. "The separation, therefore, of the idea of a cause from that of a beginning of existence, is plainly possible for the imagination; and consequently the actual separation of these objects is so far possible, that it implies no contradiction nor absurdity; and is therefore incapable of being refuted by any reasoning from mere ideas; without which 'tis impossible to demonstrate the necessity of a cause."[26] If this is true with regard to the principle of cause and effect itself, it holds a fortiori in the case of causal relations between particular events. "All events seem entirely loose and separate. One event follows another; but we never can observe any tie between them. They seem conjoined but never connected."[27] All beliefs concerning the relations between matters of fact are thus derived only from repeated observation of resembling and spatially contiguous events appearing in an invariable time order. We come to believe that one necessarily follows the other only because of the force of "habit" in virtue of which the mind associates the impression of one object with the idea of its usual attendant.[28] Since it is exclusively from

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[25] Treatise, p. 79. [26] Ibid., pp. 79-80.

[27] D. Hume, An Enquiry Concerning Human Understanding, p. 74. Italics in text.

[28] Since we cannot find any "necessary connexion" in nature the principle of the uniformity of nature must be accepted

the observation of a "constant conjunction" of events that we arrive at our knowledge of matters of fact, it is only by means of a thorough examination of experience that we can broaden our understanding of the existential relations between things.

It was this thoroughgoing empiricism which led Hume to a study of history.[29] As he points out, experimentation in the

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on faith. Hume of course was at pains to acknowledge the enigma in the practical necessity of accepting the indemonstrability of the principle that the future will always resemble the past. "Let the course of things be allowed hitherto ever so regular; that alone, without some new argument or inference, proves not that, for the future, it will continue so. . . . What logic, what process of argument secures you against this supposition? My practice, you say, refutes my doubts. But you mistake the purport of my question. As an agent, I am quite satisfied in the point; but as a philosopher, who has some share of curiosity, I will not say scepticism, I want to learn the foundation of this inference. No reading, no inquiry has yet been able to remove my difficulty, or give me satisfaction in a matter of such importance. Can I do better than propose the difficulty to the public, even though, perhaps, I have small hopes of obtaining a solution? We shall at least, by this means, be sensible of our ignorance, if we do not augment our knowledge." P. Hume, Enquiry Concerning Human Understanding, p. 38.

[29]In speaking of Hume's empiricism in his role as historian Leslie Stephen states that Hume's "formula that 'anything might be the cause of anything'" led "to the perfunctory discharge of the duties of a philosophical historian" and to a contentment with "detecting random resemblances here and there without resolving them into more simple and general uniformities." The History of English Thought in the Eighteenth Century (New York: G. P. Putnam's Sons, 1927), I, 58. This appraisal is not without foundation with regard to the History of England, although even in this largely factual and particularistic history it is not entirely valid since in the constitutional developments which it traces the History of England exhibits a fair measure of integration. With regard to the natural histories (which Stephen evidently overlooked), it is manifestly incorrect since here all "random resemblances" are expunged on the ground that they cannot be reduced to "more simple and general uniformities." It is true that in framing many of these sequences Hume, as noted earlier, was going beyond that which he himself was able to verify empirically and to this extent his performance does not conform fully to his own methodological principles. However the many instances in which he does attempt to support his laws by an appeal to "experience" (both in the History of England and elsewhere, especially

laboratory sense is impracticable in the case of human beings since the influence of the individual performing the experiment produces results which would not otherwise ensue. All our knowledge concerning human behaviour must therefore be derived "from a cautious observation of human life, and [we must take] them as they appear in the common course of the world, by men's behaviour in company, in affairs, and in their pleasures."[30] And, as he says elsewhere,

> History is not only a valuable part of knowledge, but opens the door to many other parts, and affords us materials to most of the sciences. And indeed, if we consider the shortness of human life, and our limited knowledge, even of what passes in our own time, we must be sensible that we should be forever children in understanding, were it not for this invention, which extends our experience to all past ages, and to the most distant nations; making them contribute as much to our improvement in wisdom, as if they had actually lain under our observation. A man acquainted with history may in some respect, be said to have lived from the beginning of the world and to have been making continual additions to his stock of knowledge in every century.[31]

Although Hume emphasized the volatility of human behaviour,[32] it would seem clear that with regard to "human nature,"

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in the economic essays) certainly deserve considerable attention in any evaluation of the consequences of his doctrine that "anything might be the cause of anything." The latter may have precluded acceptance of the usual philosophies of history which organize all data according to a master blueprint, and in specific cases, as in the History of England, may have led to a highly particularistic treatment of historical events; but, as Stephen fails to note, it also carried a mandate for careful analysis for the purpose of determining "what causes what" wherever possible.

[30] Treatise, p. xxiii. [31] Essays, p. 390.

[32] "Man is a very variable being, and susceptible of many different opinions, principles, and rules of conduct. What may be true, while he adheres to one way of thinking, will be found false, when he has embraced an opposite set of manners and opinions." Ibid., p. 150. "Those who consider the periods and revolutions of human kind, as represented in history, are entertained with pleasure and variety, and see, with surprize, the manners,

or the nucleus from which the variations develop, he believed sufficient historical evidence to be available to frame reasonably good approximations to what he termed "proofs" or propositions "entirely free from doubt and uncertainty."[33]

> It is universally acknowledged that there is a great uniformity among the actions of men, in all nations and ages, and human nature remains still the same, in its principles and operations. The same motives always produce the same actions: The same events follow from the same causes. Ambition, avarice, self-love, vanity, friendship, generosity, public spirit: these passions, mixed in various degrees, and distributed through society, have been, from the beginning of the world, and still are, the source of all the actions and enterprises which have been observed among mankind. . . . Mankind are so much the same, in all times and places, that history informs us of nothing new or strange in this particular.[34]

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customs and opinions of the same species susceptible of such prodigious changes in different periods of time." Ibid., p. 163. In the essay "A Dialogue" this variability of human behaviour, considered in its relation to morality, serves as the central theme of the analysis. See ibid., pp. 501 ff.

[33] Treatise, p. 124. The term "knowledge" is confined to propositions concerning the relations between ideas.

[34] D. Hume, Enquiry Concerning the Principles of Human Understanding, p. 83. Considered in isolation from the remainder of its context it might appear that Hume is here asserting that human behaviour is entirely uniform. This, however, would not only conflict with his general position but it should be noted that in the very next section he adds: "We must not, however, expect that this uniformity of human actions should be carried to such a length as that all men, in the same circumstances, will always act precisely in the same manner, without making allowance for the diversity of character, prejudices, and opinions." Ibid., p. 85. See also the passage quoted below p. 20, where Hume calls attention more specifically to the historical variability of human behaviour. This appears later in the same passage as that cited above. In a word, it would seem apparent that the statement in the text above Hume means to say that human behaviour is uniform only "in its principles and operations" or, in short, only to the extent that it reflects universal principles of human nature. Nonetheless in the more recent literature one frequently encounters the notion that Hume believed that human behaviour was, in all essential respects, the same in all times and places. In support of this interpretation Black cites Hume's belief in the constancy of "human nature." "The principal conse-

Moreover, he adds, a study of the variability of human behaviour itself yields reliable propositions concerning other

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quence of Hume's doctrine of uniformity as applied to history is this; if, as he asserts, human nature is a constant quantity . . . it follows that history is simply a repeating decimal. . . . Hume, therefore, lays himself open to the same criticism as Voltaire. There is no parity [none whatever?] between the conduct of a Greek or Roman and that of an Englishman or Frenchman: still less between a modern and medieval man. The quality of their acts is different, even though the qualities with which they are endowed are the same. But Hume could not see this. In virtue of his theory of uniformity he takes his stand on the existence of a normal historical man, as arbitrary and fanciful as the so-called economic man of the old political economy." J. B. Black, The Art of History (London: Methuen and Co., Ltd., 1926), pp. 97-98. As is evident Black destroys a creature entirely of his own making: if the uniformity of human nature does not imply a uniformity of behaviour, why suppose that this necessarily holds in Hume's case? Since most of Hume's economic psychology seeks to explain changes in man's orientation toward economic activity, particularly unfortunate is the analogy to the "economic man of the old political economy." Again, "Hume and Montesquieu agree in recognizing as the basis of social activity a human nature that is constant. But where Hume assumed that human activity was but very slightly determined by physical conditions and therefore remained constant, Montesquieu claimed that social movements were largely the result of physical environment and varied with it." F.T.H. Fletcher, Montesquieu and English Politics 1750-1800 (London: E. Arnold and Co., 1939), p. 82. Unless one supposes that physical causes exhaust the realm of causation, as Hume did not (cf. above, p. 9 n.), it is difficult to see the relationship between a disregard of physical causes and a belief in the constancy of human behaviour. A somewhat modified version of this position is taken by Gladys Bryson who approvingly quotes Black's criticism but adds that "in spite of his psychology which leads him to stress similarities, Hume is very conscious, as the whole of the century was, of the differences in culture which are to be found all over the world." See Bryson, op. cit., pp. 107-108. That in particular instances Hume may not have perceived the full variability of human behaviour may be granted, e.g., his treatment of avarice mentioned above. It is also true that most contemporary psychologists would be reluctant to commit themselves to as detailed a blueprint of "human nature" as Hume drew up. As Hume makes abundantly clear in the numerous contexts in which he employs his principles, there is nothing in his psychology, however, which precludes a recognition of genuine cultural differences. It is interesting to note that in emphasizing Hume's concern with uniformities the above criticism is diametrically opposed to Stephen's charge that Hume disregarded "connecting principles." In general this is typical of the literature on Hume's treatment of history. Thus most observers agree, to quote Stephen, that Hume failed to

principles of human nature, that is the internal relations which underly the given transformations.

> From observing the variety of conduct in different men, we are enabled to form a greater variety of maxims, which still suppose a degree of uniformity. Are the manners of men different in different ages and countries? We learn thence the great force of custom and education, which mould the human mind from its infancy and form it into a fixed and established character.[35]

As compared with the principles of human nature, the laws of behaviour occupy a lower level of generality, that is, whereas the former are ingredients distilled from all experience the latter cannot be formulated without an understanding of the precise relation between certain of these ingredients and a discrete set of conditions. In a word the framing of a law of behaviour in any realm of activity requires a high "constant conjunction" be-

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grasp "the great forces which move men's souls." (Stephen, op. cit., II, 185.) For Stephen himself this was because Hume was not general enough in his approach (cf. also William Hunt, "Hume and Modern Historians," Cambridge History of English Literature, ed. A. W. Ward and A. R. Waller [New York: G. P. Putnam's Sons, 1913], Vol. X, chap. xii); whereas for Black (op. cit., p. 98) and J.Y.T. Greig this was because he "lacked an eye for individuals" and "was happy only when he could reduce the individuals to types." See his David Hume (New York: J. Cape, 1931), p. 271. It would appear, moreover, that these contradictory appraisals all rest primarily, if not exclusively, on the History of England. This would further serve to substantiate this writer's belief that within this latter work itself one can find evidence of the highly general as well as the particularistic, and that in large portions of his historical work Hume was operating as both a conventional as well as a more theoretical historian. Apropos the type of criticism brought by Stephen and Hunt, Mossner argues, in the course of his more general defense of the History of England, that the latter provides a substantially integrated account of the "cultural and social" history of the period. See Mossner, op. cit., op. cit., pp. 680-681. In opposition to this view and in closer conformity with this writer's belief Davidson contends that it is rather in its treatment of political and constitutional developments that the essential core of unity of this history lies. See the comments on Mossner's article by W. Davidson in the Philological Quarterly, XXI (April, 1942), 208-209.

[35] Ibid., pp. 84-85.

tween given conditions and a given motive or motives for the individuals engaged in the activity in question. Since man is a bundle of many interrelated passions and inhabits an environment of manifold forces, the descent from the principles to laws is feasible only for certain distinctive aspects of human experience. To use Hume's terminology, in many areas of inquiry historical evidence here will at best afford a basis for "probabilities" or propositions which are not entirely free of "contrariety in our experience and observation."[36]

In considering the prerequisites for such laws, Hume seeks to explain why they are generally applicable to mass phenomena only. "What depends upon a few persons is, in great measure, to be ascribed to chance or secret and unknown causes: what arises from a great number, may often be accounted for by determinate and known causes."[37] In an interpretation of the statistical law of large numbers as it applies to human behaviour, he points out that this is to be ascribed to the "grossness" of the passions which affect the multitude--that is to the fact that they are not influenced by the more subtle and less perceptible of causes.

> If you suppose a die to have any bias, however small, to a particular side, this bias, though perhaps, it may not appear in a few throws, will certainly prevail in a great number, and will cast the balance entirely to that side. In like manner, when any causes beget a particular inclination, or passion, at a certain time, and among a certain people; though many individuals may escape the contagion, and be ruled by passions peculiar to themselves; yet the multitude will certainly be seized by the common affection, and be governed by it in all their actions. . . .
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> Those principles or causes, which are fitted to operate

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[36] Treatise, p. 131. [37] Essays, p. 175.

> on a multitude, are always of a grosser and more stubborn nature, less subject to accidents, and less influenced by whim and private fancy, than those which operate on a few only. The latter are commonly so delicate and refined, that the smallest incident in the health, education, or fortune of a particular person is sufficient to divert their course and retard their operation; nor is it possible to reduce them to any general maxims or observations. Their influence at one time will never assure us concerning their influence at another; even though all the circumstances should be the same in both cases.[38]

Because of their dependence upon passions which characteristically govern the mass of men, he then points out, the behaviour sequences of economics, in contrast to those pertaining to intellectual and artistic activity, are peculiarly tractable to scientific treatment.

> . . .it is more easy to account for the rise and progress of commerce in any kingdom, than for that of learning; and a state which should apply itself to the encouragement of the one, would be more assured of success, than one which should cultivate the other. Avarice, or the desire for gain, is an universal passion, which operates at all times, in all places and upon all men. But curiosity, or the love of knowledge, has a very limited influence, and requires youth, leisure, education, genius, and example, to make it govern any person. You will never want booksellers, while there are buyers of books: But there may frequently be readers where there are no authors.[39]

In light of the previous analysis, the emphasis on historical sequence, as reflected in the reference to the "rise and progress of commerce," is especially noteworthy. This appears even more pronounced in the essay "Of Civil Liberty" where, because of the difficulty of ascertaining historical laws, Hume expresses a general doubt concerning the reliability of the generalizations of "politics."

> I am apt . . . to entertain a suspicion that the world is still too young to fix many general truths in politics

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[38] Ibid.

[39] Ibid., p. 64.

> which will remain true to the latest posterity. We have not as yet had experience of three thousand years; so that not only the art of reasoning is still imperfect in this science, as in all others, but we even want sufficient materials upon which we can reason. It is not fully known what degree of refinement, either in virtue or vice, human nature is susceptible of, nor what may be expected of mankind from any great revolution in their education, customs or principles. . . . Trade was never esteemed an affair of state till the last century; and there scarcely is any ancient writer on politics who has made mention of it.[40]

It is apparent nonetheless that, owing to the fact that the passions with which it dealt were common to the mass of men, Hume believed economics to be a singularly fruitful field for scientific analysis. The confidence with which the historical as well as the analytical generalizations are presented in the essays leaves little doubt that at the very least he believed them to be respectable approximations to accurate descriptions of experience. In this connection it may be noted that it is with a justification of the use of generalizations in "politics" that Hume introduces the economic essays.

> However intricate they may seem, it is certain, that general principles, if just and sound, must always prevail in the general course of things, though they may fail in particular cases; and it is the chief business of philosophers to regard the general course of things. I may add, that it is also the chief business of politicians; especially in the domestic government of the state, where the public good, which is, or ought to be their object, depends on the concurrence of a multitude of causes; not, as in foreign politics, on accidents

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[40] Ibid., p. 50. The central question of this essay concerns the extent to which behaviour patterns are affected by the degree of civil liberty. In that part pertaining to economic activity Hume considers whether absolute government may discourage commerce by weakening the influence of avarice. In this connection he asserts that "Avarice, the spur of industry, is so obstinate a passion, and works its way through so many real dangers and difficulties, that it is not likely to be scared by an imaginary danger [to private property from the "violence of the sovereign"] which is so small, that it scarcely admits of calculation."

and chances, and the caprices of a few persons. This therefore makes the difference between particular deliberations and general reasonings, and renders subtilty and refinement much more suitable to the latter than to the former.

I thought this introduction necessary before the following discourses on commerce, money, interest, balance of trade, &c., where, perhaps, there will occur some principles which are uncommon, and which may seem too refined and subtile for such vulgar subjects. If false, let them be rejected; but no one ought to entertain a prejudice against them merely because they are out of the common road.[41]

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[41] Essays, p. 150. Italics in text. The ground on which Hume is supposing that generalizations may be more easily framed in the field of "domestic government" as against "foreign politics" is not entirely clear. On the basis of his preceding comments apropos the prerequisites for framing such generalizations it would seem likely that in his reference to the "multitude of causes" he is speaking of "causes applicable to the multitude" and is contrasting the grossness of the passions governing the mass with the delicacy of those governing the few. It is possible, however, that in his reference to the "concurrence of a multitude of causes" he is speaking of a combination of a few primary causes with a large number of less significant and mutually offsetting factors (as say in the case of the throwing of the die) as making possible a determinate solution and is contrasting this with the relatively large number of primary factors which operate on individuals responsible for the conduct of foreign affairs.

CHAPTER II

THE NATURAL HISTORY OF THE RISE AND PROGRESS OF COMMERCE

HUME'S ECONOMIC PSYCHOLOGY

This chapter will seek to show that the economic essays postulate a set of related historical laws of economic behaviour whose psychological elements are drawn from Hume's general science of man and which, taken together, comprise a "natural history of the rise and progress of commerce."

The General Framework of the Natural History

The general outline of this history is presented in "Of Commerce," the first of the economic essays, in which it appears as the supporting argument for his central thesis that "the greatness of a state and the happiness of its subjects . . . are . . . inseparable with regard to commerce."

As a means of fixing the historical setting for his analysis, Hume opens with a brief statement on the nature of the class structure of an industrial economy and the course of its evolution from the more primitive forms.

> The bulk of every state may be divided into husbandmen and manufacturers. The former are employed in the culture of the land; the latter works up the materials furnished by the former, into all the commodities which are necessary or ornamental to human life. As soon as men quit their savage state, where they live chiefly by hunting and fishing they must fall into these two classes; though the arts of agriculture employ at first the most numerous part of the society. Time and ex-

> perience improve so much these arts, that the land may easily maintain a much greater number of men than those who are immediately employed in its culture, or who furnish the more necessary manufactures to such as are so employed.[1]

That the use of these surplus laborers in the luxury industries enhances human happiness, he continues, is obvious since it affords "many the opportunity of receiving enjoyments, with which they otherwise have been unacquainted." That the development of commerce and industry likewise augments the power of the state, however, may at first seem dubious. For may it not be supposed that the luxury industries absorb resources which might have been employed for military purposes? This view he acknowledges is not entirely without foundation. Specifically it would appear to find support in the record of the ancient Greek and Roman republics whose prodigious capacity to raise and support armies, he grants, must be ascribed directly to the policy of rigorous self-denial which they uniformly pursued in the use of their resources. "Few artisans were maintained by the farmers, and therefore, more soldiers might live on it."[2] However to regard the experience of these nations as a reliable basis for policy formation, he points out, is to overlook the fact that, as the continued production of the necessary agricultural surpluses rested wholly upon the force of public spririt, this procedure was "violent" and entirely contrary to man's "natural bent." For "man's strongest attention," as he argues in his more extensive Treatise analysis, "is confin'd to [himself]; (his] next is extended to [his] relations and acquaintance; and 'tis only the

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[1] Essays, pp. 150-151. [2] Ibid., p. 152.

weakest which reaches to strangers."[3] He is consequently "not easily induc'd to perform any action for the interest of strangers, except with a view to some reciprocal advantage, which [he] had no hope of obtaining but by such a performance."[4] The success of the ancient states must thus be attributed to an "extraordinary concurrence of circumstances" in which their freedom, their confined areas and the martial spirit of the age, which obliged all citizens to remain in constant readiness to bear arms, all combined to engender an amor patriae of a singularly high order.[5]

If then we consider what is likely to occur in the "more

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[3] Treatise, p. 488.

[4] Ibid., p. 519. It should be noted, however, that Hume emphasizes the importance of man's concern for his friends and relations ("confined generosity") and on this basis explicitly rejects the view that man is predominantly selfish. "I am sensible that, generally speaking, the representations of this quality have been carried much too far; and that the descriptions which certain philosophers delight so much to form of mankind in this particular, are as wide of nature as any accounts of monsters, which we meet with in fables and romances. So far from thinking, that men have no affection for any thing beyond themselves, I am of opinion, [sic] that tho' it be rare to meet with one, who loves any single person better than himself; yet 'tis as rare to meet with one, in whom all the kind affections, taken together, do not over-balance all the selfish. Consult common experience: Do you not see, that tho' the whole expence of the family be generally under the direction of the master of it, yet there are few that do not bestow the largest part of their fortunes on the pleasures of their wives; and the education of their children, reserving the smallest portion for their own proper use and entertainment. This is what we may observe concerning such as have endearing ties; and may presume, that the case would be the same with others, were they placed in a like situation." Ibid., pp. 487-488. See also "Of the Dignity and Meanness of Human Nature," Essays, p. 48.

[5] For the case of Sparta he finds no adequate explanation. "Were the testimony of history less positive and circumstantial, such a government would appear a mere philosophical whim or fiction, and impossible ever to be reduced to practice." Ibid., p. 152.

natural and usual course of things," in which the more self-regarding passions will predominate, the military advantage which the state reaps by permitting commerce to flourish should be evident. For in all such cases were commerce suppressed and individuals denied the opportunity to exchange agricultural goods for commodities which served their "pleasure or vanity," not only would farm surpluses disappear, but as production declined society would inevitably become habituated to a lower level of exertion. Confronted with a "habit of indolence" the sovereign would be unable to evoke the rapid expansion of output required by a war emergency thus rendering an effective and sustained defense unfeasible.[6] In a commercial economy, however, this difficulty will not be encountered, since the agricultural surplus required to support the army has long been produced in exchange for manufactures; and, as laborers are now "accustomed to industry," they will regard the seizure of this surplus for the public service as "less grievous than, if, at once, you oblig'd [them] to an augmentation of labour without any reward."[7] Trade and industry, in a word, are "really nothing but a stock of labour, which, in times of peace and tranquility, is employed for the ease and satisfaction of individuals; but, in the exigencies of state, may in part be turned to public advantage."[8]

From this account two general features of the natural history thus emerge: in the light of the character of human nature commerce provides the only "natural" stimulus to the growth of

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[6]Hume also notes the technological difficulties involved in a sudden expansion of output. Ibid., p. 154.

[7]Ibid., p. 155. [8]Ibid.

economic activity, and this growth process reflects the conditioning force of habit which, "consolidating what other principles of human nature have . . . founded," alters man's orientation toward labor itself and renders the expansion of effort self-sustaining and progressive. Thus as he frequently reiterates subsequently, the growth of commerce both causes and is accelerated by a transformation in the "spirit of industry" itself.[9]

In conclusion Hume draws special attention to the stimulating influence of foreign commerce which he points out usually precedes the expansion of domestic trade and industry. This he attributes to the "novelty" of the imports, the high profits of importing and exporting, and the effect on domestic technology of the "imitation" of foreign techniques and products.[10]

The "Causes of Labor"

The greater part of the "causes of labour" and the related laws of economic behaviour which underlie this expansion of industry are considered in an early section of the second essay--"Of Refinement in the Arts"--where, in his more complete defense of a commercial economy, Hume presents a detailed analysis of the manner in which the development of trade promotes human happiness.

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[9]Hume's recognition of the pervasive influence of habit is characteristic of his analysis of human behaviour in general and has been widely remarked in the literature on his psychology.

[10]Ibid., p. 136. In the Treatise, where its influence is contrasted with habit, Hume emphasizes the power of novelty to enliven or intensify passions of all varieties and ascribes this to the "agitation of the spirits" caused by the difficulty in directing attention to something new. See Treatise, pp. 422-423. The element of "liveliness" will be seen to be of considerable importance in Hume's economic psychology as a whole.

Because of its significance for his economic psychology this passage merits quotation in full.

> Human happiness, according to the most received notions, seems to consist in three ingredients; action, pleasure, and indolence: and though these ingredients ought to be mixed in different proportions, according to the particular disposition of the person; yet no one ingredient can be entirely wanting, without destroying, in some measure, the relish of the whole composition. Indolence or repose, indeed, seems not of itself to contribute much to our enjoyment; but, like sleep, is requisite as an indulgence to the weakness of human nature, which cannot support an uninterrupted course of business or pleasure. That quick march of the spirits, which takes a man from himself, and chiefly gives satisfaction, does in the end exhaust the mind, and requires some intervals of repose, which, though agreeable for a moment, yet, if prolonged, beget a languor and lethargy, that destroy all enjoyment. Education, custom, and example, have a mighty influence in turning the mind to any of these pursuits; and it must be owned that, where they promote a relish for action and pleasure, they are so far favourable to human happiness. In times when industry and the arts flourish, men are kept in perpetual occupation, and enjoy, as their reward, the occupation itself, as well as those pleasures which are the fruit of their labour. The mind acquires new vigour; enlarges its powers and faculties; and, by an assiduity in honest industry, both satisfies its natural appetites, and prevents the growth of unnatural ones, which commonly spring up, when nourished by ease and idleness. Banish those arts from society, you deprive men both of action and of pleasure; and leave nothing but indolence in their place, you even destroy the relish of indolence, which never is agreeable, but when it succeeds to labour, and recruits the spirits, exhausted by too much application and fatigue.[11]

Three major causes of labour may be discriminated from this passage: the desire for "pleasure," the desire for "action" and the desire for the "quick march of the spirits" which is expressed through both action and pleasure and which may be termed simply the desire for "liveliness." To these is to be added "avarice" or the "desire for gain" which Hume refers to in his earlier consideration of the "natural history" in "Of Commerce."[12]

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[11] Essays, p. 160. [12] Cf. ibid., pp. 155-156.

No further comment is required on the desire for "pleasure" which is employed throughout the essays only in a most general sense to denote the entire complex of passions gratified by the consumption of wealth.[13] Each of the remainder, however, will be shown to have its specific ounterpart in Hume's science of man. Beyond revealing the extent to which Hume's theory of economic motivation represented a systematic application of his principles of human nature to the "moral science" of economics, this will be seen to add new dimensions to that part of the analysis which appears in the essays, thus serving to clarify the significance of each of the passions involved as well as the interrelations between all.

The desire for action.--The general model for Hume's treatment of economic activity as a satisfying form of activity appears in a section of Book II of the Treatise entitled "Of Curiosity or the Love of Truth," a passion which Hume tells us he deems worthy of separate and detailed analysis because "'tis an affection of so peculiar a kind, that 'twoud have been impossible to have treated of it under any of those heads, which we have examin'd, without danger of obscurity and confusion."[14]

At the outset he emphasizes that the pleasure derived from scholarly pursuits consists basically not in the attainment of valid knowledge as such, but simply "in the action of the mind,

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[13]Besides hunger, thirst and the like this would include all the so-called "secondary" passions such as pride, the desire for ostentation, etc. Elsewhere Hume gives considerable attention to pride in its relation to the desire for wealth. See Treatise, pp. 309 ff.

[14]Ibid., p. 448.

and the exercise of the genius and understanding in the discovery or comprehension of any truth." For the pursuit of truth to prove fully gratifying, however, two conditions are required. First the undertaking must offer a genuine challenge to our capacities.

> That which is easy and obvious is never valu'd. . . . We love to trace the demonstrations of mathematicians; but shou'd receive small entertainment from a person, who shou'd barely inform us of the proportions of lines and angles, tho' we repos'd the utmost confidence both in his judgment and veracity. In this case 'tis sufficient to have ears to learn the truth. We are never oblig'd to fix our attention or exert our genius.[15]

Secondly, it is essential that the truth possess some measure of utility.

> 'Tis easy to multiply algebraical problems to infinity, nor is there any end in the discovery of the proportions of conic sections; tho' few mathematicians take any pleasure in these researches, but turn their thoughts to what is more useful and important.[16]

However, to assert that the truth must be useful, he continues, would appear to lead us into paradox. For, while it is clear that the enjoyment of the activity requires that it be directed toward a worthy objective, as pointed out it is not this objective, but simply the activity itself, which serves as the true end of this passion.

> The difficulty on this head arises from hence, that many philosophers have consum'd their time, have destroy'd their health, and neglected their fortune, in the search of such truths, as they esteemed important and useful to the world, tho' it appear'd from their whole conduct and behaviour, that they were not endow'd with any share of public spirit, nor had any concern for the interests of mankind. Were they convinc'd, that their discoveries were of no consequence, they wou'd entirely lose all relish for their studies, and that tho' the consequences be entirely indifferent to them; which

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[15] *Ibid.*

[16] *Ibid.*, pp. 449-450.

seems to be a contradiction.[17]

This difficulty may be resolved if it be borne in mind that "when we are careless and inattentive, the same action of the understanding has no effect upon us, nor is able to convey any of that satisfaction, which arises from it, when we are in another disposition." Consequently "if the importance of the truth be requisite to complete the pleasure, 'tis not on account of any considerable addition, which of itself it brings to our enjoyment." Rather, belonging in that class of "desires and inclinations, which go no farther than images of passions,"[18] its sole function is to provide that small but crucial margin of interest necessary to "fix the attention" on some objective and so evoke organized and integrated effort. Philosophers, in a word, may

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[17] Ibid., p. 450.

[18] For a passion of this order to emerge even the most "remote" associative process, through which the mind links the object to its utility, will suffice. In an illustration Hume here invokes the process of "sympathy." (On this cf. below, pp. 131-132.) Thus, suppose a man, who takes a survey of the fortifications of any city; considers their strength and advantages, natural or acquir'd; observes the disposition and contrivance of the bastions, ramparts, mines, and other military works; 'tis plain, that in proportion as all these are fitted to attain their ends, he will receive a suitable pleasure and satisfaction. This pleasure, as it arises from the utility, not the form of the objects, can be no other than a sympathy with the inhabitants, for whose security all this art is employ'd; tho' 'tis possible, that this person, as a stranger or an enemy, may in his heart have no kindness for them, or may even entertain a hatred against them." Ibid. (See also Hume's reference to this sympathetic process in his treatment of the basis for our esteem for the wealthy. Ibid., pp. 358, 361, 616.) In his Theory of Moral Sentiments, where he explicitly extends Hume's doctrine, Adam Smith argues that the pleasure which we derive from viewing an object, owing to its suitability to a given end, induces so intense a desire for the object as such that we commonly "value the means more than the end" for which it is contrived. It is because of this "love of contrivance" as such, he argues, that the value attached to articles of luxury is generally far out of proportion to their real worth. See Adam Smith, The Theory of Moral Sentiments (London: A. Strahan and T. Cadell, 1792), Part IV, chap. i.

find the quest for worthless truth insipid and yet be entirely non-humanitarian since the value of the truth here takes on significance only as an instrument or, to use a well recognized term, as an "instrumental end," in effectuating the desire to give expression to intelligence in a meaningful fashion.

In a generalization of his analysis Hume then shows that in every major particular the pursuit of knowledge is akin to hunting and gaming.

> 'Tis evident, that the pleasure of hunting consists in the action of the mind and body; the motion, the attention, the difficulty, and the uncertainty. 'Tis evident likewise, that these actions must be attended with an idea of utility, in order to their having any effect upon us. A man of the greatest fortune, and the farthest remov'd from avarice, tho' he takes pleasure in hunting after partridges and pheasants, feels no satisfaction in shooting crows and magpies; and that because he considers the first as fit for the table, and the other as entirely useless. Here 'tis certain, that the utility or importance of itself causes no real passion, but is only requisite to support the imagination; and the same person, who over-looks a ten times greater profit in any other subject, is pleas'd to bring home half a dozen woodcocks or plovers, after having employ'd several hours in hunting after them.[19]

> It has been remark'd, that the pleasure of gaming arises not from interest alone; since many leave a sure gain for this entertainment: Neither is it deriv'd from the game alone; since the same persons have no satisfaction, when they play for nothing: But proceeds from both these causes united, tho' separately they have no effect. 'Tis here, as in certain chymical preparations, where the mixture of two clear and transparent liquids produces a third, which is opaque and colour'd.[20]

To return to the economic essays, the parallel between Hume's treatment of the desire for action within the context of

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[19] Treatise, pp. 451-452.

[20] Ibid. As is evident, Hume does not recognize what may be called the "pure game," or one in which the "end" has no independent value but is conceived wholly for the purpose of making activity interesting.

his natural history and his analysis of the love of truth is seen to be completed in an important passage in the essay "Of Interest." For here Hume makes clear that in its relation to economic activity as a form of interesting pursuit, the desire for wealth is in the nature of a desire for "profit" or "gain," and in the context this is explicitly opposed to the "real" passion for the "pleasures" derived from the consumption of wealth. Viewed in the light of his more general analysis, wealth is thus implicitly treated as the full equivalent of the "plover and woodcock" of the Treatise.[21]

> There is no craving or demand of the human mind more constant and insatiable than that for exercise and employment; and this desire seems the foundation of most of our passions and pursuits. Deprive a man of all business and serious occupation, he runs restless from one amusement to another; and the weight and oppression, which he feels from idleness, is so great, that he forgets the ruin which must follow him from his immoderate expenses. Give him a more harmless way of employing his mind or body, [specifically "lucrative employment" or the pursuit of "gain"] he is satisfied, and feels no longer that insatiable thirst after pleasure.[22]

A recognition of the relationship between Hume's treatment of economic activity as intrinsically gratifying and his

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[21] Elsewhere in a similar frame of reference Hume explicitly links "business" to hunting and gaming. See below, p. 44.

[22] Essays, p. 179. Although in his treatment of economic activity as an intrinsically gratifying pursuit Hume gives special emphasis to the activity of the merchant, it would seem clear from his discussion that he believed it applicable to all forms of labour. While one might wish to distinguish between the degrees of pleasure on the basis of the type of work involved, it should be borne in mind that the gratification of which Hume speaks does not flow primarily or exclusively from the nature of the specific task but rather from the broader activity designated as the "pursuit of gain"; and so viewed even the lowliest job, if regarded as a step toward success in this "game," would conform to the general pattern.

Treatise model further helps to clarify his treatment of "difficulty," "obstacles" and "necessity" in the essays. For here, in considering the influence of the latter on the development of industry, he argues that additional obstacles to want satisfaction frequently generate an expansion of effort so great as to produce an increase in scales of living far exceeding pre-existing levels. As the response is thus treated as reflecting the evocation of a positive desire to overcome hardship, the analysis finds its obvious analogue in the relationship more explicitly drawn between "difficulty" and interesting action in the Treatise.

> What is the reason why no people, living between the tropics, could ever yet attain to any art or civility, or reach even any police in their government, and any military discipline; while few nations in the temperate climates have been altogether deprived of these advantages? It is probable that one cause of this phenomenon is the warmth and equality of weather in the torrid zone, which render clothes and houses less requisite for the inhabitants, and thereby remove, in part, that necessity which is the great spur to industry and invention.[23]

Perhaps the best statement of the position that economic activity reflects a conscious seeking out of difficulties, however, is to be found in the essay "The Stoic" (subtitled "The Man of Action and Virtue") where he likens labor to hunting.

> They [the hunters] leave behind, in their own houses, and in the neighbouring plains, animals of every kind whose flesh furnishes the most delicious fare, and which offer themselves to the fatal stroke. Laborious man disdains so easy a purchase. He seeks for prey, which hides itself from his search, or flies from his pursuits, or defends itself from his violence.[24]

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[23] Ibid., p. 158.

[24] Ibid., p. 87. It would appear that in this position Hume was influenced substantially by Virgil. Thus the above statement from "Of Commerce" is followed by the quotation "Curis acuens mortalia corda" which is taken from the Aeneid iv. 158-

As is well known, the view that difficulty stimulated industry was widely held among the mercantilist writers of the period, empirical evidence usually being drawn from the much eulogized achievements of the Dutch. However, as it was a cardinal principle of their economic psychology that man natively abhorred work,[25] in arguing the above position these writers supposed that

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159. Again in a passage in the Treatise where he speaks of the "invigorating" effects of "opposition" he introduces a quotation from the Georgics i. 123. See Treatise, p. 433. The opening passages of "The Stoic," moreover, where he asserts that nature prohibits "man's noble faculties to lie lethargic or idle; but urges him by necessity, to employ, on every emergence, his utmost art and industry," bears a striking resemblance, even in the wording, to the Aeneid iv. 108-109. Although not presenting as detailed a psychological analysis as Hume, Adam Ferguson, in his later work on civil society, likewise argued that man needs action and to fulfill this desire deliberately seeks difficulties. To cite but one of his many comments, "Ask the busy, Where is the happiness to which they aspire? they will answer, perhaps, That it is to be found in the object of some present pursuit. If we ask, Why they are not miserable in the absence of that happiness? they will say, That they hope to attain it. But is it hope alone that supports the mind in the midst of precarious and uncertain prospects? and would assurance of success fill the intervals of expectation with more pleasing emotions? Give the huntsman his prey, give the gamester the gold which is staked on the game, that the one may not need to fatigue his person, nor the other to perplex his mind, and both will probably laugh at our folly: the one will stake his money anew, that he may be perplexed; the other will turn his stag to the field, that he may hear the cry of the dogs, and follow through danger and hardship." Adam Ferguson, An Essay on the History of Civil Society (London: A. Millar and T. Cadell, 1768), pp. 63-64. See also below, p. 44.

[25]It was generally believed that the resistance to work was a product of a deep rooted propensity toward idleness which, further nourished by the ease permitted by a high wage level, had moreover become habitual. As Furniss points out in characterizing the prevailing attitude on the effect of the poor laws: "The reaction of the laborers toward these well-intentioned efforts to ease their life conditions, was rather construed as evidence of a deep-lying moral taint in the character of the people, a proneness to evil which became pronounced in the presence of conditions in the least degree favorable to an indulgence of their congenital habits of indolence and debauchery." E. S. Furniss, The Position of the Laborer in a System of Nationalism (Cambridge: Houghton Mifflin Co., 1920), p. 106. For innumerable quotations illustrating this general viewpoint see ibid., chaps. vi and vii.

the mere repetition of labor could alone, through its effect on habit, create a disposition toward industry.[26] This view not only conflicts with Hume's position on man's native attitude toward action but is precluded by his analysis of habit itself. For, as he points out in the Treatise, while mere repetition may render a painful act tolerable owing to the increased "facility" of performing it ("passive habit"), it can never produce "an inclination and tendency towards it" ("active habit"), if to human nature the act is "entirely disagreeable and can never be the object of inclination." Indeed if the habit is founded on nothing but repetition, an increased facility beyond a point actually diminishes its force "by rendering the motion of the spirits faint and languid."[27] To assert that through its influence on habit difficulty engenders a continuous and enduring expansion of industry is thus to imply a native desire to perform the act.

Needless to say, when viewed in relation to the mainstream of classical doctrine as subsequently developed by Smith and Ricardo, Hume's recognition of the gratifications inherent in economic activity appears no less anomalous, for both these writers,

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[26]Statements of this character are to be found in the many arguments in support of "schools of industry" and an early disciplining of children for the tasks of gainful employment. See ibid., pp. 109 ff. Perhaps one of the clearest general statements is that of Sir William Temple. "Men naturally prefer ease before labour, and will not take pains if they can live idle; though when, by necessity, they have been inured to it, they cannot leave it, being grown a custom necessary to their health, and to their very entertainment." Cited by Furniss, op. cit., p. 106. In "Of Taxes" Hume quotes this in support of his own view on the relation between difficulty and economic activity. See Essays, p. 205. Perhaps because of the brevity of his analysis as a whole he does not pause, however, to explain the differences between his position and Temple's.

[27]Treatise, pp. 423-424.

likewise subscribing to the view that economic activity was irksome, treated the "pain cost" of labor as one of the principal bases of exchange value.[28] Indeed, although it is now commonly recognized that such activity may prove intrinsically rewarding,[29]

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[28]"The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it." "If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour [of equal "hardship"]." Adam Smith, The Wealth of Nations (Edinburgh: Adam and Charles Black, 1853), pp. 13 and 22 respectively. See also David Ricardo, The Principles of Political Economy and Taxation (London: J. M. Dent and Sons, 1937), pp. 5 ff. Although Smith and Ricardo do not recognize that man desires action, unlike the mercantilists they do not explicitly trace the painfulness of labor to a tendency toward indolence but rather, as it would seem, to the disagreeable nature of the tasks involved in "work." While the "pain cost" doctrine only requires that the marginal unit of effort be regarded as painful, the statement of this doctrine in terms of incremental units and the recognition that the infra-marginal units may be pleasurable belongs to a later period. For a discussion of the classical real cost doctrine see F. H. Knight, "The Ricardian Theory of Production and Distribution," The Canadian Journal of Economics and Political Science, I (February and May, 1935), 3 and 171.

[29]In the more recent economic literature one of the earliest systematic treatments of productive activity as a potential source of satisfaction would seem to be Thorstein Veblen's The Instinct of Workmanship and the State of the Industrial Arts (New York: The Macmillan Co., 1914). Though his treatment is of a more fragmentary character Marshall, however, likewise takes note of this in several places where he distinguishes between the marginal and infra-marginal units of effort. See his Principles of Economics (London: The Macmillan Co., 1936), pp. 140-141, 830. It may be noted that Veblen's analysis differs from Hume's in that the gratification to which Veblen refers is not a product of a general desire for action as such and is more peculiarly associated with the character of the operations performed in a specific task, i.e., "contrivance." Amongst contemporary economists the role of economic activity as a competitive game has been most emphasized by Frank H. Knight. See his The Ethics of Competition (London: Harper and Bros., 1935), pp. 60 ff. As will become more apparent below, Knight's economic psychology as a whole is strikingly similar to Hume's in both spirit and substance. Outside the economic literature John Ruskin's lecture on "Work" affords a very

as late as 1915 F. W. Taussig could write that "the economist commonly tells us that [work] is an effort undergone because compensated by wages and profits, a 'disutility,' a sacrifice. Underlying almost all economic theory is the assumption that work is an irksome thing, done for pay and in proportion to pay."[30]

Avarice or the desire for gain.[31]--Hume's writings contain two different interpretations of avarice. In his more general treatment in the Treatise, where reference to this passion is made in passing and primarily for purposes of illustrating a more general principle, there is found the construction more common to his own period, that is, the motive to hoard money is traced to the association or the identification of money with the pleasure it will purchase.[32]

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close parallel to both Hume's and Knight's treatment. See The Works of John Ruskin, ed. E. T. Cook and A. Wedderburn (London: George Allen, 1903-1912), XVIII, 405 ff.

[30]F. W. Taussig, Inventors and Money Makers (New York: The Macmillan Co., 1915), pp. 55-56. Taussig himself, however, argues that this view is wanting in so far as it ignores the role of the "instinct of contrivance" and the "instinct of devotion" or public spirit, both of which he believes to have been dominant motives in the case of the major inventors of the past, e.g., Cartwright, Ericcson, Edison. Ibid., pp. 21-22, 102-103. The "instinct of play" and the "instinct of the chase," construed in a narrow and somewhat literal sense, however, are not deemed significant as economic incentives. Ibid., pp. 9-10.

[31]As a separate "cause of labour" avarice here refers solely to a desire to hoard money and as such is to be distinguished from a capacious desire for the "pleasures of consumption." In Hume as well as in the general literature and common usage it is sometimes employed to denote both. In Mandeville's pungent prose: "Avarice . . . signifies that sordid love of Money, and narrowness of Soul that hinders Misers from parting with what they have, and makes them covet it only to hoard up. But there is a sort of Avarice which consists in a greedy desire for riches in order to spend them." The Fable of the Bees, ed. F. B. Kaye (Oxford: Oxford University Press, 1924), p. 102.

[32]One of the clearest statements of this view in Hume's

> A miser receives delight from his money; that is, from the power it affords him of procuring all the pleasures and conveniences of life, tho' he knows he has enjoy'd his riches for forty years without ever employing them; and consequently cannot conclude by any species of reasoning, that the real existence of these pleasures is nearer, than if he were entirely depriv'd of all his possessions. But tho' he cannot form any such conclusion in a way of reasoning concerning the nearer approach of the pleasure, 'tis certain he imagines it to approach nearer, whenever all external obstacles are remov'd . . .[33]

In his more pointed discussion of avarice as a "cause of labour," however, the interpretation assumes another and notably more modern form. For here it is linked not to the desire for pleasure but rather to the pursuit of "lucrative employment" qua action. Since in its latter relation wealth serves as "instrumental end," or as the goal of the action, the implication is clear that the passion for gain involved is essentially in the nature of a desire to accumulate symbols of successful endeavour. This may be seen in an extension of the passage previously quoted from "Of Interest" where Hume refers to man's "craving for exercise and employment."

> Give him a more harmless way of employing his mind or body, he is satisfied, and feels no longer that insatiable thirst after pleasure. But if the employment you give him be lucrative, especially if the profit be attached to every particular exertion of industry, he has gain so often in his eye, that he acquires, by degrees, a passion for it, and knows no such pleasure as that of seeing the daily increase of his fortune.[34]

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time is to be found in the writing of John Gay, the early expounder of the principle of association. "Dissertation Concerning the Fundamental Principle of Virtue or Morality" in The English Philosophers from Bacon to Mill, ed. E. A. Burtt (New York: Modern Library, 1930), p. 783.

[33] Treatise, p. 314. Italics in text.

[34] Essays, p. 179.

A more general treatment of this phenomenon likewise appears in his further elaboration of the Treatise analysis of the love of truth. Thus after pointing out that the fundamental motive operative here is the desire for action while the desire for the apparent "end" is but an "image" of a passion, he adds that in the course of the pursuit and through the "natural course of the affections," however, we develop an interest in the end itself as a token of the action successfully consummated.

> Upon this head [the desire for success] I shall make a general remark which may be useful on many occasions, viz. that where the mind pursues any end with passion; tho' that passion be not deriv'd originally from the end, but merely from the action and pursuit; yet by the natural course of the affections, we acquire a concern for the end itself, and are uneasy under any disappointment we meet with in the pursuit of it.[35]

And subsequently he adds:

> To make the parallel between hunting and philosophy more compleat, we may observe, that tho' in both cases the end of our action may in itself be despis'd, yet in the heat of the action we acquire such an attention to this end, that we are very uneasy under any disappointments and are sorry when we either miss our game, or fall into any error in our reasoning.[36]

In a word, had Hume gone on to point out that as a conse-

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[35] Treatise, p. 451. This phenomenon Hume reduces to the operation of the principle of "parallel direction," one of the two laws of association shown to underlie relations between passions. The essence of the doctrine is that passions are joined by a similarity in their "general bent or tendency" such that when one increases in intensity it tends to evoke all others of a related variety. See ibid., pp. 384-385.

[36] Ibid., p. 452. Hume seems to imply here that the heat of the pursuit not only intensifies our interest in attaining the end but is the source of our interest in success itself. This is difficult to understand since it would seem clear that an interest in the attainment of the end is intrinsic to its status as "instrumental end" and would emerge as soon as an appropriate end entered consciousness.

quence of having "plover and woodcock" "so often in his eye," the hunter acquires a passion to preserve and mount his day's bag, his Treatise discussion would have provided a fully analogous and general model for this phase of his treatment of the "passion for gain" in his economic psychology.[37]

The desire for liveliness.--As seen in the passage quoted from "Of Refinement in the Arts," beyond calling attention to the gratifications derived from "action" and "pleasure" Hume observes that both are further gratifying in that they provide "that quick march of the spirits, which takes a man from himself." To requote the relevant portion of this passage.

> Indolence or repose, indeed, seems not of itself to contribute much to our enjoyment, but, like sleep, is requisite as an indulgence to the weakness of human nature, which cannot support an uninterrupted course of business or pleasure. That quick march of the spirits, which takes a man from himself, and chiefly gives satisfaction, does in the end exhaust the mind, and requires some intervals of repose which though agreeable for a moment, yet, if prolonged, beget a languor and lethargy, that destroy all enjoyment.

As will be observed the "quick march of the spirits" refers not merely to the feeling of liveliness associated with the act of want gratification but, contrasted with indolence which is likened to sleep or "no passion," likewise embraces the sense of emotional excitement intrinsic to a state of active passion as such. In distilling the quality "liveliness" from both action and pleasure Hume thus recognizes that passions are themselves

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[37]Had he done so, however, he might have broken away from the classification of the desire for gain as a separate passion, which was common to his own period, and treated it as an instance of a more inclusive passion akin to what is now termed the "acquisitive instinct." For a critical discussion of this see F.W. Taussig, op. cit., pp. 80-84.

objects of a passion, or that economic behaviour involves not merely a desire for want gratification but further reflects a desire to have and pursue wants.[38]

In more general form this is brought out even more clearly in the Treatise.

> Those, who take a pleasure in declaiming against human nature, have observ'd, that man is altogether insufficient to support himself; and that when you loosen all the holds which he has of external objects, he immediately drops down into the deepest melancholy and despair. From this, say they, proceeds that continual search after amusement in gaming, in hunting, in business, by which we endeavour to forget ourselves, and excite our spirits from the languid state, into which they fall, when not sustained by some brisk and lively emotion. To this method of thinking I so far agree that I own the mind to be insufficient, of itself, to its own entertainment, and that it naturally seeks after foreign objects, which may produce a lively sensation, and agitate the spirits. On the appearance of such an object it awakens as it were, from a dream: The blood flows with a new tide: The heart is elevated: And the whole man acquires a vigour, which he cannot command in his solitary and calm moments.[39]

Moreover, as he remarks in one essay, so distressing is a passionless state that, as a refuge from its abysmal vacuity, man finds welcome relief in the excitement provided even by painful emotions. "No matter what the passion is; let it be disagreeable, afflicting, melancholy, disordered; it is still better than

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[38]Hobbes likewise had earlier observed that desire itself is essential to human well being. "Nor can a man any more live, whose desires are at an end, than he whose senses and imagination are at a stand. Felicity is a continual progress of the desire, from one object to another; the attaining of the former, being still but the way to the latter." Thomas Hobbes, "Leviathan" in The English Works of Thomas Hobbes, ed. Sir William Molesworth (London: J. Bohn, 1839), III, 85. A similar position is likewise found in Adam Ferguson, op. cit., pp. 61, 64, 67-88.

[39]Treatise, pp. 352-353. As will be recalled, in his statement in "Of Refinement in the Arts" the general invigorating effect of lively sensations is likewise treated as a causal factor in the development of economic activity. See above, p. 30.

that insipid languor, which arises from perfect tranquility and repose."[40] And similarly in the Treatise analysis of the love of truth after pointing out that the "difficulty, variety, and sudden reverses of fortune" of the game are sources of satisfaction he adds "Human life is so tiresome a scene, and men generally of such indolent dispositions, that whatever amuses them, tho' by a passion mixt with pain, does in the main give them a sensible pleasure."[41] In short, as Professor Knight remarks in a similar analysis:

> This argument of economists and other pragmatists that men work and think to get themselves out of trouble is at least half an inversion of the facts. The things we work for are "annoyers" as often as "satisfiers;" we spend as much ingenuity in getting into trouble as in getting out, and in any case enough to keep in effectively.[42]

It should be noted finally that Hume's treatment of action and pleasure as substitutable media for the expression of a desire for liveliness provides the basis for an interpretation of the relation between idleness and an excessive indulgence in pleasure notably more adequate than that commonly entertained in the economic literature of his own time. As is well known, this question figured prominently in the discussion of the alleged prevalence of idleness among the poor--this and their "tipling and carousing in alehouses" being generally regarded by the mercantilist writers as the principal socio-economic evil of the period.[43] How-

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[40] Essays, p. 128. [41] Treatise, p. 452.

[42] F. Knight, The Ethics of Competition, p. 32.

[43] Although most writers of the period believed that a low wage policy would help alleviate this condition, several took vigorous exception to this both on humanitarian and economic grounds. See Furniss, op. cit., pp. 126-127, 183-184, and J.

ever, whereas these writers commonly viewed indulgence in "the pleasure of idleness" as the fulfillment of a natural craving,[44] Hume recognizes it as symptomatic of frustration--that is as an attempt to compensate through pleasure for the want of liveliness resulting from a thwarting of the desire for interesting action. To recall his statement in the passage previously quoted from "Of Interest."

> Deprive a man of all business and serious occupation, he runs restless from one amusement to another; and the weight and oppression, which he feels from idleness is so great, that he forgets the ruin which must follow him from his immoderate expenses. Give him a more harmless way of employing his mind and body, he is satisfied and feels no longer that insatiable thirst after pleasure.[45]

Viner, Studies in the Theory of International Trade (New York: Harper and Bros., 1937), pp. 56-57. Viner points out that the number and importance of those who departed from this more general position has usually been underestimated, citing as representatives of this dissenting group such writers as Cary, Coke, Davenant and Defoe.

[44]Cf. Furniss, op. cit., chap. vi. While many argued that the employment of the idle would reduce "riotous living" simply because of the time and energy absorbed in work, as noted, it was also generally recognized that the development of a habit of industry would in itself counteract the desire to dissipate. However, as these same writers persisted in the view that man was naturally inclined toward indolence, they nowhere made clear that indulgence in the pleasures of idleness did not represent a complete fulfillment of desire, or, as already indicated, they failed to show what in human nature made feasible the development of a habit of industry.

[45]In the context in which the above passage appears Hume is considering indulgence in the pleasures of idleness specifically amongst the wealthy landowners, and, in conformity with his general analysis considered above, he ascribes their frustrated desire for action to the want of an effective challenge to their capacities. See the discussion of Hume's interest theory below, p. 71. This same position, however, appears in his treatment of dissipation amongst the poor in "Of Taxes," where it is adduced in explanation of the phenomenon that "in years of scarcity, if it be not extreme . . . the poor labour more, and really live better, than in years of great plenty when they indulge themselves in idleness and riot." For further comment on this and specifical-

The Primacy of "Instinct"

In the course of the analysis it has been observed that Hume makes frequent reference to the "pleasures" associated with the various "causes of labour," and, as noted, he uniformly employs the term "pleasures" when referring to the gratifications derived from the consumption of wealth. It may now be considered whether, in the later tradition of Bentham and Mill and the main stream of nineteenth century psychological hedonism, Hume regarded these "causes of labour" as but instances of an all inclusive Desire for Pleasure or whether he meant them to be construed as thoroughly distinct and independent motives.

On this question Hume's analysis leaves no room for doubt that his intention was the latter. Thus in his general classification of passions in the Treatise,[46] after considering those whose object is pleasure or the avoidance of pain (desire, aversion, hope, grief, sorrow) he observes that "beside good and evil, or in other words, pain and pleasure, the direct passions

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ly Hume's important qualification with respect to the limitation on the stimulating effects of difficulty, which distinguishes his position from the "utility of poverty" school, see the discussion of his theory of shifting and incidence below, pp. 90-92.

[46] All passions are divided into two classes--the "direct" and the "indirect," and the former are subdivided into those whose object is pleasure and the "instinctive" passions considered below. Treatise, pp. 438-439. The distinction between the "direct" and "indirect" passions turns on whether the affection involves an associative process--specifically the law of association which Hume terms the "double relation of ideas and impressions." For his analysis of this process see his treatment of pride and humility. Ibid., pp. 277 ff.

frequently arise from a natural impulse or instinct, which is perfectly unaccountable." As they cannot be reduced to other elements, these affections are thus in the nature of direct attractions to objects. As such, they "produce good and evil, and proceed not from them, like the other affections."[47]

A later and fuller analysis which appears in his defense of the reality of a native benevolence and where he emphasizes the extensive influence of these "instincts" as sources of the "pleasures" we pursue, provides perhaps the best single statement of his position.

> There are bodily wants or appetites acknowledged by every one, which necessarily precede all sensual enjoyment, and carry us directly to seek possession of the object. Thus hunger and thirst have eating and drinking for their end; and from the gratification of these primary appetites arises a pleasure, which may become the object of another species of desire or inclination that is secondary and interested. In the same manner there are mental passions by which we are impelled to seek particular objects, such as fame or power, or vengeance without any regard to interest and when these objects are attained a pleasing enjoyment ensues, as the consequence of our indulged affections. Nature must, by the internal frame and constitution of the mind, give an original propensity to fame, ere we can reap any pleasure from that acquisition, or pursue it from motives of self-love, and desire of happiness. If I have no vanity, I take no delight in praise; if I be void of ambition, power gives me no enjoyment; if I be not angry, the punishment of an adversary is totally indifferent to me. . . . Were there no appetite of any kind antecedent to self-love, that propensity could scarcely ever exert itself; because we should, in that case, have felt few and slender pains or pleasures, and have little misery or happiness to avoid or pursue.[48]

In recognition, finally, of the full implications of this doctrine, Hume argues elsewhere that, impelled by instinct, man

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[47] Ibid., p. 439.

[48] D. Hume, Enquiry Concerning the Principles of Morals (LaSalle, Illinois: Open Court Publishing Co., 1938), pp. 143-144.

may repeatedly and with a complete foreknowledge of the consequences, adopt a course of action detrimental to himself. "Men often act knowingly against their own interest. For which reason the view of the greatest possible good does not always influence them."[49]

Although "instinct" psychology has given way to a greater stress on the conditioning influence of social forces, in light of the continuing emphasis on "irrational" (i.e., non-pleasure orientated), elements in human behaviour, it need scarcely be said that Hume's analysis is more "modern" than the school of psychology which dominated much subsequent English thought. As is well known, within the field of economics the growing awareness of the questions raised in part by Hume's type of approach long ago led to a general abandonment of the nineteenth century liaison with psychological hedonism.[50] "Utility" is no longer equated with "pleasure" or is explicitly construed in a most general sense, that is imply as want fulfillment.[51]

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[49] Treatise, p. 418.

[50] As illustrative of this liaison the position of Jevons is as explicit as any of the period. "Pleasure and pain are undoubtedly the ultimate objects of the calculus of economics. To satisfy our wants to the utmost with the least effort, to procure the greatest amount of what is desirable at the expense of the least that is undesirable, in other words, to maximize pleasure, is the problem of economics." Stanley Jevons, The Theory of Political Economy (London: The Macmillan Co., 1911), p. 40. Among economists primary credit for discrediting psychological hedonism probably belongs to Veblen. See his The Instinct of Workmanship and the State of the Industrial Arts.

[51] Perhaps the best of the early statements of this is to be found in H. J. Davenport. See his The Economics of Enterprise (New York: The Macmillan Co., 1913), pp. 99-100. In his treatment of the theory of demand J. R. Hicks implies that indifference analysis is indispensable to "an economics free of utilitarian as-

Concluding Remarks

When viewed as a whole, Hume's treatment of economic psychology appears striking both for its multi-dimensional character and for the insights revealed in its notably broad approach to economic behaviour. Of obvious significance in this connection is the manner in which his analysis, even within its rather brief compass, displays an awareness of the complex interrelations between passions, or of the essentially organic character of human experience. Thus, beyond its direct influence, the pleasures of consumption operate indirectly as the instrumental and which renders economic activity a suitable vehicle for the desire for action; in both capacities the desire for wealth is treated as the basis for the development of avarice; action and pleasure are seen as avenues for the expression of a desire for liveliness; and this relation of substitutability is employed to explain the phenomenon of dissipation. Moreover, as this process is considered in a historical framework, Hume's treatment is especially noteworthy for the manner in which it serves to draw attention to the extensive dependence of patterns of economic behaviour on changing circumstance as well as to the importance of "habit and custom" in the formation of such patterns.

Equally noteworthy is the way in which the analysis con-

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sumptions." See his Value and Capital (Oxford: Oxford University Press, 1939), p. 18. Obviously whether one uses "preference" or the more conventional "utility" analysis has no bearing on this issue. The concept "preference" is equally open to a hedonic construction, if one chooses to invoke it.

veys an appreciation of the ineffable density of human behaviour and an understanding of the opposing forces on which it rests. Thus man produces in order to attain "pleasures"; enjoying the difficulties encountered in the activity itself, however, he not only delights in those pursuits which show genuine promise of thwarting his desire to consume but, in the course of the "game," conceives a passion to withhold and preserve his acquisitions from use. He wishes his wants gratified but, likewise enjoying the emotional excitement of having wants, he desires his wants unsatisfied, and finding himself too heavily taxed with "tranquility" will seek refuge if necessary even in the bitter-sweet pleasure of pain. He desires Pleasure (and one might add, priding himself on his "reason," he deceives himself into believing this is all he desires) but, drawn toward objects for no "reason" other than that he wants them, he is likewise a creature of "instincts" who for the sake of their fulfillment will not infrequently sacrifice "every consideration of ease, interest, and safety."[52] Perhaps the whole is best summarized by Hume himself when, in the course of discussing the conflicting emotions of love and marriage, he is prompted to exclaim: "These principles of human nature, you'll say, are contradictory: but what is man but a heap of contradictions!"[53] It is notable that an analysis devoted to scientific generalization should, in the complexity of its relations, preserve so acute an awareness of the pluralism and variety of human experience, or, contrariwise, that insights more commonly

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[52] D. Hume, Enquiry Concerning the Principles of Morals, p. 145.

[53] Essays, p. 112.

encountered in the literary arts should find their expression within a framework of uniformities.

CHAPTER III

HUME'S POLITICAL ECONOMY

It has been observed that Hume's economic psychology is conceived as part of a general treatment of the development of industry. Beyond presenting an analysis of the major doctrines of Hume's political economy it will be the more special purpose of this chapter to consider its relationship to this "natural history." As previously noted this will be seen to take the form of a pointed emphasis on the economic significance of the growth sequences of which this history treats.

Monetary Theory

Although Hume's monetary theory is composed of several elements, many of which are mutually inconsistent, it is in large measure unified by its critique of the mercantilist position. Central to this are two propositions: the distinction between money and wealth and the quantity theory of money. It is with a statement of these that Hume opens the essay "Of Money."

> Money is not, properly speaking, one of the subjects of commerce; but only the instrument which men have agreed upon to facilitate the exchange of one commodity for another. It is none of the wheels of trade; it is the oil which renders the motions of the wheels more smooth and easy. If we consider any one kingdom by itself, it is evident, that the greater or less plenty of money is of no consequence; since the prices of commodities are always proportioned to the plenty of money. . . . It is only the <u>public</u> which draws any advantage from the greater plenty of money; and that only

in its wars and negociations with foreign states.[1]

The remainder of the essay in the main takes the form of two "observations" in each of which Hume seeks to show how a recognition of the quantity theory opens the way for a better understanding of the relations between money and wealth.

The two "Observations."--The first observation, which is introduced in the form of a paradox, involves the reconciliation of the quantity theory with the acknowledged fact that the specie from the American mines had increased industry in all the nations of Europe. Distinguishing between the influence of a greater absolute amount of money and the effects of the transition from a lower to a higher level, Hume here refines upon the quantity theory itself.

Allowing sufficient time for all forces to operate, any monetary expansion, he repeats, will invariably produce nothing but a general price increase. However, when the quantity of money is increased it does not immediately effect all prices since "some time is required before the money circulates through the whole state, and makes its effect be felt on all ranks of people."[2] The explanation for such time lags in price changes and for the expansion of output with which it is accompanied is to be found in a condition of less than full employment, that is, in the

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[1] Essays, p. 167. In a letter to the Abbé Morellet, in which he criticizes the latter's commodity theory of the value of money, Hume recognizes that the choice of a medium of exchange is a matter of convention and that the use of a scarce commodity is essential only as a means of preventing promiscuous increases in supply. The Letters of David Hume, II, 204.

[2] Ibid., p. 170.

first instance as entrepreneurs seek to employ the additional funds to increase production, it is assumed that workers "never dream of demanding higher wages, but are glad of employment" at current rates. The remainder of the analysis of the developments during this "interval or intermediate situation" takes the form of a lucid account of the multiplier effects of the initial expansion as Hume then explains how the latter, through its effects on income and demand, generates an increase in employment and income throughout the rest of the economy. To quote his own account:

> Here are a set of manufacturers or merchants, we shall suppose, who have received returns of gold and silver for goods which they sent to Cadiz. They are thereby enabled to employ more workmen than formerly, who never dream of demanding higher wages, but are glad of employment from such good paymasters. If workmen become scarce, the manufacturer gives higher wages, but at first requires an increase of labour; and this is willingly submitted to by the artisan, who can now eat and drink better to compensate his additional toil and fatigue. He carries his money to market, where he finds every thing at the same price as formerly, but returns with greater quantity, and of better kinds, for the use of his family. The farmer and gardener, finding that all their commodities are taken off, apply themselves with alacrity to the raising more; and at the same time can afford to take better and more clothes from their tradesmen, whose price is the same as formerly, and their industry only whetted by so much new gain. It is easy to trace the money in its progress through the whole commonwealth; where we shall find, that it must first quicken the diligence of every individual, before it increase the price of labor.[3]

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[3] Ibid. Virtually all observers construe this part of Hume's monetary theory as an analysis of the benefits of inflation, the latter being interpreted either in a general sense or in the sense of differential price increases or, more specifically, as an inflation of unit profit margins. As is evident in Hume's treatment, however, no inflation of profit margins is invoked, either explicitly or otherwise, to explain the expansion process. As to the increase of prices, as noted above this is ascribed to the rise in wage costs and, contrary to the common interpretations, is regarded as the cause or symptom of a decline in employment. Whatever inflation is involved, in a word, is

As is evident, Hume assumes that it is the eventual rise in wage rates which will produce the increase in the price level in conformity with the quantity theory prescription. No clue, however, is offered to explain why it is supposed that the initial expansion of output endures only during the specified "interval" or why the rise in wage rates should, in effect, nullify this previous expansion of employment. Possibly Hume was thinking in terms of something akin to the wage-fund doctrine, although this is paradoxical in view of his clear recognition of the dependence of employment upon consumer demand. In this respect, in any event, his analysis is inferior to that of Potter and Law who, as is well known, present a somewhat similar argument with the specific purpose of demonstrating that, given unemployment, the quantity theory would not hold.[4] In its understanding of the me-

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treated as positively pernicious from the viewpoint of employment and output. For instances of the usual misinterpretations see E.A.J. Johnson, Predecessors of Adam Smith (New York: Prentice Hall Inc., 1937), pp. 166-167; E. Heimann, History of Economic Doctrines (New York: Oxford University Press, 1945), p. 45; E. Whittaker, A History of Economic Ideas (New York: Longmans, Green and Co., 1940), p. 694; C. Rist, History of Monetary and Credit Theory (New York: The Macmillan Co., 1940), p. 435. This error is further compounded by Erich Roll. After stating that "Hume described what Mr. Keynes has called a profit inflation, which was taking place at the expense of labour," he appends the remark--as gratuitous as it is fallacious--that the reduction in real income of labour was "a fact about which Hume was quite happy." A History of Economic Thought (New York: Prentice Hall Inc., 1939), p. 121. Italics in text. Compare with Hume's statement that "every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniences of life. No one can doubt but such an equality is most suitable to human nature, and diminishes much less from the happiness of the rich, than it adds to that of the poor." Essays, p. 157. Italics in text.

[4]Cf. William Potter, The Key to Wealth: or, A New Way for Improving Trade (London: R. A., 1650), and John Law, Money and Trade Consider'd: with a Proposal for Supplying the Nation with Money (2d ed.; London: W. Lewis, 1720).

chanics of the expansion process and the multiplier relations, however, it is clearly one of the outstanding statements of the period.[5]

Having directed attention to labor's growing resistance to additional exertion as the key factor in the inflationary process, Hume then brings the "observation" to a close with a policy recommendation which makes clear the relationship between this analysis and the "natural history."

> From the whole of this reasoning we may conclude, that it is of no manner of consequence, with regard to the domestic happiness of a state, whether money be in a greater or less quantity. The good policy of the magistrate consists only in keeping it, if possible, still increasing: because by that means, he keeps alive a spirit of industry in the nation, and increases the stock of labour, in which consists all real power and riches.[6]

Turning upon the distinction between non-historical and historical sequence, the analysis as a whole thus emphasizes the significance of monetary forces which alter as against those which

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[5]A somewhat similar multiplier analysis is to be found in Cantillon but, unlike Hume, Cantillon treats the effects of an increase in the quantity of money as largely inflationary from the outset and emphasizes instead its influence on the distribution of income. R. Cantillon, Essai sur la nature du commerce en general, trans. Henry Higgs (London: The Macmillan Co., 1931), esp. pp. 163-167.

[6]Essays, p. 171. Toward this end he proposes a "gradual and universal" debasement of coin. "Were all our money, for instance, recoined, and a penny's worth of silver taken from every shilling, the new shilling would probably purchase every thing that could have been bought by the old; the prices of every thing would thereby be insensibly diminished; foreign trade enlivened; and domestic industry, by the circulation of a greater number of pounds and shillings, would receive some increase and encouragement. In executing such a project, it would be better to make the new shilling pass for 24 halfpence, in order to preserve the illusion, and to make it be taken for the same." Ibid., n.

operate within a given pattern of economic behaviour. Reflecting the uniqueness of Hume's perspective, this is the only analysis of the period, to this writer's knowledge, which distinguishes between the short and long run effects of a monetary expansion in this fashion.

It is evident, however, that in so far as such long run influences are acknowledged, Hume's treatment requires a further and fundamental qualification of the quantity theory; that is, in virtue of this part of his analysis he is logically committed to the view that, as the terminus of long period changes, different absolute quantities of money--if unimportant in terms of their causal efficacy--will nonetheless be correlated with different levels of economic activity and not simply with proportionate changes in price. As Hume fails to recognize and give appropriate weight to this, the implications of this "observation" remain outside the mainstream of his analysis as a whole. In many of the rest of his criticisms of mercantilism, as at the outset, the quantity theory is employed without modification; while in other similar contexts it is apparent that, in emphasizing the pure price effects of monetary changes, Hume supposes that all such changes are covered by his short run case and abstracts from what he assumes to be stimulating influences of a transitory character.[7]

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[7]Several statements indicating this appear in his use of the quantity theory in his opening argument against the monetary theories of interest. To cite one: "All augmentation has no other effect than to heighten the price of labour and commodities; . . . In the progress toward these changes, the augmentation may have some influence, by exciting industry; but after the prices are settled, suitably to the new abundance of gold and silver, it has no manner of influence." Essays, p. 176. Similarly in the course of his treatment of the quantity theory specie flow mechanism, he

As will be observed, moreover, statements concerning or involving the long run stimulation of a monetary expansion which occasionally appear in connection with these other portions of this treatment further serve to highlight this lacuna in his analysis.[8]

In his second observation Hume considers the narrower question of the relation between money and the wealth and power of the sovereign. The problem here is likewise couched in the form of a paradox requiring reconciliation of data of experience to the quantity theory.

> There are some kingdoms, and many provinces of Europe . . . where money is so scarce, that the landlord can get none at all from his tenants, but is obliged to take his rent in kind. . . . In those countries, the prince can levy few or no taxes but in the same manner; and as he will receive small benefit from impositions so paid, it is evident that such a kingdom has little force even at home, and cannot maintain fleets and armies to the same extent as if every part of it abounded in gold and silver. . . . How do all these facts agree with that principle of reason, that the quantity of gold and silver is altogether indifferent?[9]

In its general character the resolution of this paradox is similar to that of the first "observation." What here appears to be a product of the scarcity of money, he argues, is in reality a function of its limited use as a medium of exchange; hence, as against the commonly received interpretation, the phenomenon can be shown to rest most fundamentally upon the "manners and customs"

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remarks in a footnote: "We observed in Essay 25, that money, when increasing, gives encouragement to industry, during the intervals between the increase of money and rise of prices." Ibid., p. 189 n.

[8]Cf. his letter to Oswald, his treatment of poor country-rich country relations, and the conclusion of his interest theory below, pp. 65-66, 67, 76, respectively.

[9]Essays, pp. 171-172.

associated with a low level of economic development. To the relationship between the evolution of industry and the development of a money economy Hume devotes considerable attention. Here his discussion, too lengthy to quote in full, will be recognized as a further elaboration of the "natural history."

> To apply these principles, we must consider, that in the first and more uncultivated ages of any state, ere fancy has confounded her wants with those of nature, men, content with the produce of their own fields, or with those rude improvements which they themselves can work upon them, have little occasion for exchange. . . .
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> But after men begin to refine on all these enjoyments, and live not always at home, nor are content with what can be raised in their neighbourhood, there is more exchange and commerce of all kinds, and more money enters into that exchange. . . . Great undertakers, and manufacturers, and merchants, arise in every commodity; and these can conveniently deal in nothing but specie. And conveniently, in this situation of society, the coin enters into many more contracts, and by that means is much more employed than in the former.[10]

As to the influence of this development on the power of the crown a twofold effect is noted. First, the more widespread the distribution of money holdings, the greater the proportion of total revenues which can be raised in the form of general purchasing power.[11] Secondly, as the replacement of a barter by a money economy increases the quantity of goods "which come to market," or the commodity demand for money, it tends to lower the general

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[10] Ibid., p. 173.

[11] In arguing for a greater equality in the distribution of income in "Of Commerce" Hume states that "it also augments the power of the state, and makes any extraordinary taxes or impositions be paid with more cheerfulness. Where the riches are engrossed by a few, these must contribute very largely to the supplying of the public necessities. But when the riches are dispersed among multitudes, the burthen falls light on every shoulder, and the taxes make not a very sensible difference on any one's way of living." Essays, p. 157. Italics in text.

price level.[12] In the more advanced economies the sovereign thus not only "may draw money by his taxes from every part of the state but what he receives, goes farther in every purchase and payment."[13] Once again it is thus the transformations underlying the development of industry which prove to be significant in the analysis of the relations between money and wealth. As he summarizes the findings of both observations in concluding the essay: "The absolute quantity of the precious metals is a matter of great indifference. There are only two circumstances of any importance, namely, their gradual increase, and their thorough concoction and circulation through the state."[14]

The Quantity Theory Specie Flow Mechanism.[15]--As is well

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[12]Even if it be supposed that the quantity of money remains the same, as Hume assumes, a decline in prices would not necessarily follow since the substitution of a money for a barter economy would likewise increase the money demand for commodities. In any event, it is to the increased commodity demand for money together with the expansion of output accompanying the transition to a commercial economy that Hume attributes the lag of prices behind the increase in the quantity of specie resulting from the discovery of the new mines. "No other satisfactory reason can be given, why all prices have not risen to a much more exorbitant height, except that which is derived from a change of customs and manners. Besides that more commodities are produced by additional industry, the same commodities come more to market, after men depart from their ancient simplicity of manners." Ibid., p. 174.

[13]Ibid., p. 175. [14]Ibid.

[15]Hume's first statement of this doctrine appears in a letter to Montesquieu (see The Letters of David Hume, I, 136) in the course of a comment on the latter's general approval of banks "which by their credit, have formed a new species of wealth." Cf. Montesquieu, op. cit., p. 372. Although in his letter Hume does not refer to this, in a subsequent chapter Montesquieu had argued the desirability of preserving a favorable trade balance as a means of acquiring specie, which he identifies with wealth. Cf. ibid., pp. 379-381. Montesquieu's response is of a general nature and contains no discussion of Hume's points. See Correspondance de Montesquieu, ed. F. Gebelin and M. Morize (Paris: E. Champion, 1914), p. 88. Two other Montesquieu letters to Hume are on record

known, in the central argument in "Of the Balance of Trade" Hume seeks to show that through its effects on relative price levels

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(cf. ibid., pp. 91 ff.), but both are brief and deal with other matters. These three letters are also to be found in John Hill Burton, Life and Correspondence of David Hume, I, Appendix B, 456-458. Commenting more generally on the relation between Hume and Montesquieu, Feilbogen points out that the titles of Hume's economic essays find their counterpart in various book and chapter headings of Montesquieu's Spirit of the Laws. Sigmund Feilbogen, "Smith und Hume," Zeitschrift für die gesamte Staatswissenschaft, XLVI (1890), 707 and n. Although there is evidence to suggest that Montesquieu played perhaps an especially important role in stimulating Hume's economic inquiries, it is obviously difficult to evaluate the extent to which this was true inasmuch as the questions which they consider in common were likewise general subjects of discussion. Apart from that mentioned above, the relationship between the writings of the two is most apparent in Hume's essay on population (cf. below, pp. 110 ff.) since this is avowedly a critique of Montesquieu's position (cf. Montesquieu, op. cit., Bk. XXIII, "Of Laws in the Relation they bear to the Number of Inhabitants"), and in parts of his study "Of Public Credit" since in the above noted letter he also comments on Montesquieu's treatment of this question (cf. Montesquieu, op. cit., Bk. XXII, chap. xvii, "Of Public Debts"), and these comments together with some of Montesquieu's points reappear in his own essay. See below, pp. 102 n. 21, and 104 n. 23. Part of his essay on taxes may also have been addressed to a portion of Montesquieu's treatment in his Bk. XXII, "Of the Relation which the Levying of taxes and the Greatness of the Public Revenues have to Liberty." See below, p. 91 n 3. With regard to the remainder of Hume's economic thought, however, the relationship would appear more tenuous than Feilbogen's pairings of Hume's essays and Montesquieu's section headings would seem to indicate. Montesquieu's brief chapter "Of lending upon interest" (Bk. XXII, chap. xix), while implying that interest is the price paid for money, barely suggests the fully elaborated monetary theory of interest which others had expounded and which served as a much more obvious target for Hume's attack; his chapter "The prohibition of commerce" (Bk. XX, chap. ix) neither reflects nor refers to the intense "jealousy of trade" common amongst the mercantilists and which again was the more obvious object of Hume's criticism; while Hume's essay on luxury avowedly emerged out of a critique of two extreme positions on this issue (see below, pp. 122-4), neither of which is taken by Montesquieu in his Bk. VII ("Consequences of the different Principles of the three Governments with respect to Sumptuary Laws, Luxury, and the Condition of Women"), and both of which are clearly represented in the doctrines of other writers. Moreover on this latter issue there are no peculiarly close similarities in general perspective or in detail of analysis. In all these respects, if there is any parallel between the two works, it would appear to be largely of a formal character.

the amount of specie in any of a group of trading countries tends toward an equilibrium at which its exports equal its imports. Thus should the quantity of specie depart from this equilibrium in an upward (downward) direction, its price level relative to that of other countries would rise (fall), it would develop an excess of exports (imports) and an outflow (inflow) of specie would ensue until its readjustment of price levels had corrected the inequality in the trade balance.[16]

Commonly approached in the light of its place in the development of doctrine, this mechanism has received greatest emphasis for its cogency in demonstrating the self-defeating character of all attempts to increase the domestic supply of specie through restrictions on international trade, for which it is generally recognized as the most destructive single blow to the mercantilist doctrine of the period. Considered in the full context of the essay and viewed within the pattern of his economic thought as a whole, however, Hume's analysis reveals a further and more positive purpose which reflects the same pattern seen to underlie the essay "Of Money."

This similarity of purpose is made apparent in the opening passages of the essay, where, after commenting on the general fear amongst nations "that all their gold and silver may be leaving

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[16] Hume recognizes the importance of the velocity of circulation and notes that the law would not hold in the event that the new specie were hoarded. Ibid., p. 194. He also recognizes the role played by exchange rates in the adjustment process. Ibid., p. 186 n. For a discussion of Hume's treatment of the quantity theory specie flow mechanism in the background of earlier writings bearing on this question cf. J. Viner, Studies in the Theory of International Trade, esp. pp. 74-87.

them," he states that the objective of his analysis is "to form a general argument, that may prove the impossibility of this event, so long as we preserve our people and industry."[17] That "industry" here refers specifically to the capacity to produce as determined by historical development is evident not only in that his analysis of the mechanism of specie adjustment itself rests upon an abstraction from the interim change of output treated in "Of Money,"[18] but in the character of the supporting argument as well. Thus in employing the quantity theory in the body of the analysis, it is to price levels as determined by the proportion which specie bears to "art and industry," "skill and ingenuity" and the like that he repeatedly directs attention, and the argument is further elucidated by several illustrations involving nations and regions of different productive capacities. To cite but two:

> Men naturally flock to capital cities, sea ports, and navigable rivers. There we find more men, more industry, more commodities, and consequently more money.[19]

> What immense treasures have been spent, by so many nations, in Flanders, since the revolution, in the course of three long years? . . . But what has become of it? Is it in the narrow compass of the Austrian provinces? No surely: most of it returned to the several countries whence it came, and has followed that art and industry, by which at first it was acquired.[20]

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[17] When the general significance of Hume's historical perspective is recognized, it is seen that the keynote of a large part of his monetary theory appears at the opening of the essay "Of Money" where, after his initial formulation of the quantity theory, he contrasts the limited use of money with "the greater number of people and their greater industry which are serviceable in all cases; at home and abroad, in private and in public." Essays, p. 168.

[18] Concerning this see above, p. 58. [19] Ibid., p. 188.

[20] Ibid., p. 195. See also pp. 186, 187, 192, 193.

Viewed in relation to his earlier discussion, Hume's analysis is thus seen as his pièce de résistance in his attempt to demonstrate the importance of historical forces in monetary process. In "Of Money" he sought to show a consideration of such forces to be essential to an understanding of the effects of money on wealth. Here he demonstrates that even with respect to the quantity of specie itself the basic determinant is likewise to be found in the level of industrial development. In this connection it should be noted, however, that, while in the essay Hume treats specie itself as a wholly passive factor, he elsewhere qualifies his analysis in conformity with his treatment of the long run influence of an increase in the quantity of money. Oswald, who had apparently seen the essay in manuscript, had criticized Hume's position on the ground that it ignored the possibility that the inflow of specie, by encouraging industry, might remain within a country.[21] Conceding the point, Hume specifies that if the inflow is to have this effect it must be gradual. "I agree with you,

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[21]Letter of James Oswald to Hume, October 10, 1750, Papers of the Family of Mure of Caldwell (Glasgow: Maitland Club, 1854), II, 94-95. The essay "Of the Balance of Trade" was published in 1752. It is interesting to note that in attempting to show that the price effects postulated by Hume are not inevitable Oswald, in the manner of Ohlin, calls attention to the income effects of specie flows. "The increased quantity of money would not necessarily increase the price of all labour and commoditys; because the increased quantity, not being confined to the home labour and commoditys, might, and certainly would, be sent to purchase both from foreign countreys; which importation, unless obstructed by arbitrary and absurd laws, would keep down the price of commoditys to the level of foreign countreys." Oswald, op. cit., p. 96. Moreover, Hume himself recognizes the validity of this point and assimilates it to his own analysis of the mechanism of adjustment. Thus in commenting on this in his reply to Oswald he argues: "Here, then, is the flowing out of the money already begun." The Letters of David Hume, I, 143.

that the increase of money, if not too sudden, naturally increases people and industry, and by that means may retain itself: but if it do not produce such an increase nothing will retain it except hoarding."[22]

Two incongruities.--There remain to be considered two further doctrines in Hume's monetary theory both of which are inconsistent with other aspects of his position.

The first of these, which appears in "Of Money," concerns Hume's treatment of the role of specie movements from backward to advanced countries. Here seeking further to depreciate the value of the "plenty of money" he argues that, owing to their price effects, such flows check the economic growth of the wealthy nations and eventually reverse the trend of industrial development in favor of their poorer neighbours.

> There seems to be a happy concurrence of causes in human affairs, which checks the growth of trade and riches, and hinders them from being confined entirely to one people; as might naturally at first be dreaded from the advantages of an established commerce. Where one nation has gotten the start of another in trade, it is very difficult for the latter to regain the ground it has lost; because of the superior industry and skill of the former, and the greater stock, of which its merchants are possessed, and which enabled them to trade on so much smaller profits. But these advantages are compensated, in some measure, by the low price of labour in every nation which has not an extensive commerce, and does not much abound in gold and silver. Manufactures, therefore, gradually shift their places, leaving those countries and provinces which they have already enriched, and flying to others, whither they are allured by the cheapness of provisions and labour;

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[22] Ibid. Although his statement is oblique, to say the least, Hume may have had this qualification in mind when at the very end of the essay he asserts: "In short a government has great reason to preserve with care its people and its manufactures. Its money, it may safely trust to the course of human affairs, without fear or jealousy. Or, if it ever give attention to this latter circumstance, it ought only to be so far as it affects the former." Essays, p. 195.

> till they have enriched these also, and are again banished by the same causes. And in general we may observe, that the dearness of every thing, from plenty of money, is a disadvantage, which attends an established commerce, and sets bounds to it in every country, by enabling the poorer states to undersell the richer in all foreign markets.[23]

As is evident, this doctrine represents a crude version of the quantity theory-specie flow mechanism--that is, in contrast to his analysis in "Of the Balance of Trade," Hume does not perceive that any shift in demand adverse to the advanced country

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[23] Ibid., p. 168. The protectionist implications of this position are obvious; and although, in stressing its beneficent aspects, Hume here preserves a more objective perspective, on the basis of this view he subsequently makes a partial concession to the case for regulation by proposing a sterilization of specie inflows. "And in this view, it must be allowed, that no bank could be more advantageous than such a one as locked up all the money it received, and never augmented the circulating coin, as is usual, by returning part of its treasure into commerce." Ibid., p. 169. In criticism of J. B. Say's assertion that in his treatment of the poor country-rich country question Hume "regarderait les peuples comme condamnés à suivre la rotation de je ne sais quelle roue de fortune dépendante non d'eux-mêmes, non de leurs talents, de leurs conduite, de leurs institutions, mais du destin," Leon Say argues that Hume "dit seulement qu'il leur fait pour se maintenir des efforts constants et qu'elles doivent se préparer a lutter contre les causes d'infériorite qui se font naturellement jour après une longue prospérité." Leon Hume, Oeuvres Économiques, trans. M. Formentin (Paris: Guillaumin and Co., 1888), p. xxxii. Leon Say's view is likewise accepted by A. Schatz. See his L'Oeuvre Economique de David Hume (Paris: Libraire Nouvelle de Droit et de Jurisprudence, 1902), pp. 146-147. As is clearly indicated by the text of Hume's treatment of this question, however, his major purpose was in fact to show that, owing to specie flows, all nations were subject to this law of growth and decay and he does not suggest, at least within the context in which he presents this law, that nations can do anything--apart, that is, from sterilizing specie--to check its operation to any significant degree. It is of course true, as both Leon Say and Schatz point out, that elsewhere Hume exhibits ample awareness of the importance to a nation's prosperity of its skills, spirit of enterprise and the like, but in so far as this indicated that Hume recognized that these were always the decisive influences in determining a nation's wealth it cannot be assimilated to his law of growth and decay without revision of its essential argument.

would itself be accompanied by an outflow of specie, and this, operating to restore equilibrium in the short run, would preclude the protracted oscillations here posited. Moreover, as the specie flows involved are of a long duration, he again disregards their effects on the spirit of industry noted later in the same essay. In his criticism of this position, in an interchange of views with Hume, Josiah Tucker points out, in addition, that the argument implicitly treats the acquisition of specie by the advanced country as a windfall or overlooks the fact that "every Augmentation of such Money is a Proof of a preceding Increase of Industry."[24] Tucker's attack, moreover, extended far beyond the more purely monetary aspects of this law and, dealing with its presupposition of a conflict between the economic development of nations, more fundamentally involved the issue of free trade. As will be seen subsequently, in line with the other and more posi-

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[24] J. Tucker, Four Tracts on Political and Commercial Subjects (Gloucester: R. Raikes, 1774), p. 44. As stated above there is a marked resemblance between Hume's analysis and Cantillon's. Cantillon assumed at the outset that the new specie was acquired through the opening of new mines in the country in question. Beyond this the primary difference is that Cantillon does not carry his analysis beyond the point where the ensuing rise in prices has increased imports and caused a decline in the nation's industry. In a word, no oscillations are posited. "If more money continues to be drawn from the Mines all prices will owing to this abundance rise to such a point that not only will the Landowners raise their rents considerably when the leases expire and resume their old style of living, increasing proportionably the wages of their servants, but the Mechanics and Workmen will be a considerable profit in buying them from the foreigner who makes them more cheaply. This will naturally induce several people to import many manufactured articles made in foreign countries, where they will be found very cheap: this will gradually ruin the Mechanics and Manufacturers of the State who will not be able to maintain themselves there by working at such low prices owing to the dearness of living." Cantillon, op. cit., p. 161.

tive features of Tucker's criticism, Hume abandons this position entirely.[25]

An equally conspicuous element of incongruity is to be found in Hume's treatment of credit expansion in "Of the Balance of Trade"; for here, adopting a view similar to the Potter and Law position, he admits that a greater volume of credit as such may stimulate industry. This he traces to its effect on the rate of profit. Referring to the development of the practice of discounting he asserts that "a stock of five thousand was able to perform the same operations as if it were six or seven; and merchants were thereby enabled to trade to a greater extent, and to require less profit in all their transactions."[26] In a subsequent reference to the effects of a decline in the rate of profit he adds that this "renders the commodity cheaper, causes a greater consumption, quickens the labor of the common people, and helps to spread arts and industry, throughout the whole society.[27]

As this position is introduced on the very heels of his argument, on quantity theory grounds, that credit expansion will produce nothing but an outflow of specie, it is not surprising that Hume's exposition should reflect marked confusion at this juncture. This is revealed in his prefatory comment that "it must, however, be confessed that . . . all these questions of trade and money are extremely complicated." In his concluding comment, moreover, he reiterates without qualification that despite this advantage of paper credit "it must still be allowed

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[25]See below, pp. 84-86.

[26]Essays, p. 191.

[27]Ibid., p. 209.

that [it] banishes the precious metals."[28]

Interest Theory

In a preliminary statement on the essay "Of Interest" appearing at the conclusion of the Essay "Of Money," Hume asserts that "In the following essay we shall see an instance of a like fallacy as that abovementioned; where a collateral effect is taken for a cause and where a consequence is ascribed to the plenty of money; though it really be owing to a change in the manners and customs of the people."[29] Centered around the "historical sequence versus quantity of money" issue, Hume's interest theory thus represents another "observation" further elaborating a theme similar to that earlier developed in his monetary theory. As will be observed, moreover, this analysis employs all the laws of behaviour of the economic psychology. As such it represents the most complete application of the "natural history" within the context of his political economy.

In his refutation of the purely monetary interpretations of the rate of interest,[30] Hume again uses his general scavenger, the quantity theory. Money, he repeats, has but a representative value and is sought by borrowers only to acquire goods and services. Since, however, a larger quantity of money has no effect upon output[31] but simply increases prices, its net effect is only

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[28] Ibid., pp. 190-191. [29] Ibid., p. 175.

[30] The major spokesmen for the doctrine were Malynes, Misselden, Petty, Davenant and, considering one part of his position, Locke.

[31] As was mentioned above, pp. 58-59, Hume here explicitly abstracts from what he supposes to be the ephemeral effects of all monetary expansions.

to compel borrowers to "carry home" a greater "load" of gold and silver to finance their purchases. As the increase in the supply of funds is thus paralleled by an equal increase in demand, the interest rate remains unaffected. Thus:

> ...if you lent me so much labour and so many commodities; by receiving five per cent. you always receive proportional labour and commodities, however represented, whether by yellow or white coin, whether by a pound or an ounce. It is in vain, therefore, to look for the cause of the fall or rise of interest in the greater or less quantity of gold and silver, which is fixed in any nation.[32]

In his alternative formulation Hume will show that "high interest arises from three circumstances: a great demand for borrowing; little riches to supply that demand; and great profits arising from commerce," and that all these moreover, are as clear a "proof of the small advance of commerce and industry" as the opposite circumstances are evidence of the reverse. In his analysis of the relationship between the level of economic development and the first two determinants of the rate of interest, Hume opens with a brief historical treatment of the characteristic pattern of property relations in an agrarian economy.

> When a people have emerged ever so little from a savage state and their numbers have increased beyond the original multitude there must immediately arise an inequality of property; and while some possess large tracts of land, others are confined within narrow limits, and some are entirely without any landed property. Those who possess more land than they can labour, employ those who possess none, and agree to receive a determinate part of the product. Thus the landed interest is immediately established.[33]

How do the "manners and customs" peculiar to this type of class structure effect the demand and supply of loans? Linking the spending habits of the landlord to his role as an idle rentier,

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[32] Essays, p. 177. [33] Ibid. Italics in text.

Hume invokes the relationship between the pursuit of the pleasures of idleness qua liveliness and a frustrated desire for action previously considered.

> . . .as the spending of a settled revenue is a way of life entirely without occupation, men have so much need of somewhat to fix and engage them, that pleasures, such as they are, will be the pursuit of the greater part of the landlords, and the prodigals among them will always be more numerous than the misers. In a state, therefore, where there is nothing but a landed interest, as there is little frugality, the borrowers must be very numerous.[34]

Since, moreover, the only other class is made up of the peasantry, who "have no means, nor view, nor ambition of obtaining above a bare livelihood," and this prodigious demand for loans is thus not offset by a large supply, the rate of interest in an economy of this character must be high.

However, as agriculture gives way to commerce, the supply of savings increases sharply for two related reasons. First, owing to the influence of "lucrative employment" upon the spending habits of the new merchant class,[35] the development of trade promotes frugality.[36] For on the one hand as the "action" provides an alternative and more satisfactory avenue for the fulfillment of a desire for liveliness, it diminishes the desire for pleasure;

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[34] Ibid.

[35] Characteristically, in a rather lengthy historical section Hume here gives detailed attention to the forces which led to the growth of the merchant class. He also seeks to show that the nature of the latter's economic function, i.e., the facilitation of exchange and the consequent promotion of a "spirit of industry," entitles him to a share of the national income. See ibid., pp. 178-179.

[36] It is at this juncture that Hume introduces the important passage on the "craving for exercise and employment" considered in the preceding chapter. See above, p. 35.

on the other hand as it whets the desire for the object symbolizing success in the pursuit, it induces a love of gain. It is thus "an infallible consequence of all industrious professions to beget frugality, and make the love of gain prevail over the love of pleasure." Secondly, since commerce increases the total product of society, the income received by the merchant is not compensated by reductions elsewhere. As the increase in output and his share are both considerable, his savings thus represent large net additions to the supply.[37] As this offsets the demand of landowners "an increase in commerce, by a necessary consequence . . . produces lowness of interest."

Hume now turns to a consideration of the manner in which the development of commerce affects the rate of interest through its influence on the rate of profit. As returns on alternative uses of capital, he points out, the rate of interest and the rate of profit are mutually determining. "No man will accept of low profits, where he can have high interest; and no man will accept of low interest, where he can have high profits." The growth of commerce, however, not only lowers interest but has the independent effect of lowering the rate of profit as well, for "when com-

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[37] On the basis of what was to become the familiar distinction between "productive" and "unproductive" labour Hume here argues that while other industrious professions are likewise conducive to frugality their savings do not represent a net increase in supply. It is commerce alone, therefore, which has the effect of depressing the interest rate. "Among lawyers and physicians who have any practice, there are more who live within their income, than who exceed it, or even live up to it. But lawyers and physicians beget no industry; and it is even at the expense of others they acquire their riches; so that they are sure to diminish the possessions of their fellow-citizens, as fast as they increase their own." Ibid., p. 180.

merce has become extensive and employs large stocks, there must arise a rivalship among the merchants, which diminish the profits of trade, at the same time as they increase the trade itself." As debt and equities are substitutable forms of investment, in thus lowering the returns on both "an extensive commerce . . . is always assisted in its diminution of the one, by the proportional sinking of the other."

Summarizing the "whole connection of causes and effects," it is clear therefore that "interest is the barometer of the state, and its lowness is a sign almost infallible of the flourishing condition of a people. It proves the increase of industry, and its prompt circulation through the whole state, little inferior to a demonstration."[38]

In terms of his own analysis Hume then seeks to explain what he believes to be the two chief misinterpretations of evidence responsible for the widespread acceptance of the purely monetary theory of interest. In his treatment of the first of these he invokes the quantity theory specie flow mechanism--its historical application here again being clearly revealed.

> The same industry, which sinks the interest, commonly acquires great abundance of the precious metals. A variety of fine manufactures, with vigilant enterprising merchants, will soon draw money to a state, if it be anywhere to be found in the world.[39]

Thus here the adherents of the monetary theory of interest have

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[38]Hume recognizes one exception to this law in the effects of a "sudden and great check to commerce." He points out, however, that since the fall in interest rates is here attended with unemployment, it is easily distinguishable from the secular decline. Ibid., p. 181.

[39]Ibid.

mistaken the inseparability of joint consequence for the inseparability of causal relation.

The second error would seem to lie in a misreading of the observed effects on rates of interest of an influx of specie resulting from foreign conquest. Here, as he points out:

> The interest has fallen, not only among [the conquering nations], but in all the neighbouring states, as soon as that money was dispersed, and has insinuated itself into every corner. Thus interest in Spain fell near a half immediately after the discovery of the West Indies, . . . and it has ever since been sinking in every kingdom of Europe. Interest in Rome, after the conquest of Egypt, fell from 6 to 4 per cent.

Here Hume divides his alternative explanation into two parts. With regard to the experience of the conquering nations involved he contends that what has here been ascribed to the increase in specie as such was fundamentally a function of the pattern of its distribution when first acquired. For initially "it is natural to imagine that this new . . . money [would] fall into few hands, and be gathered into large sums which seek a secure revenue, either by the purchase of land, or by interest." For a time therefore the inflow of specie produced the same conditions usually resulting only from an expansion of commerce. However, since in this case the latter did not occur and spending habits themselves consequently were not modified, the new money--squandered in the customary fashion--ultimately proliferated throughout the economy in conformity with the old pattern. The net effect was thus the general price increase normally to be expected, the restoration of the initial demand and supply situation in the credit market and a return of interest rates to their original level. "Accordingly we find, in Rome, that, so early as Tiberius' time, interest had again mounted to 6 per cent., though no

accident had happened to drain the empire of money."[40]

The second part of the analysis is devoted to an explanation of the fall in interest rates in the other nations of Europe which, through trade with Spain, had likewise acquired a greater quantity of specie, and in which he recognizes that the decline has been of an enduring character. Here he invokes his treatment of the stimulating influence of a monetary expansion upon industry. Although in its price effects he fails to distinguish this expansion from his short run case, it is apparent that it properly conforms to the long run phase of his analysis.

> As to the reduction of interest, which has followed in England, France, and other kingdoms of Europe, that have no mines, it has been gradual; and has not proceeded from the increase of money considered merely in itself; but from that of industry, which is the natural effect of the former increase, in that interval, before it raises the prices of labour and provisions.[41]

While this leaves unaffected his argument against the purely monetary theories of interest, reflecting a pattern which has been noted before, it conflicts with his opening use of the quantity theory, where he argues that money is of no enduring significance in determining the rate of interest.

Doctrines Concerning Free Trade

Hume's treatment of the free trade question ranks among the most comprehensive of the eighteenth century. Not only do

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[40] Ibid., p. 183. The fact that, notwithstanding its low level of economic development, interest rates in Spain had not yet returned to their previous level, Hume attributes to the periodic inflow of specie from its American mines. In light of his analysis of the long run effect of an increase in the supply of money, it is apparent that he believed the Spanish people to be incurably lazy.

[41] Ibid.

his writings contain an analysis of the issue in terms of the real income derived from a given resource use (the more typical classical consideration) but also a rather detailed discussion of the relation between international trade, the level of employment and the rate of economic growth. Needless to say, in light of his general emphasis on historical sequence, the latter is especially characteristic. Indeed, as will be observed, the employment question itself is not considered exclusively as a separate or short run problem but rather as a function of secular trends, or of the development of the "spirit of industry."

Free trade and real income at a given level of employment.--As has been observed, the doctrine that the ultimate rationale for trade inheres in the mutual benefits of the exchange of goods for goods is stated by Hume at the opening of his essay "Of Money." The most direct application of this principle to the issue of free versus controlled markets appears in "Of the Balance of Trade." Here, having argued the futility of attempts to increase the stock of specie through foreign trade restrictions, he points out that such regulations, moreover, are positively injurious in so far as they prevent nations from enjoying the products of their different human and material endowments.

> Those numberless bars, obstructions, and imposts, which all nations of Europe . . . have put upon trade deprive neighboring nations of that free communication and exchange which the Author of the world has intended by giving them soils, climates, and geniuses, so different from each other and robs them of the common benefits of art and nature.[42]

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[42] Essays, p. 194. Viner points out that the doctrine that nations had been provided with different resources as a means of indurring their mutual intercourse and friendship has its heritage in classical Greek and Roman writings, and that several mer-

And in another passage, dealing with the case of internationally competing commodities, he couches his justification for free trade in terms of a superior international division of labor.

> There are few Englishmen who would not think their country absolutely ruined, were French wines sold in England so cheap and in such abundance as to supplant, in some measure, all ale and home-brewed liquors: but would we lay aside prejudice, it would not be difficult to prove, that nothing could be more innocent, perhaps advantageous. Each new acre of vineyard planted in France, in order to supply England with wine, would make it requisite for the French to take the produce of an English acre, sown in wheat or barley, in order to subsist themselves; and it is evident that we should thereby get command of the better commodity.[43]

In the economic essays Hume does not elaborate this first of his arguments for free markets beyond its application to international trade. As the critical literature has invariably confined itself to the essays, it has thus appeared that, whatever else its merits, Hume's statement of the liberal position was inferior to Smith's as well as to some of Smith's predecessors (most notably Cantillon) in that it overlooked the important welfare implications of free domestic markets in terms of rational resource allocation. It is significant to note therefore that in numerous references to the domestic market regulation of the guild and mercantilist period which appear in his later History of England Hume addresses himself directly to this issue. Although introduced ad hoc and comparatively fragmentary, his com-

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cantilist writers, moreover, had--with suitable modifications and omissions--likewise made use of this general principle. J. Viner, Studies in the Theory of International Trade, pp. 100-103.

[43] Essays, p. 188. Hume, however, nowhere expands this to cover the bilateral advantages and the case of different costs in the production of identical items.

mentaries here, moreover, leave little doubt that he had essentially grasped this aspect of classical doctrine as well; for, taken collectively, not only do they contain a condemnation of domestic market restrictions as emphatic and unsparing as any to be found in the Wealth of Nations,[44] but several further reveal a clear insight into the major functions of a free price mechanism. To illustrate, when speaking of price regulation during the reign of Henry VII he says:

> In order to promote archery, no bows were to be sold at a higher price than six shillings and fourpence. . . . The only effect of this regulation must be, either that the people would be supplied with bad bows, or none at all. Prices were also affixed to woollen cloth, to caps and hats: and the wages of labourers were regulated by law. It is evident, that these matters ought always to be left free, and be entrusted to the common course of business and commerce.[45]

In another passage where he attacks the imposition of price ceilings on farm commodities during a period of short crops, he asserts:

> Parliament [was] not sensible that such an attempt was impracticable and that, [even] were it possible to reduce the price of provisions by any other expedient than by introducing plenty, nothing could be more pernicious and destructive to the public. Where the produce of a year, for instance, falls so far short as to afford a full subsistence only for nine months, the only expedient for making it last all the twelve, is to raise the prices; to put the people by that means on short allowance, and oblige them to save their food till a more plentiful season. . . . In reality the increase of prices is a necessary consequence of scarcity; and laws,

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[44]Statements of this character are innumerable and appear in several of the volumes. Among the practices attacked are the chartering of royal monopolies, wage and interest regulation as well as general price control, restrictions regarding apprenticeship and control of the movement of labour. See his History of England (Boston: Phillips, Sampson and Company, 1852), II, 275; III, 74, 316-318, 447; IV, 140, 335-336, 338, 366; V, 195, 328.

[45]Ibid., III, 73.

instead of preventing it, only aggravate the evil by cramping and restraining commerce.[46]

Of all the statements the following, however, is clearly the most significant since it not only treats the allocation question in a context which more directly involves the problem of alternative resource use but further posits, although in somewhat more limited terms, the harmony of private and public interest of the famous invisible hand statement.

> Most of the arts and professions in a state are of such a nature, that, while they promote the interests of the society, they are also useful or agreeable to some individuals; and, in that case, the constant rule of the magistrate, except, perhaps in the first introduction of any art, is to leave the profession to itself, and trust its encouragement to those who reap the benefits of it. The artisans, finding their profits to rise by the favor of their customers, increase as much as possible their skill and industry; and as matters are not disturbed by any injudicious tampering the commodity is always sure to be at all times nearly proportioned to the demand.[47]

Although other early writers had likewise called attention to the beneficent consequences of unhampered private initiative,[48] when considered together with his vigorous condemnation of all major types of interference with the price mechanism and his understanding of the principal functions of a free market, Hume's treatment as a whole deserves recognition as one of the more outstanding of the pre-Smithian statements of the laissez-

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[46] Ibid., II, 172.

[47] Ibid., III, 128. This laissez-faire policy is contrasted with the need for special inducements to attract labor to occupations which give "no particular advantage or pleasure" e.g., the clergy, military personnel, and those in "finances" and the magistracy.

[48] Viner points out that a recognition of this is to be found in the writings of North, Whately, Mandeville, Misselden and, in more qualified form, in Davenant. See J. Viner, Studies in the Theory of International Trade, pp. 98 ff.

faire position. In this connection, moreover, it is worthy of note that Adam Smith was not only thoroughly acquainted with the History of England but that in one place he quotes directly from the above passage.[49] In interpreting Hume's position, however, it is important to note that he nowhere suggests, as does Smith in several places, that a laissez-faire policy finds its ultimate warrant in its conformity to a system of "natural liberty," or, as seems to be implied in the latter doctrine, that any other policy must be rejected because--as in the language of Locke[50]--it violates man's "natural rights."[51] On the contrary, any view which limited the role of government on such universal and rationalistic grounds would not only be alien to his general "science of man" which allows no place for anything comparable to "natural rights" but, more specifically, would conflict with Hume's moral theory which, as noted more fully in the following chapter, recognizes nothing beyond "utility" as the criterion for evaluating social policy. That Hume would justify the limitations on government vis-à-vis the market mechanism solely in terms of the

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[49]A. Smith, Wealth of Nations, p. 354. This statement, however, is not introduced in the context of Smith's invisible hand analysis but in connection with a discussion of the clergy.

[50]See John Locke, "An Essay Concerning the True Original, Extent and End of Civil Government" and "A Letter Concerning Toleration" in Treatise of Civil Government and a Letter Concerning Toleration (New York: D. Appleton-Century Co., 1937), chap. ii, and p. 180.

[51]See The Wealth of Nations, pp. 65, 236, 311. As is well known, however, in considering particular policy questions Smith frequently disregards his generalizations on "natural liberty" and on utilitarian grounds supports many specific types of intervention. Indeed in one place, immediately following upon such a generalization, utilitarian considerations induce him to qualify his argument. See ibid., p. 143.

welfare implications of the particular measures in question, moreover, is further indicated in one general remark where, in recognizing the necessity for certain positive economic functions on the part of the state, he couches his treatment wholly in utilitarian terms. Thus, in speaking of those cases where individuals, either through short-sightedness or because of the disruptive effects of self-interest, are unable to carry through projects requiring collective action, he states:

> Political society easily remedies both these inconveniences. Magistrates find an immediate interest in the interest of any considerable part of their subjects. They need consult no body but themselves to form any scheme for the promoting of that interest. And as the failure of any one piece in the execution is connected, tho' not immediately, with the failure of the whole, they prevent that failure, because they find no interest in it, either immediate or remote. Thus bridges are built; harbours open'd; ramparts rais'd; canals form'd; fleets equip'd; and armies disciplin'd; every where, by the care of government, which tho' compos'd of men subject to all human infirmities, becomes, by one of the finest and most subtle inventions imaginable, a composition, which is, in some measure, exempted from all these infirmities.[52]

International trade, employment and economic progress.--Hume's definitive treatment of the effects of foreign trade on employment and industrial growth appears in "Of the Jealousy of Trade." "In opposition to [the] narrow and malignant opinion" that all trading nations are rivals and cannot flourish except at one another's expense, his primary purpose here is to demonstrate that "the increase of riches and commerce in any one nation, instead of hurting, commonly promotes the riches and com-

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[52] Treatise, p. 539. To my knowledge this is the only general statement on the positive economic functions of government to be found in Hume's writings. The History of England contains a few references to the activities of particular monarchs but, apart from those dealing with interferences with the price mechanism, no comments on these are made.

merce of all its neighbours; and that a state can scarcely carry its trade and industry very far, where all the surrounding states are buried in ignorance, sloth, and barbarism."[53]

The opening section of his supporting analysis consists of two general arguments, the first of which is drawn from his treatment of the natural history. As noted previously, owing to the peculiar force of its varied stimuli, Hume ascribes a strategic place to the role which foreign trade plays in the development of the spirit of industry.[54] Here he singles out for special emphasis his earlier reference to the relationship between the foreign and domestic rate of technological development.

> Compare the situation of Great Britain at present, with what it was two centuries ago. All the arts, both of agriculture and manufactures, were extremely rude and imperfect. Every improvement, which we have since made, has arisen from our imitation of foreigners; and we ought so far to esteem it happy, that they had previously made advances in art and ingenuity . . . yet we still continue to repine, that our neighbours should possess any art, industry and invention: forgetting that, had they not first instructed us, we should have been at present barbarians; and did they not still continue their instructions, the arts must fall into a state of languor, and lose that emulation and novelty which contribute so much to their advancement.[55]

Secondly he calls attention to the relationship between foreign income and the demand for home exports.

> The increase of domestic industry lays the foundation of foreign commerce. Where a great number of commodities are raised and perfected for the home market, there will always be found some which can be exported with advantage. But if our neighbours have no art or cultivation, they cannot take them; because they will have nothing to give in exchange. In this respect, states are in the same condition as individuals. A single man can scarcely be industrious, where all his fellow-citizens are idle. The riches of the several members of

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[53] Essays, p. 195.

[54] See above, p. 29.

[55] Essays, p. 196.

> a community contribute to increase my riches, whatever profession I may follow. They consume the produce of my industry, and afford me the produce of theirs in return.[56]

The remainder of the essay is then devoted to an examination of the critical case of an expansion abroad which competes with domestic industry. First, in a consideration of the broader problem of maintaining home production in the face of a general growth of foreign industry, he argues that, owing to the "diversity of geniuses, climates, and soils" among nations, no country need fear that a development of this character will rob it of its markets as long as it remains sufficiently "industrious and civilized" to exploit its own peculiar resources effectively. On the contrary, since demand is a function of income, "the more the arts increase in any state, the more will be its demand from its industrious neighbours." As is apparent, this position--not to speak of the perspective of the essay as a whole--represents a conspicuous departure from that taken in his analysis of the poor country--rich country question. There, as observed, Hume assumes a fundamental opposition between the economic development of nations and can find a "happy concurrence of causes" only in the alternating phases of contraction and expansion presumed to be generated by specie flows.[57] As is noted below, it is further evident that the two arguments on which this new position is based are drawn from Tucker's criticism of his earlier doctrine.[58]

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[56] Ibid.

[57] In its emphasis on the importance of international trade his analysis of the rich country-poor country question also conflicts with his argument below with regard to the ease with which an advanced country may reallocate resources rendered idle by the loss of foreign markets.

[58] The discussion was carried on with Lord Kames acting as

Narrowing the analysis to a question of more immediate significance he then considers the impact on home employment of

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intermediary, and Tucker's analysis was subsequently published in his Four Tracts on Political and Commercial Subjects. The argument took a somewhat devious course. Tucker had been led to question Hume's law of growth and decay because, as it implied that the wealthy country could preserve its gains only by conquering the poor, it rendered the "Rule of national self-preservation . . . inconsistent with the Principle of universal Benevolence." (Ibid., p. 20.) While avowedly seeking to resolve this contradiction, in order to show a Divine beneficence in the nature of things, his first statement of his position, however, only seemed to widen the gap between the two from the viewpoint of the poor country, since it was devoted almost completely to a proof that the wealthy country, could continue to expand indefinitely. (It might be noted that his treatment of this contains an excellent discussion of the various factors which tend to render the advantages of the wealthy country self-perpetuating, e.g., the superiority in terms of capital stock, size of markets, skills and spirit of enterprise. Ibid., pp. 30 ff. In speaking of the assistance which England might render Scotland with regard to the latter's economic development he also proposes a plan which is in all essential particulars the equivalent of the current European recovery program. Ibid., p. 42.) In his rejoinder, in which he refuses to concede Tucker's case, Hume thus cites the incongruity between Tucker's implication that "it was . . . the intention of Providence than any one nation" should continue to grow ad infinitum and become a "monopolizer of wealth" and his declared purpose, "as a divine and a philosopher," of justifying the "goodness of Providence" to man. And in further support of his own somewhat less uncharitable view of nature's benevolence he adduces a historical argument from analogy. "The growth of all bodies, artificial, as well as natural, is stopped by internal causes, derived from their enormous size and greatness. Great empires, great cities, great commerce, all of them receive a check, not from accidental events, but necessary principles." Letter to Henry Home, Lord Kames, March 4, 1758, The Letters of David Hume, II, 271-272. However, with the issue more sharply defined Tucker expands his analysis and in reply seeks to show that the continued expansion of the wealthy country does not imply the further impoverishment of the backward nations. Here after pointing out that the poorer countries can improve their position by the judicious use of legislation (e.g., abolition of monopolies, taxes on luxuries such as whisky and on "alien manufactures"), he presents the two arguments noted in Hume's treatment above. (See Tucker, op. cit., pp. 51-52.) He also rejects Hume's analogical argument on the ground that as a teleological entity society, unlike nature, can deliberately adopt measures to avoid what it deems undesirable. (Ibid., p. 56.) Apart from another letter in which Tucker presents a very brief and partial statement of some of the same arguments noted above, which appear in A.F.T. Woodhouselee, Memoirs of the Life

effective foreign competition with a domestic staple, e.g., English wool. Here a variety of arguments is adduced. If the commodity is a true staple, he points out, this implies that the nation enjoys a peculiar advantage in its production. If notwithstanding this, they are undersold by other countries "they ought to blame their own idleness, or bad government, not the industry of their neighbours." Tacitly reintroducing the assumption that such competition arises from a general expansion of industry abroad, he adds however that, as the concomitant growth of foreign demand may extend to the domestic staple as well, it may prevent a decline or even produce an increase in its home output. Furthermore, even if the demand for the staple should fall, it need not be feared, he contends, that the nation will suffer sustained unemployment as long as it preserves its "spirit of industry"; for granted the latter, resources may "easily be diverted from one branch to another; and the manufacturers of wool, for instance, be employed in linen, silk, iron, or any other commodities for which there appears to be a demand." Indeed, since the emulation between nations "serves . . . to keep industry alive," the exposure to foreign competition will itself condition a nation for a rapid diver-

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and Writings of the Honourable Henry Hume of Kames (Edinburgh: W. Creech, T. Cadell, and W. Davis, 1807), App., pp. 1-6. The records contain no further correspondence on this issue. In the introduction to his published work, however, Tucker observes that "tho' I cannot boast that I had the Honour of making the Gentleman a declared Convert, yet I can say, and prove likewise, that in his Publications since our Correspondence, he has wrote, and reasoned as if he was a Convert." Tucker, op. cit., p. vii. It should be noted that "Of the Jealousy of Trade" was the only essay which did not appear in the original edition of the Political Discourses in 1752. It was published in 1758 shortly following the above correspondence.

sion of resources.[59] Moreover, he concludes, in virtue of this influence on the spirit of enterprise, foreign competition will likewise contribute toward minimizing the probability of large scale unemployment itself; for as economic development brings a wider diversification of resource use, it provides insulation against "those revolutions and uncertainties, to which every particular branch of commerce will always be exposed."

Although in substantial measure this analysis as a whole is drawn from his previous discussion of the development of industry, it is evident, in light of his earlier treatment of the poor country-rich country question, that it likewise represented the consummation of much uncertainty and groping. This becomes even more strikingly apparent when it is noted that in the preceding essay, "Of the Balance of Trade," Hume had made an ad hoc concession to the case for tariffs. Its ad hoc character is underscored by its appearance on the heels of his pronouncement of

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[59] In "Of Commerce" he argues that once a nation's industry has been highly developed through foreign competition the disposition to introduce innovations and the high level of consumer demand would render foreign trade itself relatively inconsequential. "When the affairs of the society are once brought to this situation, a nation may lose most of its foreign trade, and yet continue a great and powerful people. If strangers will not take any particular commodity of ours, we must cease to labour in it. The same hands will turn themselves towards some refinement in other commodities, which may be wanted at home. And there must always be materials for them to work upon, till every person in the state, who possesses riches, enjoys as great a plenty of home commodities, and those in as great perfection, as he desires: which can never possibly happen." Essays, p. 156. He here indicates moreover that he believed that England had already approached this stage. "It is true, the English feel some disadvantages in foreign trade by the high price of labour, which is in part the effect of the riches of their artizans, as well as of the plenty of money: but as foreign trade is not the most material circumstance, it is not to be put in competition with the happiness of so many millions." Ibid., p. 157.

tariffs as useless on quantity theory specie flow grounds and pernicious on grounds of interference with desirable exchange.

> All taxes, however, upon foreign commodities are not to be regarded as prejudicial or useless, but those only which are founded on the jealousy above-mentioned. A tax on German linen encourages home manufactures, and thereby multiplies our people and industry. A tax on brandy increases the sale of rum, and supports our southern colonies.[60]

Moreover, in his final treatment as well there is evidence that some of the old doubts lingered and that Hume preserved a somewhat greater degree of skepticism than would seem to be indicated in his sanguine assertion that a highly developed spirit of industry alone would render full resource transfer "easy." Thus, although he does not consider the question of a nation's capacity for factor reallocation in detail, near the conclusion of the essay he recognizes the exception of the limiting case in which resource diversion is impossible. This is illustrated by the position of the Dutch whom he supposes incapable of developing substitutes in the event of a loss of their middleman and carrier function in international trade.[61]

In light of this, as well as the background from which the essay emerged, it would seem probable that Hume's analysis was premised on more purely long run considerations to a greater degree than is readily apparent in its argument, and that his vigorous support of free trade was based in somewhat larger measure on a growing conviction of its superiority over the protec-

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[60] Ibid., p. 194.

[61] He adds, however, that, owing to the advantage of its large stocks, a country such as the Netherlands need not fear foreign competition for "many generations" and may possibly elude it entirely. Ibid., pp. 197-198.

tionist alternative in terms of the prerequisites for economic development itself. In a plea for liberalism, notable for its cosmopolitan spirit, it is this aspect of the question which he emphasizes at the conclusion of the essay.

> Were our narrow and malignant politics to meet with success, we should reduce all our neighbouring nations to the same state of sloth and ignorance that prevails in Morocco and the coast of Barbary. But what would be the consequence? They could send us no commodities: they could take none from us: our domestic commerce itself would languish for want of emulation, example and instruction: and we ourselves should soon fall into the same abject condition, to which we had reduced them. I shall therefore venture to acknowledge, that, not only as a man, but as a British subject, I pray for the flourishing commerce of Germany, Spain, Italy, and even France itself. I am at least certain that Great Britain, and all those nations, would flourish more, did their sovereigns and their ministers adopt such enlarged and benevolent sentiments towards each other.[62]

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[62] Ibid., p. 198.

CHAPTER IV

HUME'S POLITICAL ECONOMY, CONTINUED

Shifting and Incidence of Taxes

In the main Hume's brief essay "Of Taxes" is devoted to a critical analysis of the doctrine--in its specific application to excises on goods consumed by the poor--that "every new tax creates a new ability in the subject to bear it, and . . . each increase of public burdens increases proportionately the industry of the people." His position on this issue is twofold. Primarily his purpose is to show that this maxim contains an essential element of validity--that consequently it must be acknowledged that in addition to the more commonly recognized effects of such excises, i.e., retrenchment and a rise in wages, the poor may "increase their industry, perform more work, and live as well as before." In support of this contention he draws upon his historical argument with regard to the influence of "difficulty" on the spirit of industry introduced earlier in "Of Commerce."[1]

> . . .it is certain that such difficulties [as taxes] often serve to excite the industry of a people, and render them more opulent and laborious, than others, who enjoy the greatest advantages. For we may observe, as a parallel instance, that the most commercial nations have not always possessed the greatest extent of fertile land; but, on the contrary, that they have laboured under many natural disadvantages. . . .
>
> Since therefore some natural necessities or disadvantages may be thought favourable to industry, why may not artificial burdens have the same effect?[2]

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[1]See above, pp. 36-37. [2]Essays, p. 204.

However, he continues, if not without validity, this principle has serious limitations and "is of such a nature as is most likely to be abused." For if the tax is to prove stimulating it is essential that it "be laid on gradually, and affect not the necessaries of life," since "exorbitant taxes, like extreme necessity, destroy industry by producing despair; and even before they reach this pitch they raise the wages of laborers and manufacturers, and heighten the prices of all commodities."[3]

Viewed in the light of his economic psychology, it is apparent that this analysis is reducible to the opposition between the desire for action and the desire for pleasure considered earlier--that is, in order to create a new ability to bear it, the burden of a tax must be such that, while providing the desired difficulty in achieving wants, it does not seriously interfere with the wants themselves. In its own period, moreover, this view was virtually peculiar to Hume. For those who recognized the stimulating influence of taxes on labor-generally adherents of the "utility of poverty" school[4]--overlooked the oppressive ef-

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[3]In a comment following upon this Hume takes the position that in terms of their effect on industry prevailing tax levels were already too high. "An attentive disinterested legislature, will observe the point where the emolument ceases, and the prejudice begins: But as the contrary character is much more common, 'tis to be feared that taxes, all over Europe, are multiplying to such a degree, as will entirely crush all art and industry; tho', perhaps, their first increase, together with other circumstances, might have contributed to the growth of these advantages."

[4]Cf. Furniss, op. cit., chap. vii, and E. R. A. Seligman, The Shifting and Incidence of Taxation (New York: Columbia University Press, 1921), pp. 49-55. Perhaps the fullest statement of this doctrine is to be found in the work of William Temple ("Of Trowbridge") who argued that, as a tax on labour would call forth an increased supply, it would lower prevailing wage rates. See Seligman, op. cit., p. 53.

fects of high levies; whereas those who drew attention to their shiftability--premising their positions either on the subsistence or accustomed standard of living theory of wages[5]--typically disregarded the possible stimulating effects of moderate levies. On the basis of a more complex economic psychology Hume thus reconciles two positions commonly representing antithetical views and usually found in isolation from one another.

In his remaining discussion Hume considers the physiocratic argument that, as every tax is ultimately shifted to land, all other types of levies should be abolished[6]--a doctrine which derived from its well known premise that the cultivation of land alone yields a surplus ("produit net") above labor's subsistence and the necessary costs of production. Re-emphasizing that absorption of an excise through both retrenchment and an expansion

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[5]The most notable representatives of this position were Mun, the physiocrats (cf. below), and Ricardo. In his discussion of taxes on wages Adam Smith likewise argues on subsistence grounds that all such levies will be fully shifted. See The Wealth of Nations, pp. 396-397. However in his treatment of excises on goods consumed by labor he distinguishes between those affecting necessities and those on luxuries and argues that the latter will be absorbed through retrenchment. See ibid., pp. 403-405. Both Smith and Ricardo, moreover, introduced a qualification to allow for a decline in the demand for labor which they presumed all taxes would produce through their negative effects on capital stock. On this Ricardo is more explicit. "Taxes so far as they impair the net capital of the country diminish the demand for labour, and therefore it is probable . . . that though wages would rise, they would not rise by a sum precisely equal to the tax." Principles of Political Economy and Taxation (Everyman ed.; London: J. M. Dent and Sons, 1937), p. 145.

[6]As is well known, the physiocrats argued that, as indirect forms of taxing land, their burden on the all important agricultural sector of the economy was concealed, their collection was more troublesome and costly and the extensive interference with commerce and industry which they entailed was a dangerous threat to the "natural order" of economic liberty.

of effort must be recognized as possible alternatives to an increase in wages, he here seeks to show, moreover, that, unless the tax is "very heavy" or "very injudiciously levied," the former consequences are in actual practice more probable than the latter. His first argument is wholly empirical. "We see, that, in years of scarcity, the weaver either consumes less or labours more, or employs both these expedients of frugality and industry, by which he is enabled to reach the end of the year." Moreover, he continues, the nature of market relations renders it unlikely that attempts to shift the excise will prove successful. In the case of goods produced for export, he points out, the world price stands as a rigid limitation on all wage increases. "The manufacturer who employs him, will not give him more: neither can he, because the merchant, who exports the cloth, cannot raise its price, being limited by the price which it yields in foreign markets." (Needless to say, labor would be unable to shift any portion of the excise only in the event that foreign supply or foreign demand and domestic supply were perfectly elastic at the prevailing price. Implicit suppositions of this character, however, were generally typical of the period.)

As to the economy as a whole, while no comparably rigorous principle of determinacy is noted, Hume argues that, as each group in the economy possesses power to defend itself against encroachments on its income, there is no reason to suppose that any one group will bear the full burden of taxes. Hume thus implicitly supposes that the availability of acceptable alternatives to taxable lines of action is at least not radically different as between all the groups involved.

> Every man, to be sure, is desirous of pushing off from himself the burden of any tax which is imposed, and of laying it upon others; but as every man has the same inclination, and is upon the defensive; no set of men can be supposed to prevail altogether in this contest. And why the landed gentleman should be the victim of the whole, and should not be able to defend himself, as well as others are, I cannot readily imagine. All tradesmen, indeed, would willingly prey upon him, and divide him among them, if they could: but this inclination they always have, though no taxes were levied; and the same methods by which he guards against the imposition of tradesmen before taxes, will serve him afterwards, and make them share the burden with him.

In holding that the merchant would bear a share of the tax burden,[7] it is apparent that this argument conflicts with what appears to be implied by the one preceding. For in the first argument he seems to assume that wage increases generally cannot be absorbed, or that all entrepreneurial returns are necessary costs.[8]

In a subsequent exchange of correspondence with Turgot, which apparently represented the culmination of a protracted dis-

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[7]The supposition that entrepreneurial income contains a taxable surplus appears in more explicit form in Hume's letter to Turgot, considered more fully below. "I beg you . . . to consider, that, besides the Proprietors of Land and the labouring Poor, there is in every civilized Community a very large and a very opulent Body who employ their stocks in Commerce and who enjoy a great Revenue from their giving Labour to the poorer sort. I am persuaded that in France and England the Revenue of this kind is much greater than that which arises from Land: For besides Merchants, properly speaking, I comprehend in this Class all Shop-Keepers and Master-Tradesmen of every Species. . . . There seems to me no Pretence for saying that this order of Men are necessitated to throw their Taxes on the Proprietors of Land, since their Profits and Income can surely bear Retrenchment." The Letters of David Hume, II, 94.

[8]The two arguments are reconcilable if the first is construed as applying only to a single sector of the economy, that is, from the viewpoint of one industry or group of industries a given amount of profit may be wholly "necessary" but in terms of the supply price of entrepreneurship to the economy as a whole may contain a rent.

cussion of the issue,[9] Hume cites additional evidence against the contention that wage rates always vary with taxes.

> Labour is dearer in Neuf-chatel and other parts of Swisserland, where there are not Taxes, than in the neighbouring Provinces of France, where there are a great many. There are almost no Taxes on the English Colonies; yet Labour is three times dearer there than in any Country of Europe. There are great Taxes on Consumptions in Holland, but the Republic possesses no Land, on which they can fall.

On the basis of this he argues that "the Price of Labour will always depend on the Quantity of Labour and the Quantity of Demand; not on the Taxes."[10] Further expanding the wholly determinate portion of the argument of the essay he then seeks to show, in a lucid analysis of price interrelationships in the labor market, that the ceiling on wage rates in the production of exports effectively inhibits wage increases in the remainder of the economy as well. This ceiling, he points out, also sets the upper limit

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[9]Previous to the exchange of correspondence noted below there are two letters on record from Turgot to Hume. In the first Turgot informs Hume of a prize essay contest on the question of taxes and invites him to participate. Concerning this he says "c'est le programme d'un Prix académique que je me suis avisé de promettre sur un sujet dont nous avons quelquefois disputé." A.R. Turgot, Oeuvres de Turgot, ed. G. Schelle (Paris: Librairie Félix Alcan, 1914), II, 495. In the interim Hume had apparently written that he thought a paper by him would not be suitable since it would be critical of the physiocratic doctrine that all indirect taxes fall on land, and, after reassuring him that any work of his would be well received, Turgot briefly restates the position of the physiocrats. Ibid., p. 502; also J. H. Burton, Letters of Eminent Persons Addressed to David Hume (London: W. Blackwood and Sons, 1849), pp. 147-148. In a letter two years later, and following the correspondence considered below, Turgot writes Hume again to inform him that the essay contest has been won by an author sympathetic to Hume's general position, although Turgot himself indicates that he remains unpersuaded of its validity. Ibid., pp. 162-163.

[10]The Letters of David Hume, p. 93. In light of his contention that very heavy taxes would effect the labour supply this dichotomy is obviously drawn too sharply.

to the rates earned on that portion of the output which these industries produce for domestic consumption "since there cannot be two Prices for the same Species of Labour."[11] As this relation is applicable to all industries which produce any exports it thus covers "almost every commodity." In addition, consequently, the rates in the few wholly domestic industries would likewise be subject to this same limitation, for should wages rise in this area "this high Price wou'd tempt so many hands to go into that Species of Industry as must immediately bring down the Prices."[12] Although Hume's argument implicitly presupposes elasticities of demand and supply which are of an extreme character, his analysis has an obvious practical significance for a country whose export industries operate under conditions which approach these and where, as in the case of England, the nation's level of income and employment is substantially dependent on the maintenance of export markets.

In his reply to Hume's criticism[13] Turgot points out that his position (which in this regard is essentially the physiocratic view) likewise recognizes that wages are determined by the supply and demand for labor. Acknowledging the empirical evidence cited by Hume, he grants, moreover, that the level of wages need not reflect the full effect of an excise at every point in time. These

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[11] Ibid.

[12] Ibid. Even under the assumed conditions there would of course be some small net increase in the general wage level.

[13] J. H. Burton, Letters of Eminent Persons Addressed to David Hume, pp. 154-157; also Turget, op. cit., pp. 662-665.

departures from the theoretical analysis, however, he regards as but short run aberrations from the true equilibrium level. In interpreting market phenomena, he argues, it is essential to distinguish between "le prix fondemental," which is equal to the subsistence wage, and "le prix courant, qui s'établit par le rapport de l'offre et de la demande." The former "ne soit pas la principe immédiat de la valeur courante." However, in any society where commerce and industry are "libres et animées," competitive forces will invariably tend to establish an equilibrium wage "au taux le plus bas qu'il soit possible," hence rendering inevitable a full shifting of any tax effecting labor. While it is true that in the first instance an excise may result either in retrenchment or an expansion of industry these, he argues, are but evidence of a general "flexibility" in the economy, which, as in any "complicated machine," is essential if the system is to adjust to new conditions without breaking down. As to Hume's argument with respect to the limitations on shifting imposed by world markets, he asserts briefly that he does not regard foreign commerce as "a very considerable matter in any nation--save insofar as it contributes to the revenue of lands, and besides one cannot tax it without diminishing it."

As it fails to justify the subsistence doctrine in terms of population theory and disregards Hume's contention that surpluses are to be found in entrepreneurial returns as well, Turgot's reply obviously provides no basis for a clear joining, much less a resolution, of the issue. However, if Hume's argument made no impact on Turgot, it is evident that for his part Hume had

written off the physiocratic position as little more than a tissue of dogma. As he states in the essay, this principle "tho' first advanced by a celebrated writer, has so little appearance of reason, that, were it not for his authority, it had never been received by anybody."[14] And subsequently in a letter to the Abbé Morellet apropos that part of the latter's prospectus of his Dictionaire du Commerce (1769) dealing with the "economists," he writes with visible exasperation: "I hope that in your work you will thunder them, and crush them, and pound them, and reduce them to dust and ashes! They are, indeed, the set of men the most chimerical and most arrogant that now exist, since the annihilation of the Sorbonne. . . . I wonder what could engage our friend, M. Turgot, to herd among them. . . ."[15]

Fiscal Policy

While in part devoted to a general analysis of deficit finance, Hume's essay, "Of Public Credit," centers mainly around the more specific question of the effects of large debt. At the time of the appearance of this essay concern over the magnitude of England's debt was fairly widespread.[16] During the preceding

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[14]As propaganda, however, he allows that the dogma may have its points. "Such an opinion may be useful in Britain, by checking the landed gentlemen, in whose hands our legislature is chiefly lodged, and making them preserve great regard for trade and industry."

[15]The Letters of David Hume, II, 205.

[16]For a survey of the views on public debt during the period see Shutaro Matsushita, The Economic Effects of Public Debts (New York, 1929), chap. i; also Seymour E. Harris, The National Debt and the New Economics (New York: McGraw Hill Book Co., Inc., 1947), chap. iv, esp. pp. 50-55. Amongst the major of Hume's predecessors who were critical of debt expansion were Charles

half century the various wars in which England had been engaged had approximately quadrupled her total internal obligations.[17] As would appear from all accounts, moreover, virtually no progress had currently been made toward retirement, the various sinking funds established for this purpose being employed instead, apparently in a routine fashion, to defray current operating expenses.[18] That this should have caused apprehension is not surprising in view of the relatively fresh experiences of palpable debt mismanagement abroad (France, Spain, Italy) and the memory of many debt repudiations both of the open variety and covertly through the route of currency debasement and inflation.

Davenant, James Drake, Harley, Blackstone and Montesquieu. The chief exceptions were George Berkeley who ascribed England's prosperity to her large debt, Melon who argued on the familiar asset-liability cancellation grounds that, as they represented no net social debt, internal obligations were of no consequence, and Isaac Pinto who identified the expansion of debt with an expansion of capital. See his An Essay on Circulation and Credit (London: J. Ridley, 1774). Several of Hume's points are similar to those made by Montesquieu, Davenant and Blackstone, especially the latter. See below, pp. 102 n., 105 n.

[17]In "Of the Balance of Power" Hume grants that England's "wars with France have been begun with justice and even perhaps from necessity," but, roundly condemning England for her "jealous emulation" of France, it is to her own "obstinacy and passion" in the needless continuation of these wars that he ascribes the bulk of her debts. "Above half our wars with France, and all our public debts, are owing more to our imprudent vehemence, than to the ambition of our neighbours." Essays, p. 202.

[18]According to Cunningham a sinking fund for debt retirement was first established under Walpole, and for a time the debt declined. However, after 1733, the fund was rifled regularly to cover current expenditures, only about one tenth going for retirement. W. Cunningham, The Growth of English Industry and Commerce in Modern Times (Cambridge: Cambridge University Press, 1925), II, 423-424. A very thorough account of the debt movements and fiscal policy of England and continental countries is found in A. Smith, The Wealth of Nations, Bk. V, chap. iii.

Few, however, were as alarmed over this development as Hume. In the earlier discussions of this question concern over the magnitude of the debt was somewhat tempered by an apparent faith in the future of enlightened statesmanship. In Hume's view, however, to believe that ministers would ever exercise judicious restraint in the use of their power to borrow was to expect the politically impossible. As he states in the opening passages of the essay:

> It is very tempting to a minister to employ such an expedient, as enables him to make a great figure during his administration, without overburthening the people with taxes, or exciting any immediate clamours against himself. The practice, therefore, of contracting debt, will almost infallibly be abused in every government. It would scarcely be more imprudent to give a prodigal son a credit in every banker's shop in London, than to empower a statesman to draw bills, in this manner, upon posterity.[19]

Convinced that under the prevailing circumstances nothing but a further and indefinite increase in England's debt could reasonably be anticipated, he devotes the greater part of the essay to a highly detailed prognostication of the disastrous consequences which such a development would bring in its train. As is evident throughout his treatment, his basic error stems from a failure to anticipate the full economic and political repercussions of the industrial revolution.

Although Hume's prophecy does not escape the fate of most long run extrapolations and much of it now seems dated, several of its considerations are sufficiently general to prove of more current interest. In the nature of its approach to the question, moreover, the essay is significant as a further illustration of

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[19] Essays, p. 208.

the quality which is characteristic of Hume's economic thought as a whole. For not only are many of its arguments of a historical nature but, as will be observed, much of its latter portion readily fits the pattern of a "natural history of the rise and fall of public credit." Cognate to this, the essay affords a striking demonstration of Hume's awareness, as a "moral" scientist, of relations between developments in different areas of social phenomena. Indeed, embracing considerations ranging from the effects of debt on population movements to its impact upon political institutions, his analysis is virtually as much of a general political and sociological tract on the period as a study in fiscal policy. In this, moreover, his treatment is largely distinctive. Particular arguments resembling his appear in writings of his predecessors, but they are not conceived within a similar framework of organized historical analysis, and none show the same breadth of scope. In the later classical period, on the other hand, the discussion of fiscal policy took a substantially new departure and was drained of historical and institutional considerations.[20]

The opening section of the essay, which contains a summary treatment of the advantages and disadvantages of public credit, is of a somewhat more general nature. The advantages

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[20]In Smith and Ricardo the analysis turned mainly upon a comparison of the productivity of private and public investment. As the use of capital by the state was regarded on the whole as "unproductive consumption," both opposed borrowing as a drain on national wealth. See A. Smith, The Wealth of Nations, pp. 419 ff.; Ricardo, op. cit., p. 228. As is well known, the major anachronism during this period was Malthus who is usually credited with the first systematic defense of deficit spending on underconsumptionist grounds. On this see J. M. Keynes, The General Theory of Employment, Interest, and Money (New York: Harcourt, Brace and Co., 1936), p. 363.

noted are twofold, and both turn upon the relation between debt and equities. Here Hume treats the latter as complements and, in contrast to his interest theory, ignores their substitutability. As a public security is a highly liquid form of investment, he points out, it affords the merchant a safe and profitable outlet for temporarily idle funds, and thus has the effect of reducing the rate of profit he will demand on his trading operations. Consequently it "renders the commodity cheaper, causes a greater consumption, quickens the labour of the common people, and helps to spread arts and industry throughout the whole society."[21] Similarly affected by the issuance of government securities is the investment pattern of that class which, seeking a more secure income than the merchant, would prefer to invest only part of its

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[21] Essays, p. 209. In a letter to Montesquieu, who had stated that he knew of "no advantages" to be gained from public debt, Hume makes the same point. See The Letters of David Hume, p. 138. Blackstone had similarly pointed out that a government security could be "employed in any beneficial undertaking, by means of this its transferable quality; and yet producing some profit even when it lies idle and unemployed." Sir William Blackstone, Commentaries on the Laws of England (Oxford: Oxford University Press), Bk. I, chap. viii. Emphasizing the substitution effect, Drake however argues that, owing specifically to the attraction of the high interest on the securities, public debt causes commercial stagnation. James Drake, An Essay Concerning the Necessity of Equal Taxes (1702), cited by Matsushita, op. cit., p. 15. In his above letter to Montesquieu Hume also cites the position of one Milford Lonsdale who had argued along more modern lines that through its expansionary effects on the money supply the issuance of government securities stimulates industry by lowering the interest rate. However, as might be expected in view of his interest theory, Hume finds this "very doubtful." In contrast to Lonsdale's position Davenant, stressing the effect of public debt on the demand for credit, contends that it raises the rate of interest and thus hurts trade. Cf. Charles Davenant, An Essay upon Ways and Means of Supplying the War (2d ed.; London: J. Tonson, 1695), pp. 43-44.

capital in trade. For, wanting such securities, this group would be compelled to turn to land for the greater part of its income. Land, however, not only requires more "care and inspection" and "divides the time and attention of the merchant," but "as it attracts much, both by the many natural pleasures it affords, and the authority it gives, it soon converts the citizen into the country gentleman."[22] By inducing a greater part of this category of investors to keep its capital in commercial channels, public debt thus has the same influence on the rate of profit, commodity prices and industry as that mentioned above.

As against these advantages Hume then briefly enumerates several injurious effects of debt which collectively, he contends, far outweigh its benefits. (1) In virtue of the "great sums levied in the provinces to pay the interest" as well as the advantages enjoyed by London merchants, owing to their proximity to the money market and their greater opportunity to lend idle funds, public debt "causes a mighty confluence of people and riches to the capital." Under a government such as England, "which admits not of discretionary power," a crowding of the capital, he fears, is likely to render "the people factious, mutinous, seditious, and perhaps even rebellious." However, he acknowledges that a large public debt might itself serve to provide protection against such contingencies; for as the fortunes of the propertied class are now intimately dependent upon the stability of government it is probable that, confronted with a political upheaval, they would immediately fly to the support of established authority "whether menaced

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[22] Essays, p. 209.

by Jacobitish violence, or democratical frenzy." (2) As it enlarges the money supply public debt "banishes gold and silver from the most considerable part of the state" and raises the prices of labour's necessities. (3) The taxes levied to service the debt are likely either to raise the price of labour or further oppress the poor. (4) Since a substantial part of the securities are purchased by foreigners the issuing country is thereby exposed to the dangers of imperialistic aggrandizement. (5) As investment in public securities enables the propertied class to draw income without working, it serves to encourage a "useless and inactive life."[23]

With this Hume returns to his earlier supposition that the debt will inevitably grow to huge proportions, and eventuality toward which he is certain England is "hastening with . . . amazing rapidity." If from the general viewpoint considered above public debt appears to have some counterbalancing advantages, here the disadvantages will be seen to be "pure and unmixed." Moreover the analysis will further serve to expose the fallacy in the argument (earlier stated by Melon) that "the public is no weaker upon account of its debts, since they are mostly due among ourselves; and bring as much property to one as they take from another."

The first injurious effect noted relates to the change in the tax structure accompanying the expansion of levies to service and retire the debt. As the more socially desirable forms of lev-

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[23]The last two points, and especially the latter, were common causes for concern. See Blackstone, op. cit., pp. 297-298; Montesquieu, op. cit., Bk. XXII, chap. xvii; Davenant, op. cit., p. lll.

ies (i.e., excises on luxuries and moderate luxuries)[24] are exhausted, he points out, the state will be driven to tax necessities. Eventually, moreover, it will be compelled to impose a general property tax. As it is readily evaded by concealment and disguise and its incidence is unequal and arbitrary, the property tax, however, is "the most grievous method of levying taxes." Moreover, a continually increasing land tax would eventually mean full socialization of land. As the individual proprietors would in effect become hired managers of the state, a large debt would thus bring in its train the evils of absentee ownership.[25]

He then turns to the effect of the high proportion of total income taken in taxes. Even were the burden not so great as to stifle all industry, he points out, it must be borne in mind

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[24]Concerning these Hume points out elsewhere that "the best taxes are such as are levied upon consumptions, especially those of luxury; because such taxes are least felt by the people. They seem, in some measure, voluntary; since a man may chuse how far he will use the commodity which is taxed: they are paid gradually and insensibly: they naturally produce sobriety and frugality, if judiciously imposed: and being confounded with the natural price of the commodity, they are scarcely perceived by the consumers. Their only disadvantage is, that they are expensive in the levying." Essays, p. 205. A further merit of the excise is that, when too high, it automatically reduces revenues, thus inhibiting the state from employing it excessively. On this basis he contrasts it with the poll tax which "may be esteemed dangerous: because it is so easy for the sovereign to add a little more, and a little more, to the sum demanded, that these taxes are apt to become altogether oppressive and intolerable." Ibid.

[25]Socialization of land is described as a "monstrous situation." With regard to the evils of absentee ownership Hume refers specifically to those characteristics of an agrarian economy organized along feudal lines, although its applications to other cases are apparent. "Were all the proprietors of land only stewards to the public, must not necessity force them to practice all the arts of oppression used by stewards; where the absence or negligence of the proprietor render them secure against inquiry?" Ibid., p. 211.

that "the continual fluctuations in commerce require continual alterations in the nature of taxes." However, subjected to the omnipresent necessity of raising large amounts of revenue for service and retirement, it is not likely that parliament will "reason justly" in such matters, or, even if they do, it is improbable that in the face of such pressures it will have the courage to pursue the type of fiscal policy appropriate to the maintenance of a high level of employment. Moreover the failure to do so has serious political implications, for "any great blow given to trade, whether by injudicious taxes, or by other accidents, throws the whole system of government into confusion."

No less pernicious are other non-economic effects of a continually expanding debt. For as the tax load continues to rise virtually the entire national income in excess of returns to labor will eventually be diverted to the stockholders. Showered with such munificent bounty, this enterprising group, he repeats, will sink "into the lethargy of a stupid and pampered luxury, without spirit, ambition or enjoyment."[26] As the securities are easily transferred, moreover, it is unlikely that transmissions of wealth from father to son will survive such profligacy for more than three generations; and with the more cultivated classes debased and the continuity of refinement disrupted "adieu to all ideas of nobility, gentry, and family." However, even if the securities are transmitted through successive generations it should be borne in mind, he adds, that they do not confer the parliamen-

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[26]The extent to which Hume's own economic psychology serves to explain this is obvious.

tary authority traditionally conveyed by the inheritance of land. Hence, with the impoverishment of the landowner, the "independent magistracy" or "middle power" between the monarch and the people vanishes, all protection against corruption, bribery, and government by caprice disappears, and the despotism of the crown becomes absolute.[27]

However, he continues, it is in a consideration of the consequences of a war emergency that the grave dangers of a constantly rising debt may be most clearly perceived. In the event of a war, he points out, it would be necessary--as all other sources of income are already taxed to capacity--to tax the interest on the government securities themselves. The effect of this would depend upon the character of the government. Under the most probable assumption that the power of the monarch is by this time absolute, the raising of the required revenues in this fashion would present no problem. But since this would in effect mean a confiscation of the securities it would be tantamount to endowing the sovereign with a virtually complete control over the national income; and this would involve a degree of tyranny not even attained by the most despotic of "oriental monarchs." If, on the other hand, the government still remains parliamentary, the adoption of such a measure would require the consent of the annuitants themselves; and, as they would be cognizant of its im-

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[27]In view of his recognition of the political significance of the rise of the merchant class (see below, page 137), it is strange that he should accord such exclusive emphasis to the role of the landowner; particularly so inasmuch as the strategic political power of the stockholding class is mentioned but two paragraphs later.

plications, they "would never be persuaded to contribute sufficiently to the support of the government."

The essay is then brought to a close with a vivid, almost macabre, portrayal of the dénoûment of this chain of events--which, as it depends not upon the caprice of individual action but upon the "nature of men and ministers," can be foreseen "as clearly almost as anything which lies in the womb of time." This he limits to one of three alternatives. First, although it is rather unlikely, an attempt may be made to liquidate the debt through a capital levy.[28] This however would prove impracticable. For at any one time the poor would be unable to contribute anything more than a small proportion of their total obligation (here assumed to be equal to their total annual payments in excises). Owing to the ease of concealing money, claims and movables, virtually the whole burden of the levy would thus fall on the already overburdened owners of real property. If the extremity of the circumstances compels the adoption of this or some other "visionary scheme" the remedy, consequently, will prove worse than the disease. For with the credit structure already precariously balanced any tampering of this character will precipitate a total collapse; and, as in the case of the French regency, public credit will thus "die of the doctor."

More probably, no provision whatever will be made for debt liquidation. As the tax burden is already crushing and all credit is exhausted, the war emergency may thus compel the state to seize

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[28]This had been suggested by Archibald Hutcheson. See his A collection of Treatises Relating to the Public Debt and the Discharge of Same (1721), cited by Matsushita, op. cit., p. 16.

the funds previously accumulated for retirement. Completely repudiating its obligation, it would thus impoverish thousands of security holders. This variant may be called "the natural death of public credit; for to this period it tends as naturally as an animal body to its dissolution."

To be feared most of all, however, is that, the pressure of war emergency notwithstanding, the state--where it has remained parliamentary--will refuse to repudiate its debt. For those occupying the strategic political offices are either the public creditors themselves or landowners who, in virtue of their financial connections, are likely to be sympathetic to the security holder's viewpoint.[29] It is not entirely improbable, therefore, that, out of a greater devotion to public faith than "prudence, policy or even justice . . . requires," England may fail to defend itself against encroachments on its legitimate interests, thus permitting a disruption of the European balance of power, opening the way for invasion and ultimately sacrificing the safety of millions for the welfare of thousands. "And this may properly enough be denominated the violent death of our public credit."

Having rushed into the perilous realm of prophecy with such impassioned conviction, the historian's sense of caution

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[29]One would suppose otherwise where it is the landowner who on balance bears a great share of the tax burden. Indeed, elsewhere Hume more consistently treats the existing debt as potentially the chief source of conflict between the "landed" and the "trading" interest. See "Of Parties in General," Essays, p. 38. As Cunningham points out, since they did not possess sufficient liquid capital to invest extensively in the securities the landowners were militantly opposed to further expansion of the debt on the ground that it enriched the moneyed groups at their expense. Cunningham, op. cit., p. 421.

finally comes to Hume's assistance and serves to redeem him somewhat in the end. Thus in a concluding footnote, where he considers specifying a timetable for the above, one finds the following shrewd and humorously worded escape clause.

> One would incline to assign to this event a very near period, such as half a century, had not our fathers' prophecies of this kind been already found fallacious, by the duration of our public credit so much beyond all reasonable expectation. When the astrologers in France were every year foretelling the death of Henry IV, 'These fellows,' says he, 'must be right at last.' We shall, therefore, be more cautious than to assign any precise date; and shall content ourselves with pointing out the event in general.[30]

Contemporary specialists in the field of public finance will doubtless agree that this is not the least sagacious observation in the essay.

Population Theory

Hume's population analysis is presented in the essay "Of the Populousness of Ancient Nations." As a study of the factors underlying population movements this is generally recognized as one of the best products of the eighteenth century[31] and as such represents one of Hume's outstanding achievements as a historian. A detailed examination of this lengthy essay would take us far

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[30]Adam Smith who had likewise prophesied bankruptcy, adds a similar qualifying note. "Great Britain seems to support with ease, a burden which, half a century ago, nobody believed her capable of supporting. Let us now, however, upon this account rashly conclude that she is capable of supporting any burden; nor even be too confident that she could support, without great distress, a burden a little greater than what has already been laid upon her." A. Smith, The Wealth of Nations, p. 423.

[31]For a general treatment of the population studies of this period see C. E. Stangeland, Pre-Malthusian Doctrines of Population (New York, 1904), and James Bonar, Malthus and His Work (London: George Allen and Unwin L'td., 1924).

beyond the purview of this study. Its major elements, however, merit some attention.

The work as a whole takes the form of a critical appraisal of the thesis, advanced by Montesquieu, that population had declined sharply since classical times.[32] In his opening remarks Hume comments briefly on Montesquieu's speculative query as to whether it was not probable that the world had degenerated over the course of time and that this had been accompanied by a general decline in the powers of procreation.[33] Although Hume grants that it is likely that the world has its "infancy, youth, manhood, and old age," he argues that the course of history presents insufficient evidence to ascertain "whether, at present, it be advancing to its point of perfection, or declining from it" and consequently he argues that all propositions based on such "general physical causes" should be entirely excluded from a consideration of the population question.[34]

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[32]The main arguments of Montesquieu with which Hume takes issue in this essay are to be found in Bk. XXIII of his Spirit of the Laws. Apart from citing some inductive evidence, in general he bases his position on the ground that in earlier times "every one employed himself with a singular attention to make his little country flourish." As he adds, "This succeeded in such a manner, that notwithstanding the irregularities of government, the want of that knowledge which has since been acquired in commerce, and the numerous wars and disorders incessantly arising, most countries of Europe were better peopled in those days, than they are even at present." Montesquieu, op. cit., II, 114. As will be noted below, some of these same arguments, although accorded a different weight, reappear in Hume's analysis. Montesquieu had also presented several of these arguments in his Lettres Persanes. A discussion of the relationship between Hume's and Montesquieu's treatment which runs largely in terms of a comparison of the similarities in both texts is to be found in Roger Oake," Montesquieu and Hume," Modern Language Quarterly, II (March, 1948),25-41.

[33]See C. L. Montesquieu, Lettres Persanes, ed. Élie Carcassonne (Paris: Fernand Roches, 1929), p. 84.

[34]Essays, pp. 222-223.

The remainder of the analysis is then divided into two parts. The first consists of inferences based on a comparison of the "domestic and political situation" of both periods. The second draws directly on key statistical magnitudes such as the size of slave forces, armies, and the like. As the most general basis for the first part of his treatment, Hume argues that "it seems natural to expect that, wherever there are most happiness and virtue, and the wisest institutions, there will also be the most people."[35] In terms of this general principle he acknowledges that ancient conditions were more favourable to population growth in so far as wealth was more equally distributed, and political power more decentralized. All these factors are regarded as functions of the relatively confined dimensions of the earlier states.[36]

In virtue of several other considerations, however, he inclines to the view (further substantiated by his inductive analysis) that the population of the classical period was smaller than that of the modern.[37] In this regard he gives considerable attention to the influence of the institution of slavery. On

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[35] Essays, p. 235.

[36] Ibid., p. 236.

[37] In a treatment of the same issue Robert Wallace came to the opposite conclusion. Cf. his A Dissertation on the Numbers of Mankind in Ancient and Modern Times (Edinburgh: A. Constable, 1753). Both were in substantial agreement on the major factors determining population growth. Wallace, however, accorded a decisive weight to the negative effects of industrialized urban life and the inequality in the distribution of wealth. Heinemann cites some hitherto unpublished correspondence between Hume and Wallace pertaining to the population question. The letters, however, are only of a very general character and contain no substantive argumentation. F. H. Heinemann, David Hume, The Man and His Science of Man (Paris: Hermann and Co., 1940), esp. pp. 7-22.

the basis of the hypothesis that it is in the master's interest to increase his human assets, he points out, it might seem that the prevalence of this institution in former times was a further favourable factor. However, he argues, slaves, like cattle, are too expensive to breed in the richer urban areas in which they are used. Since propagation here will be discouraged and since the areas from which the slaves must be drawn are too poor to continue supporting large numbers, this institution, he believes, was on the whole a depopulating force.[38] The greater frequency of internecine political disputes as well as the comparative severity of the wars of the earlier period likewise argue against the Montesquieu thesis.[39] Finally, in a passage which serves to explain the functional relationship between "people and industry" (the two factors frequently linked in the economic essays) and which joins his population analysis to the "natural history," he calls attention to the welfare implications of the development of economic activity.

> All our later improvements and refinements, have they done nothing towards the easy subsistence of men, and consequently towards their propagation and increase? Our superior skill in mechanics; the discovery of new worlds, by which commerce has been so much enlarged; the establishment of posts; and the use of bills of exchange: these seem all extremely useful to the encouragement of art, industry, and populousness. Were we to strike off these, what a check should we give to every kind of business and labour, and

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[38]This he supports by direct evidence. "All ancient authors tell us, that there was a perpetual flux of slaves to Italy, from the remoter provinces, particularly Syria, Cilicia, Cappadocia, and the Lesser Asia, Thrace, and Egypt; yet the number of people did not increase in Italy; and the writers complain of the continual decay of industry and agriculture." Essays, pp. 228-229.

[39]Ibid., p. 237.

what multitudes of families would immediately perish from want and hunger?[40]

In his population analysis Malthus mentions Hume as one amongst several (Wallace, Price and Smith) whose work contributed to the development of his ideas.[41] While no reference is made to a particular portion of the essay, it would seem likely that most specifically he had in mind Hume's assertion that "the prolific virtue of men, were it to act in its full extent, without that restraint which poverty and necessity impose on it, would double the number every generation."[42] In light of other and more dominant aspects of his doctrine there would seem little doubt, however, that--in its implication that population inevitably presses on the means of subsistence--this comment does not accurately represent Hume's general position. His recognition of the importance of other conditions affecting population growth clearly indicates a more pluralistic view than the emphasis on "poverty and necessity" would suggest. Moreover, not only does the analysis of the economic essays seem to imply the belief that an industrially expanding economy could easily absorb substantial accretions to population without suffering a decline in living scales[43] but,

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[40] Ibid., p. 247.

[41] T. R. Malthus, An Essay on the Principle of Population (London: Ward, Lock and Co., 1890), p. xxxv.

[42] Ibid., p. 235. A similar statement is to be found in Benjamin Franklin's "Observations concerning the Increase of Mankind and the Peopling of Countries" (1751) in The Works of Benjamin Franklin, ed. J. Sparks (Chicago: T. Macloun, 1882), I, 312.

[43] Indeed, if anything, Hume's many references to the favourable effects of population growth on wealth, although couched in aggregative terms, would seem to suggest the belief that in a state of advancing technology an expanding population would raise

as already noted, Hume categorically rejects the subsistence theory of wages.

Concluding Remarks

In the examination of the various aspects of Hume's political economy the principal purpose has been to reveal its relationship to the "natural history of the rise and progress of commerce." The importance of this relationship should now be evident. Considered first in its broadest outlines it will be observed that this history provides the materials for a psychological analysis of the major magnitudes underlying economic development. The growth of wants is explained through the effect of trade upon the desire for pleasures. Combined with the greater opportunities for "action" this encourages the growth of the "spirit of industry," which makes for an improvement in skills as well as in general technology. The expansion of capital is traced to the two sided effect of increased economic activity on the desire to save amongst the monied or entrepreneurial class. Elsewhere, as will be recalled, Hume points out that the increased supply of capital lowers profits and prices, induces an additional increase in consumption, further "quickens the labour of the common people, and helps to spread arts and industry throughout so-

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per capita income as well. See for example the various comments on this in "Of the Balance of Trade." This view, moreover, was not uncommon. It is to be found in William Petty's "A Treatise of Taxes and Contributions," in The Economic Writings of Sir William Petty, ed. C. H. Hull (Cambridge: The University Press, 1899), I, 34, and, more elaborately argued, in Josiah Tucker's "Elements of Commerce and Theory of Taxes," in Josiah Tucker: A Selection from His Economic and Political Writings, ed. R. L. Schuyler (New York: Columbia University Press, 1931).

ciety." And, as noted, the resulting improvement in welfare is in turn linked to population growth. The pattern which emerges when the various applications of this history are brought together, however, is not wholly or consistently of a progressive or expansionary character. For in one place, in an extension of the argument of the essay "Of Interest," Hume argues that increased economic activity promotes "frugality" amongst the "lower" as well as the "middle ranks of men."[44]

As is further apparent, it is within the framework of this history, or in its elaboration, that a substantial proportion of the major economic doctrines themselves unfold. As observed, the greater part of the monetary analysis and the interest theory as a whole seek to call attention to the decisive importance of these developmental factors. The central thesis of the analysis of shifting and incidence of taxes is likewise reducible to the laws which comprise this history, while similarly the most dominant theme in Hume's defense of free trade rests upon his earlier treatment of foreign commerce as the principal stimulant to the development of economic activity. If these separate studies of market process appear to constitute a "system of political economy," it thus may be said that it is on this first level of Hume's economic thought, which links his doctrine to his general "science of man," that this "system" finds its most fundamental conceptual continuity.

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[44]This appears in a footnote to "Of Refinement in the Arts" added in a later edition where Hume seeks to show that luxury does not necessarily lead to "prodigality." Essays, Moral, Political, and Literary, ed. T. H. Grose and T. H. Green (London: Longmans, Green and Co., 1898), p. 309, n.

When viewed against the background of classical doctrine, Hume's political economy is seen as a complex of diverse elements. On the one hand, in several major respects--the quantity theory and its elaboration in the price specie flow mechanism, the real capital analysis of the rate of interest, and the defense of free trade[45]--it represents one of the most cogent statements of the classical position in the literature of the period. On the other hand, it differs from the central perspective of classical

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[45]In this connection it should also be noted that Hume seems to have anticipated the Ricardian theory of rent. This appears in a brief comment on The Wealth of Nations which he had just seen shortly before his death. "Euge! Belle! Dear Smith: I am much pleas'd with your performance; and the Perusal of it has taken me from a State of great Anxiety. It was a Work of so much Expectation, by yourself, by your Friends, and by the Public, that I trembled for its Appearance; but am now much relieved. Not but that the Reading of it necessarily requires so much Attention, and the Public is disposed to give so little, that I shall still doubt for some time of its being at first very popular: But it has Depth and Solidity and Acuteness, and is so much illustrated by Curious Facts, that it must at last take the public Attention. It is probably much improved by your last Abode in London. If you were here at my Fireside, I shoud dispute some of your Principles. I cannot think, that the Rent of Farms makes any part of the Price of the Produce, but that the Price is determined altogether by the Quantity and the Demand." The Letters of David Hume, II, 311. Although Hume's correspondence with Smith is quite extensive, strangely enough it contains very little discussion of economic matters. In the same letter mentioned above he adds, again with respect to The Wealth of Nations: "It appears to me impossible, that the King of France can take a Seigniorage of 8 per cent upon the Coinage. No body would bring Bullion to the mint: It would be all sent to Holland or England, where it might be coined and sent back to France for less than two per cent. Accordingly Necker says, that the French King takes only two per cent of Seigniorage. But these and a hundred other Points are fit only to be discusses in Conversation; which, till you tell me the contrary, I shall still flatter myself with soon. I hope it will be soon: For I am in a very bad State of Health and cannot afford a long Delay." Ibid., pp. 311-312. In an earlier letter, apparently in reference to some points Smith had made concerning economic issues, there appears the mock serious remark "I am positive you are in the wrong in many of your Speculations, especially where you have the Misfortune to differ with me." Ibid., p. 207.

doctrine in the attention devoted to dynamic relations generally. In part this is reflected in Hume's concern with the problem of unemployment, most notably in his analysis of the short run effects of changes in the quantity of money[46] and in portions of his treatment of the case for free trade.

In larger measure it is observable in the more central position accorded the dynamic sequences which are historical in character. This is seen partially in aspects of Hume's analysis which have no close counterpart in the related departments of classical thought--the relationship drawn between long run changes in the quantity of money and the "spirit of industry," and the broader treatment of fiscal policy with its emphasis on the sociological and political implications of debt. It is even more apparent, however, in those areas in which Hume's and the later analysis substantially overlap. To cite the most salient of these: the later statements of the quantity theory and the price specie flow mechanism no longer appear pointedly associated with Hume's primary purpose of emphasizing the central significance of changes in "habits, customs and manners" affecting economic activity; the treatments of the basic magnitudes underlying economic growth are largely divorced from a consideration of changes in patterns of economic behavior;[47] the subsequent defense of free

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[46]Concerning this Keynes says, "Hume . . . had a foot and a half in the classical world. For Hume began the practice amongst economists of stressing the importance of the equilibrium position as compared with the ever-shifting transition towards it, though he was still enough of a mercantilist not to overlook the fact that it is in the transition that we actually have our being." Keynes, op. cit., p. 343 n. Hume's relation to the mercantilists is considered more fully below, pp. 160 ff.

[47]A recent analysis of classical doctrines with regard to

trade rests more exclusively on a further elaboration of the wholly analytical portions of the question--optimum resource allocation and the gains from international exchange; while, perhaps most conspicuously, the interest theory reappears shorn of Hume's treatment of the functional relationship between the demand and supply of capital and the psychological transformations associated with the evolution of a commercial economy.[48]

The classical writers were of course not wholly indifferent to history, especially not Adam Smith.[49] On the whole, how-

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economic development appears in B. S. Keirstead, The Theory of Economic Change (Toronto: The Macmillan Co., 1948), pp. 69-85. No mention, however, is made of Hume.

[48]Indeed, because of the emphasis given those portions of Hume's interest theory incorporated in later doctrine its more distinctive features are sometimes overlooked. Thus in his recent summary of Hume's interest theory, designed to show the origins of the classical position, Hansen does not find it necessary to consider its psychological-historical dimension, although the latter comprises by far the largest portion of Hume's essay. Cf. A. H. Hansen, Monetary Theory and Fiscal Policy (New York: McGraw Hill Book Co., 1949), pp. 215 ff.

[49]The Wealth of Nations contains many psychological and historical references. For the most part, however, this material seems particularistic and illustrative or is introduced en passant; and while it imparts a certain sense of depth which does not appear in Ricardo, it generally does not seem to be integral to the analysis of market process qua laws of behaviour. Scattered statements on the stimulating effects of trade, similar in a general way to Hume's, are to be found throughout the text. However, in his analysis of economic development (Bks. I and II), for example, none of this material is adduced. As one illustration, capital accumulation is regarded as a function of the desire for profit, which is treated as a datum, while innovations are viewed simply as a function of capital accumulation. A. Smith, The Wealth of Nations, pp. 118-119. As to Bk. IV, "Of Systems of Political Economy," this is essentially not of a historical but of an analytical order since its primary purpose is to demonstrate the superiority of laissez faire in terms of a given pattern of ends. The most stikingly historical portion of the analysis is Bk. III, "Of the different Progress of Opulence in different Nations," but this is nowhere assimilated, at least in any obviously systematic fashion, to the material considered in the rest of the text. For a

ever, in point of the emphasis on the psychological growth process underlying the major economic phenomena considered and the consistency of its elaboration the difference between Hume and the classical economics is sufficiently marked to warrant recognition as a significant difference in perspective. In this regard it is apparent that Hume's economic thought deserves far more attention than it has received for its affinity in general viewpoint, if not in the detail of its categories, to the "historical" tradition in its later German and in part English development and to the more theoretical wing of the contemporary American school of "institutionalism."[50] This becomes more evident in a consideration of the material of the following chapter.

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fuller treatment of the role of history in The Wealth of Nations see J. M. Clark, "Adam Smith and the Currents of History," in Adam Smith, 1776-1926, p. 53.

[50]Amongst the German writers (Roscher, Knies, Hildebrand, Schmoller, Marx) there are considerable differences both with regard to the acceptance of classical concepts and the belief in the reliability of historical laws. The English writers (Leslie, Ingram, Hewins, Ashley) did not gain as much influence as the German, although they encouraged studies of economic history and their perspective would seem to be reflected in some measure in the writings of Alfred Marshall. "Institutionalism," as applied to the American development, is a notoriously loose and elusive term. It seems to cover a multitude of viewpoints some of which take the form of little more than an insistence on the importance of empirical observation. Apart from the belief in the inadequacy or futility of neo-orthodox economics--shared in different measure by its various representatives--its primary unity, according to Gruchy, lies in a conviction that the approach to economic phenomena must be of a "holistic" character. "The term holistic has been selected because it calls attention to what is most characteristic of the new economics: its interest in studying the economic system as an evolving, unified whole or synthesis, in light of which the system's parts take on their full meaning." A. G. Gruchy, Modern Economic Thought--The American Contribution (New York: Prentice-Hall Inc., 1947), p. viii. The writers considered by Gruchy are Thorstein Veblen, Rexford Tugwell, John R. Commons, Wesley C. Mitchell, J. M. Clark, and Gardiner C. Means.

CHAPTER V

HUME'S ECONOMIC PHILOSOPHY

It now remains to consider Hume's normative evaluation of the commercial economy--the question to which he devotes the essay "Of Refinement in the Arts." As observed earlier, it is within the framework of the natural history--expanded to include the impact of commercial development on other areas of social phenomena--that his appraisal is elaborated. In its expanded form, moreover, this history will now be seen to serve as the basis for a comprehensive philosophy of individual and social well being.

The Utilitarian Basis of the Appraisal

As is well known, in the development of his principles of ethics, where he seeks to frame an objective account of all phases of the moral experience,[1] Hume presents a systematic defense of ethical hedonism.[2] Most of the "private virtues"--prudence, pa-

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[1]The moral theory is developed in the third book of the Treatise and reappears in simplified form in the Enquiry Concerning the Principles of Morals. In brief outline of the main features of his system, Hume finds that moral distinctions are not based on reason but on "feeling" or "sentiment," that the feeling which accompanies moral approbation or disapproval is a distinctive pleasure or pain, that "utility pleases" the disinterested observer because of a native benevolence and that, while based on their "tendencies" in action, the moral experience is essentially a judgment of motives or personal characteristics.

[2]This however does not constitute the whole of Hume's position on the criterion of the moral good. In addition he argues that certain qualities are regarded as virtues because of their

tience, etc.,--are found to be regarded as morally estimable because they are "useful to the person himself," while benevolence and justice are found to command approval as "social virtues" essentially because they are "useful to others." In the resolution of all issues affecting society, moreover, it is "this circumstance of public utility [which] is ever principally in view; and whenever disputes arise, either in philosophy or common life, concerning the bounds of duty, the question cannot, by any means, be decided with greater certainty, than by ascertaining, on any side, the true interests of mankind. If any false opinion, embraced from appearances, has been found to prevail; as soon as farther experience and sounder reasoning have given us juster notions of human affairs, we retract our first sentiment, and adjust anew the boundaries of moral good and evil."[3]

Emphasizing the implications of this perspective Hume opens the essay "Of Refinement in the Arts" with a criticism of

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"immediate agreeability" either to the possessor or to others and without any regard to their "utility or any tendency to further good." Cheerfulness and dignity are classified in the first group, ingenuity, decency and modesty in the second. Enquiry Concerning the Principles of Morals, secs. 7, 8.

[3] Ibid., pp. 12-13. In his study on moral theory Hume cites the common treatments of the luxury question itself as further evidence of the general working acceptance of the utilitarian ethic. It is interesting to note, moreover, that his statement of the issues foreshadows his own analysis. "Luxury, or a refinement on the pleasures and conveniences of life, had not long been supposed the source of every corruption in government, and the immediate cause of faction sedition, civil wars, and the total loss of liberty. It was, therefore, universally regarded as a vice, and was an object of declamation to all satirists, and severe moralists. Those, who prove, or attempt to prove, that such refinements rather tend to the increase of industry, civility, and arts, regulate anew our moral as well as political sentiments, and represent, as laudable or innocent, what had formerly been regarded as pernicious and blameable." Ibid., pp. 13-14.

moral dicta on luxury which are absolutist in nature. As its welfare consequences vary with the circumstances "any degree of [luxury]," he points out, "may be innocent or blameable, according to the age, or country, or condition of the person. The bounds between the virtue and the vice cannot here be exactly fixed, more than in other moral subjects."[4] The clerical view that all luxury is vicious in se because it represents an indulgence of the senses he dismisses as a notion that "can never enter into a head, that is not disordered by the frenzies of enthusiasm."[5]

> These indulgences are only vices, when they are pursued at the expence of some virtue, as liberality or charity; in like manner as they are follies, when for them a man ruins his fortune, and reduces himself to want and beggary. Where they entrench upon no virtue, but leave ample subject whence to provide for friends, family, and every proper object of generosity or compassion, they are entirely innocent, and

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[4] Essays, p. 159.

[5] Reflecting his general attitude toward the teachings of religion and especially the body of its professional practitioners Hume reserved his most barbed shafts for this extreme "rigoristic" position on morals. An even more acid comment on "monkish" morality is to be found in the Enquiry. "Celibacy, fasting, penance, mortification, self-denial, humility, silence, solitude, and the whole train of monkish virtues; for what reason are they everywhere rejected by men of sense, but because they serve to no manner of purpose; neither advance a man's fortune in the world, nor render him a more valuable member of society; neither qualify him for the entertainment of company; nor increase his power of self-enjoyment? We observe, on the contrary, that they cross all these desirable ends; stupify the understanding, and harden the heart, obscure the fancy and sour the temper. We justly, therefore, transfer them to the opposite column, and place them in the catalogue of vices; nor has any superstition force sufficient among men of the world, to prevent entirely these natural sentiments. A gloomy, hair-brained enthusiast, after his death, may have a place in the calendar; but will scarcely ever be admitted, when alive, into intimacy and society, except by those who are as delerious and dismal as himself." Enquiry Concerning the Principles of Morals, pp. 108-109.

have in every age been acknowledged such by almost all moralists.[6]

Since luxury may be innocent or vicious, he continues, the sweeping extremes to which the discussion of this question has given rise appear nothing short of "preposterous," for on the one hand it is found that the men of "severe morals" treat the most innocent luxury as the source of the gravest evils while at the opposite pole those of "libertine" persuasions regard even vicious luxury as wholly beneficial to society. In an analysis which takes account of both forms of indulgence--but which is manifestly favorable to luxury as a whole--he will therefore attempt to "correct both these extremes." More particularly, he will show "I., that the ages of refinement are both the happiest and most virtuous; II. that wherever luxury ceases to be innocent, it also ceases to be beneficial; and when carried a degree too far, is a quality pernicious, though perhaps not the most pernicious, to political society."[7]

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[6] Essays, p. 159. As with the rest of his moral theory the "proper" bounds of duty are likewise established on an empirical basis--that is, they are traced to the "natural" and "usual" course of the affections. "In like manner we always consider the natural and usual force of the passions, when we determine concerning vice and virtue; and if the passions depart very much from the common measures on either side, they are always disapprov'd as vicious. A man naturally loves his children better than his nephews, his nephews better than his cousins, his cousins better than strangers, where everything else is equal. Hence arise our common measures of duty, in preferring the one to the other. Our sense of duty always follows the common and natural course of the passions." Treatise, pp. 483-484. "This we may observe in our common judgments concerning actions, where we blame a person, who either centers all his affections in his family, or is so regardless of them, as, in any opposition of interest, to give the preference to a stranger, or mere chance acquaintance." Ibid., pp. 488-489.

[7] Essays, p.159.

I. Ages of Refinement

The welfare of the individual.--As observed in the second chapter, it is in the course of his discussion of the contribution of luxury to the happiness of the individual that Hume introduces what is perhaps his most complete single statement on the psychological foundations of the natural history. As will be recalled, the various "causes of labour," together with "indolence," are here treated as a set of ends defining the ultimate conditions of human happiness, while the associated laws of behaviour serve to demonstrate the manner in which the fulfillment of these ends is promoted by the growth of commerce. To requote this important passage:

> Human happiness, according to the most received notions, seems to consist in three ingredients; action, pleasure, and indolence: and though these ingredients ought to be mixed in different proportions, according to the particular disposition of the person; yet no one ingredient can be entirely wanting, without destroying, in some measure, the relish of the whole composition. Indolence or repose, indeed, seems not of itself to contribute much to our enjoyment; but, like sleep, is requisite as an indulgence to the weakness of human nature, which cannot support an uninterrupted course of business or pleasure. That quick march of the spirits, which takes a man from himself, and chiefly gives satisfaction, does in the end exhaust the mind, and requires some intervals of repose, which, though agreeable for a moment, yet, if prolonged, beget a languour and lethargy, that destroy all enjoyment. Education, custom, and example, have a mighty influence in turning the mind to any of these pursuits; and it must be owned that, where they promote a relish for action and pleasure, they are so far favourable to human happiness. In times when industry and the arts flourish, men are kept in perpetual occupation, and enjoy, as their reward, the occupation itself, as well as those pleasures which are the fruit of their labour; The mind acquires new vigour; enlarges its powers and faculties; and, by an assiduity in honest industry, both satisfies its natural appetites, and prevents the growth of unnatural ones, which commonly spring up, when nourished by ease and idleness. Banish those arts from society, you deprive men of action and of pleasure; and leave nothing but in-

> dolence in their place, you even destroy the relish of indolence, which never is agreeable, but when it succeeds to labour, and recruits the spirits, exhausted by too much application and fatigue.[8]

Viewed as a statement of normative doctrine, several further aspects of this passage are worthy of note. First, paralleling his recognition of the interrelationships between these passions as "causes of labour," is his understanding of the complementary relations between the gratifications derived from these passions as "ends." Secondly, it is especially interesting to note that this prescription for human happiness (action, pleasure, indolence, liveliness) is essentially of a most general electic character and as such is deliberately designed to accommodate the principal philosophies of "The Good Life" as Hume interprets them in an earlier series of essays.[9] More particularly, in light of the previous analysis of Hume's economic psychology, it should be evident that in its most basic terms this prescription represents a composite of broad categories of opposites--striving vs. realization, states of no passion vs. states of emotional excitement. The former dichotomy will be recognized in the opposition which Hume draws between the view of the Stoic[10] and that of the Epi-

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[8] Ibid., p. 160.

[9] In addition to "The Stoic," previously mentioned, these essays include "The Epicurean; or The Man of Elegance and Pleasure," "The Platonist; or The Man of Contemplation, and Philosophical Devotion," and "The Sceptic." Of this series of essays Hume says that his "intention . . . is not so much to explain accurately the sentiments of the ancient sects of philosophy as to deliver the sentiments of sects that naturally form themselves in the world, and entertain different ideas of human life and happiness. I have given each of them the name of the philosophical sect, to which it bears the greatest affinity." Ibid., pp. 79-80 n.

[10] Throughout his treatment of the position which he char-

curean while the latter embodies the contrast between the ultimate desideratum of the Platonist (i.e., "contemplation" or more generally "perfect tranquility and repose") and the major element common to the positions of both the Stoic and the Epicurean. Moreover, this eclecticism is itself a logical product of the position which is outlined at the opening of "The Sceptic"--a position which perhaps provides the clearest single expression of Hume's characteristic feeling for the pluralism of human values.

> I have long entertained a suspicion, with regard to the decisions of philosophers upon all subjects, and found in myself a greater inclination to dispute than assent to their conclusions. There is one mistake, to which they seem liable, almost without exception; they confine too much their principles, and make no account of that vast variety, which nature has so much affected in all her operations. . . .
>
> But if ever this infirmity of philosophers is to be suspected on any occasion, it is in their reasonings concerning human life, and the methods of attaining happiness. In that case, they are led astray, not only by the narrowness of their understandings, but by that also of their passions. Almost every one has a predominant inclination, to which his other desires and affections submit, and which governs him, though, perhaps, with some intervals, throughout the whole course of his life. It is difficult for him to apprehend that anything, which appears totally indifferent to him, can ever give enjoyment to any person, or can possess charms, which altogether escape his observation. His own pursuits are always, in his account, the most engaging: the objects of his passion, the most valuable: and the road, which he pursues, the only one that leads to happiness.
>
> But would these prejudiced reasoners reflect a moment, there are many obvious instances and arguments, sufficient to undeceive them, and make them enlarge their maxims and principles. Do they not see the vast variety of inclinations and pursuits among our species: where each man seems fully satisfied with his own course of life, and would esteem it the greatest unhappiness to be confined to that of his neighbour? Do they not feel in themselves, that what pleases at one time displeases at another, by the change of the inclination; and that it is not in their power, by their utmost efforts to recall that taste or appetite, which formerly bestowed charms on what now appears indifferent or disagreeable?[11]

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acterizes as that of the Stoic Hume accords a central place to the value of positive striving to overcome difficulty and does not refer to the more usually emphasized passive endurance of adversity.

[11] Ibid., pp. 94-95.

When viewed in terms of the Platonist-Epicurean and Stoic dichotomy Hume's standard of happiness, needless to say, is seen to be far less sympathetic to the former than the latter since it is chiefly for its value as an offset to sustained periods of "liveliness" that complete repose is recognized as significant. As the Epicurean says to the man of contemplation:

> Miserable, but vain mortal! Thy mind be happy within itself! With what resources is it endowed to fill so immense a void, and supply the place of all thy bodily senses and faculties? Can thy head subsist without thy other members? In such a situation,
>
> What foolish figure must it make?
> Do nothing else but sleep andwake.
>
> Into such a lethargy, or such a melancholy, must thy mind be plunged, when deprived of foreign occupations and enjoyments.[12]

Although the question is not considered in "Of Refinement in the Arts," there would likewise seem to be no doubt that as between the position of the Stoic and the Epicurean it was the former's emphasis on meaningful striving which Hume regarded as more ultimately significant for human well being. His position on the central importance of action, both intrinsically and as a complement to the enjoyment of "pleasure," is brought out clearly in the following.

> Though the tempers of men be very different, yet we may safely pronounce in general, that a life of pleasure cannot support itself so long as one of business, but is much more subject to satiety and disgust. The amusements which are the most durable, have all a mixture of application and attention in them; such as gaming and hunting. And in general, business and action fill up all the great vacancies in human life.[13]

And, says the Stoic, in addressing himself to the enlightenment of the Epicurean:

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[12] Ibid., p. 81.

[13] Ibid., p. 98.

> In vain do you seek repose from beds of roses: in vain do you hope for enjoyment from the most delicious wines and fruits. Your indolence itself creates disgust. The mind, unexercised, finds every delight insipid and loathesome; and ere yet the body, full of noxious humours, feels the torment of its multiplied diseases, your nobler part is sensible of the invading poison, and seeks in vain to relieve its anxiety by new pleasures, which still augment the fatal malady.[14]

In light of this it is thus not improbable that Hume is likewise presenting his own view of the most important "ingredient of human happiness" when, in his general paraphrase of the Stoic's Weltanschauung, he refers to all forms of disciplined action as but facets of the summum bonum represented by the more inclusive striving for a more harmonious relationship between human passions themselves.

> Can no particular pleasure be attained without skill; and can the whole be regulated, without reflection or intelligence, by the blind guidance of appetite and instinct? Surely then no mistakes are ever committed in this affair, but every man, however dissolute and negligent, proceeds in the pursuit of happiness with as unerring a motion, as that which the celestial bodies observe, when conducted by the hand of the Almighty, they roll along the ethereal plains. But if mistakes be often, be inevitably committed, let us consider their causes; let us weigh their importance; let us inquire for their remedies. When from this we have fixed all the rules of conduct, we are philosophers. When we have reduced these rules to practice, we are sages.
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> Like many subordinate artists, employed to form the several wheels and springs of a machine: such are those who excel in all the particular arts of life. He is the master workman who puts those several parts together: moves them ac-

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[14] Ibid., p. 87. It will also be recalled that in "Of Interest" he asserts that "there is no craving or demand of the human mind more constant and insatiable than that for exercise and employment; and this desire seems the foundation of most of our passions and pursuits." It would seem that Hume's emphasis on "action," is, at least in part, to be ascribed to his belief in its unusual "liveliness" potential and its capacity consequently to enliven all other experiences to which it might be related. This is evident in his statement concerning the gratification derived from action previously cited from the Treatise. See above, page 44. In this connection see also Treatise, pp. 353, 433-434.

> cording to a just harmony and proportion: and produces true felicity as the result of their conspiring order.
>
> While thou hast such an alluring object in view, shall that labour and attention, requisite to the attainment of thy end, ever seem burdensome and intolerable? Know, that this labour is the chief ingredient of the felicity to which thou aspirest . . .[15]

The level of cultural refinement.--Having considered the desirability of luxury from the viewpoint of the individual Hume now seeks to show that the "spirit of industry" which it engenders is in turn "linked . . . by an indissoluble chain" to the growth of "knowledge and humanity."

Ample evidence of the first correlation, he points out, may be drawn from "experience as well as reason." History clearly shows that "the same age which produces great philosophers and politicians, renowned generals and poets, usually abounds with skillful weavers and ship-carpenters."[16] Nor is it reasonable to suppose that either of these developments would appear in complete isolation from the other since observation of human behaviour would clearly suggest that both arise from the same general "fermentation" of the mind associated with the "spirit of the age."[17] In ages of mechanical refinement, consequently, one is likely to find that men further "enjoy the privilege of rational creatures,

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[15] Essays, p. 86. Italics in text. [16] Ibid., p. 160.

[17] It will be noted that Hume is careful to avoid implying any necessary uniformity of sequence in the relation between the growth of the mechanical and the liberal arts. At most in a word, the former is not to be regarded as an indispensable condition, but rather as one factor which contributes to the latter. Needless to say, this leaves open the question of whether other factors, perhaps bearing little relation to the development of industry, may not play an even more significant role in producing the type of "fermentation" conducive to the development of the liberal arts, not to speak of the various different forms which this development might assume.

to think as well as to act, to cultivate the pleasures of the mind as well as those of the body."[18]

Through their impact on social relations generally the expansion of both industry and knowledge in turn promote the growth of a sense of virtue and morality. For as tastes grow more cultivated and enlightenment proliferates throughout society, men are not content "to remain in solitude or live with their fellow citizens in that distant manner, which is peculiar to the ignorant and barbarous ages," but seek each other out to enjoy the give and take which springs from the sharing of a common fund of experience and the sense of belonging to a common social tradition. "They flock into cities; love to receive and communicate knowledge; to shew their wit or their breeding; their taste in conversation or living, in clothes or furniture."[19] However, as social intercourse develops, individuals soon find that their relations prove most gratifying when each contributes to the interests and wishes of others. "From the very habit of conversing together and contributing to each other's pleasure and entertainment" it is impossible, therefore, "but that they must feel an increase in humanity" and that their "tempers . . . as well as their behaviour [must] refine apace."

Framed in the more technical language of the Treatise the relationship drawn between the development of social relations and the growth of morality may be said to rest upon the operation

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[18] Ibid.

[19] It would seem from this emphasis on the development of industry and knowledge that Hume underestimated the cohesive forces prevalent amongst primitive communities.

of the process of "sympathy." As is well known, in Hume's analysis the latter is defined as an associative mechanism through which the mind, primarily on the basis of "resemblance," infuses the "idea" of the emotions of others with the "liveliness" intrinsic to the "impression" of "self."[20] Here it would appear to be operative in a twofold fashion. First, and most generally, as Hume points out in the Treatise, the evocation of a benevolent response to others depends in large measure on the degree of "vivacity" of our perception of their emotions. Thus pain but weakly sympathized with is likely to produce aversion since the reaction here is conditioned wholly by the disagreeable character of the passion sympathized with. When sympathy is intense, however, "the conception is not confin'd merely to its immediate object, but diffuses its influence over all the related ideas, and gives [one] a lively notion of all the circumstances of that passion,

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[20] Treatise, pp. 317-320. This is but another instance of the broader principle, already seen in Hume's treatment of "action" (see above, p. 129 n.), that all ideas partake of the "liveliness" of the "impressions" with which they are associated. Another is Hume's doctrine of "belief" itself which is defined as "a lively idea related to a present impression." Ibid., pp. 93, 98, 209. In the literature Hume's Treatise analysis of "sympathy" has frequently been construed as an attempt to show that benevolent behaviour originates in an egoistic impulse, and this has been contrasted with his recognition of a native altruism in the later Enquiry where "sympathy" is not treated as a process but is identified with the passion "benevolence," "humanity," and "fellow-feeling." See for example, E. Albee, A History of English Utilitarianism (London: Swann Sonnenschein and Co., 1902), pp. 95-96. It seems to this writer that McGilvary's criticism of this interpretation is well taken when he argues that, as presented in the Treatise, "sympathy" does not make another's emotions my emotions but simply renders my idea of another's emotion more vivid. Cf. E. B. McGilvary, "Altruism in Hume's Treatise," Philosophical Review, XII (May, 1903), 272. If benevolence in a word were not real, no amount of sympathy would serve to induce a concern for the welfare of others.

whether past, present or future, possible, probable, or certain."[21] By entering into another's emotions fully, in a word, we cannot avoid becoming interested in his total welfare. Most fundamentally the encouragement given "humanity" by the development of a more closely knit society may thus be traced to its influence in widening the basis for the association of "self" with others, hence deepening the sympathetic process through which we participate in the immediacy of their experiences.[22]

Secondly, as Hume recognizes, we also "sympathize with others in the sentiments they entertain of us."[23] Thus, nourished by a growing concern over our reputation in society, "this constant habit of surveying ourselves, as it were, in reflection, keeps alive all the sentiments of right and wrong, and begets, in noble natures, a certain reverence for themselves as well as others, which is the surest guardian of every virtue."[24]

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[21] Treatise, p. 385. It is here that Hume first introduces the process of "parallel direction"--as a means of showing how "strong pity," through a "similarity in general bent and tendency" necessarily leads to "love."

[22] As he adds in the Enquiry, "as the benevolent concern for others is diffused, in a greater or less degree over all men, and is the same in all, it occurs more frequently in discourse, and the blame and approbation, consequent on it, are thereby roused from that lethargy into which they are probably lulled, in solitary and uncultivated nature." Enquiry Concerning the Principles of Morals, p. 275.

[23] Treatise, p. 499.

[24] Enquiry Concerning the Principles of Morals, p. 276. In so far as it calls attention to the moralizing effects of public opinion Hume's treatment is similar to Adam Smith's. Cf. his The Theory of Moral Sentiments, pp. 160 ff. However the doctrine of "sympathy" which Smith invokes in his analysis of this phenomenon differs from Hume's in that it would appear to be more largely of an egoistic character, that is in his construction, unlike Hume's, it would seem that our reaction to an emotion sympathized with is

In concluding his treatment of the relation between commerce and general refinement Hume acknowledges that the latter may breed its own set of vices but argues that these are not likely to be of an order which bears "any proportion" to the accompanying advantages. This contention he bases on the general argument that a refinement on pleasure itself tends to be inimical to excessive indulgence "because nothing is more destructive to true pleasure than such excesses." If "polite" society gives rise to obnoxious forms of behaviour, these then are likely to be far less offensive than those found in earlier periods.

> One may safely affirm, that the Tartars are oftener guilty of beastly gluttony, when they feast on their dead horses, than European courtiers with all their refinements in cookery. And if libertine love, or even infidelity to the marriage bed, be more frequent in polite ages, when it is often regarded only as a piece of gallantry; drunkenness, on the other hand, is much less common: a vice more odious, and more pernicious, both to mind and body.[25]

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at least to an appreciable degree conditioned by an induced experience of the same emotion. Cf. for example his illustration of our reaction to the sight of a blow just ready to fall upon the leg of another. Ibid., p. 6. This part of Smith's analysis should further be distinguished from his treatment of the influence of the "impartial spectator." While the former rests on a sympathy with the actual judgments of others the latter emerges from a sympathy "with what we imagine ought to be the judgment of others." Ibid., p. 162. Italics mine. Here, in a word, it is our own natural "love of virtue," or "conscience," which sits in judgment on our own behaviour. (For Smith's discussion of the distinction and relation between these two "spectators" see ibid., pp. 170 ff.) For this there is no counterpart in Hume, since Hume denies that the "love of virtue" is irreducible or that it can be an original source of virtuous actions (see Treatise, pp. 478-480) and, in line with his general position, seeks to show that either directly or indirectly all moral judgment and actions influenced by it rest upon considerations of utility.

[25]Essays, p. 161. In support of his unfavorable comparison of intoxication with infidelity he adduces evidence from classical history. "And in this matter I would appeal, not only to an Ovid or a Petronious, but to a Seneca or a Cato. We know, that Caesar, during Cataline's conspiracy, being necessitated to

The development of the state.--In the final section of this portion of his analysis Hume considers the influence of refinement in the arts on "public life." At the outset he calls attention to the relationship between the development of industry as a "storehouse of labour" and the "power of the state" previously considered in greater detail in "Of Commerce."[26] If industry strengthens the state in its foreign affairs, he continues, the concomitant growth of knowledge, on the other hand, contributes to the development of a well ordered and stable structure of internal political relations. For not only is it unlikely that "laws, order, police, discipline" will be perfected in an age "before human reason has refined itself by an application to the more vulgar arts," but as the community grows more sophisticated it is in a position to understand its true interests with greater clarity. Consequently it is less likely to be swayed by the "superstition" which so frequently disrupted the governments of more primitive societies. Equally important in this respect is the spirit of political humanity which likewise springs from the general growth of enlightenment. For, as insight into political relations deepens, governments begin to perceive that "rigour and severity" inevitably make for intransigence and rebellion and that the cause of political harmony is more effectively advanced by the exercise of "mildness and moderation" in the treatment of subjects. As this "soft-

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put into Cato's hands a billet doux, which discovered an intrigue with Servilia, Cato's own sister, that stern philosopher threw it back to him with indignation; and, in the bitterness of his wrath, gave him the appelation of drunkard, as a term more opprobrious than that with which he could more justly have reproached him." Ibid.

[26]See above, pp. 25 ff.

ens tempers" generally it consequently encourages that spirit of compromise without which all government ultimately deteriorates into undisciplined and warring faction.[27]

In conclusion he then considers the oft repeated charge--drawn primarily from the experience of Rome--that luxury, by encouraging venality, inevitably corrupts government and destroys political liberty. This he finds objectionable on two major counts. First, on the principle of the relativity of value, he disputes the relation drawn between luxury and greed. "The value which all men put upon any particular pleasure, depends on comparison and experience; nor is a porter less greedy of money, which he spends on bacon and brandy, than a courtier, who purchases champagne and ortolans." On the contrary, as they "always purchase pleasures such as men are accustomed to and desire," riches are universally valued, and, as nothing but a "sense of honour and virtue" can check the "love of money," it is rather in periods of refinement that greed is likely to be least pronounced. It is evident that this argument conflicts with the remainder of Hume's analysis. In virtue of the acknowledged effect of trade on the desire for the pleasures of consumption and/or the desire for gain, there would seem to be every basis for supposing that the development of economic activity intensifies an interest in material wealth. No less incongruous in its change of perspective is the supposition, apparent in the use of the relativity princi-

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[27] Essays, p. 162. As a further consequence of the growth of humanity "even foreign wars," he adds, "abate of their cruelty; and after the field of battle, where honour and interest steel men against compassion, as well as fear, the combatants divest themselves of the brute, and resume the man." Ibid., p. 162.

ple, that comparisons of desires for "particular" pleasures in any given time period can provide a substantial basis for inferences concerning the relative importance of the desire for wealth as a whole in different time periods.

Secondly, in a penetrating piece of historical analysis he calls attention to the relation between the evolution of the class structure of a commercial economy, or the development of economic individualism, and the growth of political liberty. Here perhaps it is again best to quote Hume's own account.

> In rude unpolished nations, where the arts are neglected, all labour is bestowed on the cultivation of the ground; and the whole society is divided into two classes, proprietors of land, and their vassals or tenants. The latter are necessarily dependent, and fitted for slavery and subjection. . . . The former naturally erect themselves into petty tyrants; and must either submit to an absolute master, for the sake of peace and order; or if they will preserve their independency, like the ancient barons, they must fall into feuds and contests among themselves, and throw the whole society into such confusion, as is perhaps worse than the most despotic government. But where luxury nourishes commerce and industry, the peasants, by a proper cultivation of land, become rich and independent: while the tradesmen and merchants acquire a share of the property, and draw authority and consideration to that middling rank of men, who are the best and firmest basis of public liberty. These submit not to slavery, like the peasants, from poverty and meanness of spirit; and having no hopes of tyrannizing over others, like the barons, they are not tempted, for the sake of that gratification, to submit to the tyranny of their sovereign. They covet equal laws, which may secure their property, and preserve them from monarchical, as well as aristocratical tyranny.
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> The lower house is the support of our popular government; and all the world acknowledges, that it owed its chief influence and consideration to the increase of commerce, which threw such a balance of property into the hands of the Commons. How inconsistent, then, is it to blame so violently a refinement in the arts, and to represent it as the bane of liberty and public spirit.[28]

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[28] Ibid., pp. 164-165. As is well known, Hume's writings on political theory and politics are extensive and appear in the Treatise, the Enquiry, various of the essays as well as the History of England. Perhaps the main theme which runs through most

II. Vicious Luxury

As will be recalled, Hume's second proposition is of a

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of these is the concern over preserving the proper balance between "liberty and authority" as a means of maintaining political stability. It would seem clear that Hume believed such stability could not be achieved through a fully popular government but required some, though a limited, measure of authority vested in a crown. (See "Of the Liberty of the Press," Essays, p. 11, "Whether the British Government Inclines More to Absolute Monarchy, or to a Republic," ibid., p. 31.) Moreover, although he defended the right of revolution in extreme cases, he was generally suspicious of sudden and radical changes ("I shall always be more fond of promoting moderation than zeal." Ibid., p. 20.) and consequently, as already seen in part in "Of Public Credit," he was not unsympathetic to the force of tradition and custom as embodied in the continuity of some hereditary rights. His approval of monarchy, exhibited in his endorsement of the Restoration, and his outspoken criticism of the excesses of the Cromwellian government brought the charge of Tory from many of his contemporaries, although I believe that a careful reading of his many remarks on this in the History of England as well as several of his essays clearly show that Hume carefully and deliberately sought to maintain a position which recognized the desirability of an appreciable measure of parliamentary control as well as the necessity for "authority." For a further discussion of this question see Ernest C. Mossner, "Was Hume a Tory Historian?" Journal of the History of Ideas, II (April, 1941), 225-236; and Marjorie Grene, "Hume: Sceptic and Tory?" Journal of the History of Ideas, IV (June, 1943), 333-348. Although differing somewhat in the emphasis given the various elements in Hume's writings, both concur in rejecting the view that Hume was a "Tory," if this is construed to imply support for absolute monarchy. Although agreeing in part with H. H. Price who had asserted that Hume, like most great eighteenth century thinkers, belonged essentially to "a large non-party liberal tradition," Mossner calls attention to Hume's underlying scepticism with regard to the full practicability of the "liberal" view and concludes that Hume was likewise sympathetic to "what may be called the large, non-party, conservative tradition," or that he belonged to both the Tory and Whig camps. Marjorie Grene accords a somewhat greater weight to the authoritarian elements in Hume (which on this score she contrasts with Locke's position), but points out that if Hume may be said to have been a Tory this was true only in the sense in which Hume himself defined this term in his essay "Of the Parties of Great Britain." As Hume states in this latter essay: "A TORY . . . since the revolution, may be defined in a few words, to be a lover of monarchy, though without abandoning liberty; and a partizan of the family of Stuart." Likewise combining both elements in his definition of a

twofold character: (1) in opposition to the "libertine" view he seeks to show that when luxury ceases to be innocent it must be recognized as socially undesirable but (2) that even in its vicious form it is "a quality . . . perhaps not the most pernicious to political society."

Most generally his first point is addressed to that species of the libertine position represented by the "private vices public benefits" paradox of The Fable of the Bees and more particularly to the supporting argument that excessive indulgence in luxury is praiseworthy because it stimulates employment. In criticism of this argument Hume again calls attention to the grounds on which luxury is deemed vicious, "A gratification is only vicious, when it engrosses all a man's expense, and leaves no ability for such acts of duty and generosity as are required by his situation and fortune." As the vicious element inheres not in the magnitude of the expenditure but in the character of its pattern, he continues, this form of behaviour is thus properly to be regarded as pernicious from the viewpoint of society as well; for its rectification in conformity with the appropriate moral standard would produce a more equitable use of the nation's resources while leaving the volume of employment unaffected.

> Suppose that he correct the vice, and employ part of his expense in the education of his children, in the support of his friends, and in relieving the poor; would any prejudice result to society? On the contrary, the same consumption would arise; and that labour, which at present, is employed only in producing a slender gratification to one man, would relieve the necessitous, and bestow satisfaction on hundreds.

Whig, he states that "a WHIG may be defined to be a lover of liberty, though without renouncing monarchy: and a friend to the settlement in the Protestant line." Essays, p. 44.

> The same care and toil that raise a dish of pease at Christmas, would give bread to a whole family during six months.[29]

At most therefore the favourable employment effects of overindulgence warrant treating this form of behaviour as a vice which partially neutralizes the influence of "some other defect in human nature, such as indolence, selfishness, inattention to others . . . as one poison may be an antidote to another. But virtue, like wholesome food, is better than poisons, however corrected."[30]

After pointing out more generally that the greater part of human misery obviously springs from some vice, he then refers more pointedly to Mandeville's argument.

> Is it not very inconsistent for an author to assert in one page, that moral distinctions are the inventions of politicians for public interest; and in the next page maintain, that vice is advantageous to the public. And indeed it seems upon any system of morality, little less than a contradiction in terms, to talk of a vice, which is in general beneficial to society.[31]

As would seem apparent from the latter portion of this passage as well as from other parts of his argument, Hume does not perceive the tongue in Mandeville's cheek, or, as Kaye has so effectively shown,[32] that the Fable deliberately employs the vehicle of contradiction as a means of exposing the weaknesses of the "rigoristic" morality and the need for a revision of ethical theory along utilitarian lines. Obviously, however, this blunts the edge of Hume's general criticism only partially. For as the Fable indiscriminately treated all indulgence in luxury as a social blessing, its positive aspects--when considered as an argu-

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[29] Ibid., pp. 165-166. [30] Ibid. [31] Ibid.

[32] Cf. Kaye introduction to Mandeville, op. cit.

ment for utilitarianism--suffered in large measure from the same lacuna as the school of morality which it attacked, that is, it allowed no grounds upon which even the avowed utilitarian could regard luxury as "privately" vicious without facing the same "paradox" as the churchman.[33] In clarifying the basis of the distinction between vicious and innocent luxury and drawing the relevant welfare implications Hume thus re-establishes the full legitimacy of discriminative moral judgment within the framework of the utilitarian ethic.

Distinguishing between the morally desirable and the practically expedient, he then argues, chiefly on the basis of his treatment of the first proposition, that as between accepting luxury in its vicious form or abandoning it completely the former is the lesser of the two evils.

> For whatever may be the consequence of such a miraculous transformation of mankind, as would endow them with every species of virtue, and free them from every species of vice; this concerns not the magistrate, who aims only at possibilities. He cannot cure every vice by substituting a virtue in its place. Very often he can only cure one vice by another; and in that case, he ought to prefer what is least pernicious to society. Luxury, when excessive, is the source of many ills; but is in general preferable to sloth and idleness, which would commonly succeed in its place, and are more hurtful to private persons and to the public.[34]

Concluding Remarks

Viewed as a whole perhaps the principal shortcoming of Hume's economic philosophy may be said to lie in its treatment of

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[33]Indeed, since, unlike the true cleric, the utilitarian cannot disclaim all interest in mundane considerations, it is his position primarily which, in terms of theoretical consistency, is undermined by the Mandeville type of argument.

[34]Essays, p. 167.

pre-commercial societies. Reflecting a view more or less generally characteristic of his period, and which is attributable in large measure to its relatively undeveloped state of cultural history, he often regards these societies as thoroughly "barbaric," and on the whole neither their value structures nor their forms of behaviour are considered on their own terms. This neglect is especially conspicuous in Hume's treatment of the relationship between economic activity and the happiness of the individual, as here he employs the hypothetical supposition that in the absence of luxury man becomes "indolent."[35]

In the main, however, there can be little doubt that Hume's treatment represents one of the most thorough eighteenth century statements of the social philosophy of an individualistic society. Its standard of human happiness, especially when considered in the light of his earlier essays concerning this question, is notably penetrating both in the degree to which it captures the spirit of the age of "liberal capitalism" and the terms in which it provides a moral justification for its characteristic pattern of economic behaviour.[36] Perhaps most significant for a

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[35]Although one may find fault with Hume's economic philosophy on the ground that it perhaps failed to give adequate attention to the "many evils" of a commercial society, in light of his treatment of the moral and intellectual influences of such a society it is hardly just, however, to assert, as does Lechartier, that Hume tended to give exclusive emphasis to the accumulation of wealth as such and to imply that he did not recognize that "l'homme est plus important que la richesse." G. Lechartier, David Hume, Moraliste et Sociologue (Paris: Ancienne Libraire Germer Bailliere, 1900), p. 235.

[36]In this Hume contrasts especially with Shaftesbury, Hutcheson and Smith. Apart from their general conviction that luxury contributed little if anything to human well being, both the former regarded its pursuit as inherently self-defeating on

free society is the broad measure of tolerance reflected in the pluralism of its values and its recognition that a striving to realize one's own potentialities is itself a prime desideratum.[37]

Likewise noteworthy is the manner in which Hume relates economic development to other aspects of social behaviour. In the literature much attention has been given Adam Smith's recognition of the social origins of a sense of morality.[38] As ob-

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the ground that the desire for improved scales of living inevitably continues to expand along with their attainment. See Earl of Shaftesbury, Characteristicks (London: J. Baskerville, 1773) and F. Hutchison, An Essay on the Nature and Conduct of the Passions and Affections (London: A. Ward, 1742). And, expressing a similar view (to the vexation of those who have sought to find a systematic relationship between his economics and his moral theory), Adam Smith later argued that luxury does not yield true felicity because it serves only to satisfy the desire for ostentation and the shallow passions of vanity and pride. See his The Theory of Moral Sentiments, esp. I, 146 ff., and 463 ff.

[37]Amongst the more recent writings in economic philosophy David McCord Wright's Democracy and Progress (New York: The Macmillan Co., 1948), although tracing its position specifically to Whitehead, is, like Frank Knight's, substantially similar to Hume's in the standard of individual well being which is employed throughout its argument. To cite but one of several relevant statements: "The philosophy of life which the writer believes to be the most fundamentally democratic and the one hitherto most congenial to the modern man, is the philosophy of the artist--the searcher. The nineteenth century 'utility calculus' slurred over most of the important things of life. Man is not merely a consuming machine. Nor for that matter is he merely a contemplating one. As Thomas Wolfe put it: 'I suppose like so many other boys I pictured a future life of brilliant works crowned by success and fame and ease, and surcease from labor; but it does not work out that way at all. . . . As far as I am concerned there is no life without work--at least, looking over my own, everything I can remember of any value is somehow tied up with work.' This is an extreme statement. Yet our dilemma is that if we make men free they become creative, and if they become creative they are apt to create trouble for themselves." Ibid., p. 197.

[38]See J. H. Tufts, "The Individual and His Relation to Society as Reflected in the British Ethics of the 18th Century," Psychological Review, VI (May, 1904), esp. pp. 49-50, and Glenn R. Morrow, "Adam Smith: Moralist and Philosopher," in Adam Smith, 1776-1926, esp. pp. 175 ff.

served, Hume's analysis contains essentially the same doctrine. With respect to its treatment of the influence of the growth of commerce and industry on the development of the state, in which the economic and political aspects of individualism are joined, Smith himself acknowledges a debt to Hume. Referring to this in The Wealth of Nations, he asserts that "this, though it has been the least observed, is by far the most important of all their effects. Mr. Hume is the only writer who, so far as I know, has hitherto taken notice of it."[39] This essentially organic character of Hume's approach to human experience, previously observed in his economic psychology as well as in portions of his political economy, has likewise been remarked in the general literature. Sabine states that "there would seem to be no doubt . . . that Hume contributed to the historical method a more adequate conception of . . . the organic structure of society than was generally prevalent among his contemporaries."[40] And as Espinas points out

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[39]A. Smith, The Wealth of Nations, pp. 181-182.

[40]Sabine, op. cit., p. 25. Sabine emphasizes that the recognition of an organic social structure implies an awareness of the "unity" and "continuity" of social relations. However, neither he nor the others who have referred to this aspect of Hume's thought have observed that in large measure this is a product of Hume's understanding of the organic nature of individual experience. In Sabine's own treatment, for example, exclusive emphasis is given Hume's awareness that society is something more than "an agglomeration of individuals living in the same time and place but still essentially separate and distinct in interest, and only superficially affected by the community in which it lived." Ibid., p. 18. This provides a basis for understanding the "unity" of social relations; an understanding of their "continuity" further requires an appreciation of the continuum of relations in human nature which conditions the responses of the individuals of which the society is composed. Beyond Hume's economic psychology the importance of this awareness of the "unity" and "continuity" of individual behaviour is evident in the many relations, drawn in the Treatise as well as in the Essays.

with more specific reference to Hume's economic thought:

> Il étudie le développement des sociétés dans son ensemble comme un tout concret et organique. Il ne sépare jamais la production de la richesse des autres fonctions sociales et considère le développement de la prospérité économique comme lié dans chaque société par des rapports nécessaires au progrès des connaissances, des arts et des institutions politiques. Pour la première fois les affinités de l'Economie avec la science sociale sont entrevues. Adam Smith profitera de ces vues nouvelles.[41]

It merits emphasis, finally, that Hume's treatment of the philosophical aspects of utilitarianism is generally recognized as one of the most thorough and consistently elaborated statements of this position in the moral literature of the period. When this is considered together with its applications in this economic philosophy and in other of his writings,[42] Hume may perhaps be said to be the most notable precursor of the highly systematic school of social philosophy later to emerge in the period of Bentham and the two Mills.

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[41] A. Espinas, Histoire des Doctrines Economiques (Paris: A. Colin, 1891), p. 260.

[42] Of its many other applications perhaps the most significant appears in his treatment of the development of "justice." See Treatise, pp. 484 ff., and Enquiry Concerning the Principles of Morals, pp. 15 ff.

CHAPTER VI

CONCLUSION

In her Man and Society Gladys Bryson observes that the social thought of the eighteenth century "was systematic thought, the strands of which can never be pulled apart without losing their meaning, but any strand of which can lead at once into others of the fabric."[1] As has been seen, when viewed in relation to its "capital or center" as outlined in the Treatise, this is strikingly true of Hume's economic thought. The basis of its methodology is found in his study of the human understanding. Its psychology is drawn from his analysis of the passions. Its normative phases rest on his treatment of ethics. To a substantial degree the whole, moreover, finds its continuity in a "natural history of the rise and progress of commerce." Indeed, if the general device of natural history "represents not some curious aberration of thought but a most serious effort to lay the foundations for a strictly scientific approach to man"[2] Hume's Political Discourses may properly be viewed as one of the fullest embodiments of the method and purpose of this type of historiography.

Needless to say, when viewed on the contemporary scene these broader dimensions of Hume's economic thought appear especially significant. Owing primarily to the protracted depression

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[1]Bryson, op. cit., p. 244. [2]Teggart, op. cit., p. 87.

of the thirties as well as the international impact of the war, the study of economic development, long a subsidiary department of economic analysis, has begun to attract more attention than it perhaps has ever received, and this has renewed interest in a large number of variables of a psychological and sociological character.[3] Similarly the relatively rapid rate of institutional change and the symptoms of an accompanying change in values, or, perhaps more accurately, the general confusion regarding values, have mooted many fundamental issues of an ethical nature, and it is becoming increasingly difficult for the economist to limit himself to the more purely analytical and positivistic aspects of his field.[4] If the economics of the future devotes greater attention to the "slovenly literary borderland" between the various social sciences, as Boulding anticipates,[5] it will undoubtedly

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[3]In this connection see the recent preliminary study by the Universities National Bureau Committee on Economic Research, Problems in the Study of Economic Growth (New York: National Bureau of Economic Research, 1949), esp. J. M. Clark, "Common and Disparate Elements in National Growth and Decline," pp. 33 ff., and J. J. Spengler, "Theories of Socio-Economic Growth," pp.47 ff.

[4]Within the last few years the revived interest in economic philosophy, occasioned primarily by the vexing "freedom versus planning and security issue," has produced a large number of works. Those by economists, following the position of F. H. Knight, are generally based on the tradition of individualism in its more classical statement. Amongst the more recent representatives of this view are Henry Simons, Economic Policy for a Free Society (Chicago: The University of Chicago Press, 1948), F. Hayek, Road to Serfdom (Chicago: The University of Chicago Press, 1944), and his more scholarly Individualism and Economic Order (Chicago: The University of Chicago Press, 1948), and David McCord Wright, Democracy and Progress. No less sober, but characteristically conceding more to the potentialities of new forms of behaviour is J. M. Clark's Alternative to Serfdom (New York: A. A. Knopf, 1948). In this connection see also the review article by O. H. Taylor, "The Economics of a 'Free' Society: Four Essays," The Quarterly Journal of Economics, LXII (November, 1948), 641.

[5]Kenneth Boulding, "Samuelson's Foundations: The Role of

employ many categories strange to the eighteenth century universe of discourse. Amongst the many forerunners of this more integrated approach, however, it is not likely to find many whose explorations of this "borderland" will prove as fruitful and penetrating as Hume's attempt to assimilate economics and "politics" in general to a comprehensive science of human experience.

Hume's Economic Thought in the Literature

Although most studies of Hume's economics do not consider its relationship to his philosophy, some of the more general aspects of his economic thought dealt with in this study have been considered, with varying degrees of adequacy, by a few observers. One of the broadest statements of this kind appears in Hasbach who makes some extended references to Hume in the course of his Untersuchuungen Uber Adam Smith. Hasbach observes that Hume "sought to provide a psychological basis for this kind of science."[6] In his view, however, Hume was in this respect a signal failure. It is true, he acknowledges, that Hume provided "an analysis of economic life constructed out of the inner selves of men, out of their drives, urges, customs and habits," but this, he argues, afforded him no basis for the "establishment of economic laws."[7]

Mathematics in Economics," The Journal of Political Economy, LVI (June, 1948), 199.

[6]". . . er der Wissenschaft ein psychologisches Fundament zu geben bestrebt war." W. Hasbach, Untersuchuungen Uber Adam Smith (Leipsig: Dunker and Humblot, 1891), p. 318.

[7]"Was also Hume den Freund lehren konnte, das war nich die Aufstellung von Gesetzen der Volkswirtschaft, sondern die Erklërung des Wirtschaftslebens, aus dem Innern der Menschen

A statement of this kind would logically require a detailed analysis of the actual content of Hume's economic essays. Hasbach, however, relies almost exclusively on general statements by Hume pertaining to the feasibility of arriving at laws in the field of political relations. In no part of his supporting argument, moreover, does he exhibit an understanding of the spirit or substance of Hume's doctrine. In his treatment of Hume's general statements on methodology, for example, the positive aspects are ignored as is the context from which these statements are taken. The importance of negative or modifying clauses, on the other hand, is grossly inflated while virtually no indication is given of an acquaintance with either Hume's general methodological principles or their applications to economics.

To illustrate, Hasbach cites the following from the essay "That Politics May Be Reduced to a Science." "So great is the force of laws, and of particular forms of government, and so little dependence have they on the humours and tempers of men, that consequences almost as general and certain may sometimes be deduced from them, as any which the mathematical sciences will afford us." In light of the preceding analysis it is obvious that Hume is drawing attention to mass behaviour as furnishing the basis for highly certain generalizations in the field of politics. Hasbach, however, finds a singular significance in the qualifying word "sometimes." "One would like to believe that Hume was on the best road to a purely 'exact' method. But then there appears the word 'sometimes' in between and his deeds prove the opposite

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Heraus, aus ihren Trieben, Begierden, Gewehnheiten und Sitten." Ibid., p. 367.

of his words."[8] That Ausbach should take this position is especially incomprehensible in view of the fact that the bulk of the essay in question, as its title indicates, is devoted to demonstrating the types of invariant sequences which one finds in the area of political relations.

Subsequently he refers to Hume's statement that "all general maxims in politics ought to be established with the greatest caution." To be sure Hume was aware of the manifold pitfalls in arriving at valid uniformities--a scepticism which is to his credit as an empiricist and as a moral scientist who sought to give due weight to the wide variability of human behaviour. In Hasbach's view, however, this indicated that "Hume was filled with suspicion against generalizations in politics" or, presumably, that he believed that painstaking analysis would be unavailing throughout the whole field of inquiry. In seeking further to show how profound were Hume's "suspicions" he then calls attention to his awareness of the differences between individuals. Citing Hume's assertion "How nearly equal all men are in their bodily force and even in their mental powers till cultivated by education" he points out that Hume "knows, after all, that all men, as similar as their avarice might be, still do not understand their interests in the same way and that education differentiates men who are by origin rather similar."[9] Contrary to the implications

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[8]"Man möchte glauben, Hume wäre auf dem besten Wege siner rein 'exakten' Methode, aber da kommt ihn das 'sometimes' dazwischen und seine Thaten betweisen das Gegenteil seiner Worte." Ibid., p. 365.

[9]"Er weiss eben, dass alle Menschen, se gleich auch ihre Selbstsucht sein mag, doch ihr Interesse nich gleichmässig ver-

of Hasbach's argument, this statement does not appear in a context in which the heterogeneity of behaviour is held to preclude the framing of laws.[10] Needless to say, moreover, it cannot so be construed without discarding (1) Hume's belief in the universality of the principles of human nature and (2) his conviction that in certain realms of behaviour--"politics" perhaps above all--the passions in play are of a common character.

In his consideration of exemplifying material from Hume's political economy Hasbach confines himself chiefly to the essay "Of Taxes." In this connection he argues that, since Hume's analysis fails to show "infallibly" how a tax will be shifted and precisely on whom it will fall, his treatment does not represent the "exact method."[11] As the problem of shifting and incidence still defies a fully determinate solution, the exclusive attention given this part of Hume's political economy to the neglect of other more "exact" laws is an obvious distortion. It is apparent, however, that Hasbach's most basic error lies in a misunderstanding of Hume's economic psychology. As he states toward the end of his analysis, beyond that portion of Hume's treatment which

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stehen und dass die Erxiehung die ursprünglich ziemlich ähnlichen Menschen differenziert." Ibid., p. 366.

[10]It appears in the essay "Of the Original Contract" where it is introduced for the totally different purpose of demonstrating that, as all men were initially of equal capacity, submission to political authority must originally have been by voluntary consent.

[11]"Selbst dort, wo er die stärksten Anläufe mach, zerinnt ihm das Werk unter den Händen, wie aus seinem Kapital über die Steuern zu ersehen ist. Welches ist die Wirkung einer Konsumtionsstteuer aug Gegenstände des Volksverbrauchs? Nach Hume hat sie nich eine unfehlbare Wirkung, sie kann drei Wirkungen haben." Ibid., p. 365.

is similar to Mandeville's "the recognition of "avarice") he can find nothing but a tissue of "commonplaces."[12] As the more complex psychology underlying Hume's political economy escapes him completely it is not quite so surprising that he should conclude that Hume did not make a "deductive use of his fundamental psychological views."[13]

A further study bearing upon the general characteristics of Hume's economic thought is contained in Ingram's history of doctrinal development. Though his treatment is brief, Ingram seems to have sensed an underlying unity of purpose and method in the economic essays.

> The most important of these are those on Commerce, on Money, on Interest and on the Balance of Trade. Yet these should not be separated from the rest, for, notwithstanding the unconnected form of these little treatises, there runs through them a profound unity of thought, so that they indeed comprise in a certain sense an economic system.[14]

And subsequently, in summary, he adds:

> The characteristics of Hume which are most important in the history of economic investigation, are (1) his practice of bringing economic facts into connection with all the

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[12]Ebensowenig hat er das Arbeitsprincep [Avarice] irgendwo methodisch verwandt, wenn man nicht Gemeinplätze für grosse Wahrheiten hielt." Ibid., p. 366. In one place he notes Hume's reference to the desire for action but dismisses it with the assertion that it represents a contradictory element in his analysis. This contention he bases on Hume's statement in "Of Commerce" that in the absence of luxury man becomes indolent. Ibid., p. 63. His error here is obvious; that is, failing to perceive that Hume treats wealth as an instrumental as well as a true end, he construes this statement as implying that man can be induced to work only for the pleasures of consumption, or that he natively prefers idleness.

[13]"Macht Hume von seiner psychologischen Grundanschauungen einen deduktiven Gebrauch? Nein." Ibid., p. 365.

[14]J. K. Ingram, A History of Political Economy (London: A. and C. Black, 1915), p. 82.

> weighty interests of social and political life, and (2) his tendency to introduce the historical spirit into the study of these facts. He admirably illustrates the mutual action of the several branches of industry, and in the influences of progress in the arts of production and in commerce on general civilization exhibits the striking contrasts of the ancient and modern systems of life, and considers almost every phenomenon which comes under discussion in its relations to the contemporary stage of social development.[15]

These important insights, however, are nowhere related to other aspects of Hume's thought. Moreover, as they are presented apart from a detailed consideration of the content of the economic analysis, it is not shown how they serve to unify Hume's treatment or in what sense these essays constitute "an economic system."

Another study worthy of note in this connection is found in Bonar's analysis of the general relations between philosophy and political economy. In contrast to Hasbach, Bonar emphasizes Hume's belief in the "possibility of a science of economics."[16] Moreover, he stresses the central significance of Hume's historical perspective as well as the relationship of his laws to a concept of human nature.

> We see, therefore, that Hume recognized how much the historical conditions of a case affect the working of economical principles. He never indeed deliberately detaches the two. Still even in regard to such a 'historical' category as the rate of interest on loans his language would imply that, given the combination of circumstances described human nature would always show itself in much the same way.[17]

This point, however, is elaborated in a limitedframe of reference--primarily, as noted, in connection with Hume's interest theory. Moreover, Bonar neglects to consider the economic

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[15] Ibid., p. 84.

[16] J. Bonar, Philosophy and Political Economy in Some of Their Historical Relations, p. 105.

[17] Ibid., p. 121.

psychology on which this portion of the political economy rests, and, as in the case of Ingram, he does not recognize that Hume's treatment is part of a general psychological analysis of the development of economic activity. Throughout the essays there appear but two references to Hume's treatment of economic motivation. In the first he calls attention to Hume's awareness that "wealth must not include merely a few fixed and simple elements; it must embrace luxuries as well as necessities."[18] In the second he quotes Hume's reference to "action, pleasure and indolence" as the three ingredients of human happiness but does not comment on any part of this statement.[19] Bonar himself acknowledges, however, that a definitive study of Hume's economic thought requires a more detailed examination of his philosophy than he had presented.

> To be quite thorough, the philosopher who was examining the assumptions made by the political economist would need to go back to the whole theory of knowledge and human experience in general. We should need, for example, in this case to examine Hume's doctrine of the genesis of our experience from impressions and ideas by association.[20]

Of all the studies in the literature the one which most fully grasps the importance of history in Hume's economic thought is Schatz's L'Oeuvre Économique de David Hume. Although Schatz does not consider the general relationship between politics as a "moral science" and the perspective underlying Hume's philosophy as a whole and consequently does not perceive the role of "natural history" in what has here been termed Hume's "science of human experience," he recognizes that the various references to the

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[18] Ibid., p. 107. [19] Ibid., p. 112. [20] Ibid., p. 111.

growth of industry which appear in the economic essays are parts of a more general framework of historical analysis and draws these together into an organized treatment of the development of economic relations. However, in contrast to this study, which has emphasized the central significance of economic psychology within this framework, Schatz links the latter to Book III, Part II of the Treatise where Hume considers the development of society from its origins in the family unit. Joining to this Hume's references to the various classes which characterize the different levels of economic development, he then presents a separate analysis of the class structure of the commercial economy.[21]

As Schatz does not recognize that qua "natural history" the account finds its nucleus in Hume's analysis of the passions, Hume's treatment of economic motivation is accorded but passing attention and, subordinated to the other and relatively more external aspects of Hume's treatment of economic development, both the nature of the specific "causes of labour" and their interrelationships are overlooked. The desires for activity and for gain, for example, are mentioned only in passing.[22] the desire for liveliness is not recognized at all, while, perhaps most significantly, no general relationship is drawn between the various psychological references which appear in the different essays.

Primarily because of this Schatz fails to perceive the full measure of continuity between the different aspects of Hume's

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[21]This and the preceding discussion are presented under the chapter titles "La Société Economique" and "Les Classes Sociales." See Schatz, op. cit., pp. 60 ff.

[22]See ibid., p. 30.

economic thought. Although he neglects to distinguish between the short and long run phases of Hume's political economy and commonly fails to show their relations within particular arguments,[23] Schatz recognizes that most of the essays "fournissent [Hume] l'occasion de préciser l'idéal social que l'homme doit proposer a son activité"[24] which, as he indicates in his analysis of the various essays, is represented by the development of a commercial and industrial economy. However, in his treatment of Hume's theory of shifting and incidence, for example, he disregards the nature of the passions which are implicit in the analysis;[25] his reference to Hume's discussion of the relationship between luxury and the happiness of the individual, contained in a brief paraphrase, fails to make clear the character of the standards of human well being which Hume is here employing;[26] and, most conspicuously, his analysis of Hume's interest theory overlooks the psychological growth process through which the development of a commercial economy induces increased saving. Owing to this he is led to conclude that "sur la formation du capital, Hume n'expose pas non plus une théorie compléte."[27] In a word, while Schatz's study is distinguished for its understanding of the role of history in Hume's economic thought, his treatment of this theme suffers from a failure to perceive the essential explanatory principle upon which Hume's historical analysis rests.

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[23]See especially his treatment of the first observation in "Of Money," ibid., pp. 180-182, and of Hume's doctrines on free trade, pp. 147-150.

[24]Ibid., p. 195.

[25]Ibid., pp. 218-219.

[26]Ibid., p. 159.

[27]Ibid., pp. 189-190.

In general, although Hume's economic essays have frequently been remarked for their emphasis on psychology,[28] the treatments accorded this aspect of his economic thought have likewise been of an ad hoc and cursory character and have overlooked the significance of the greater part of his contribution in this field. As in Bonar's and Schatz's analysis, occasional references to various of its elements are found in several studies. Typically these appear in summaries of his interest theory and wholly apart from any general evaluation which would serve to draw attention to its distinctive character qua economic psychology.[29] Rather, in appraising Hume's treatment as a whole, it appears to have become virtually standard procedure to mention only those of its features which are most germane to the central developments of the period, i.e., its recognition of the desire for the pleasures of consumption and its individualistic implications. As essential differences have generally been disregarded, the explicit Hasbach type of identification, consequently, is likewise found in the current literature. Thus Spengler could recently assert

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[28]In a brief article Joad remarks that Hume's "contribution to economics consists chiefly of the attempt to relate all phenomena to their roots in human nature." C.E.M. Joad, "David Hume," Encyclopoedia of the Social Sciences, ed. E.R.A. Seligman and A. Johnson (New York: The Macmillan Co., 1937), V, 551. See also Gladys Bryson, op. cit., p. 121.

[29]Cf. Johnson, op. cit., p. 164. Whittaker is a particularly good case in point. His discussion of Hume's interest theory (op. cit., pp. 534-538) touches on these psychological elements. The distinctive parts of these, however, are entirely omitted in his reference to Hume in his earlier chapter on economic psychology entitled "Wealth and Human Industry." Ibid., pp. 96-97. As one exception, Ingram observes that in recognizing the desire for action as an incentive to economic activity Hume "brings out a principle of human nature which economists too often overlook." Ingram, op. cit., p. 82.

that "Hume . . . drew upon the opinions of Mandeville, particularly upon those relating to psychology."[30] Although it is not improbable that in some important respects Hume was influenced by Mandeville, it merits recognition as one of the more bizarre ironies of the histories of doctrine that Hume should still be regarded as the disciple of a thinker whose views he so frequently cites explicitly for purposes of refutation.[31]

That phase of Hume's economic thought which has received most attention is of course his political economy. While the importance of its historical dimensions has generally been overlooked, in its more purely analytical aspects a very substantial portion of Hume's treatment of market phenomena has been thoroughly examined, and in these respects its significance for later doctrinal development has long been a matter of record.[32] Bonar long ago accorded Hume the distinguished position as "the Founder of British Political Economy." Owing primarily to the discovery of Cantillon's work this estimate has since been considerably revised, although the extent to which Hume developed his political economy independently of Cantillon still remains a moot question since the

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[30]Joseph J. Spengler, "The Physiocrats and Say's Law of Markets," Journal of Political Economy, LIII (September, 1945), 194 n.

[31]Viz., man's selfishness, hedonism, moral theory, and its applications in economic philosophy.

[32]In a general way the importance of Hume's work was recognized by his contemporaries. "The Political Discourses of Mr. Hume were evidently of greater use to Mr. Smith, than any other book that had appeared prior to his lectures." Dugald Stewart, op. cit., p. lxxxix. "The Political Essays of Smith's friend David Hume . . . perhaps gave the first hint of that enlarged policy with regard to the freedom of trade, which forms the basis of his system." Memoirs of the Life and Writings of the Honourable Henry Home of Kames, II, 116.

publication of the latter's work postdated the Political Discourses, and there is no evidence that Hume saw it in manuscript. On the whole, however, despite this newer development, contemporary studies still assign Hume an outstanding place in recognition both of the general clarity and breadth of the essays and his cogent statement of certain key doctrines, most notably, the quantity theory specie flow mechanism, his analysis of the stimulating effects of an increase in the quantity of money[33] and his interest theory.[34] With regard to his contribution to the analytical phases of economics, Hume's vigorous support of a domestic laissez-faire policy, shown to be contained in the History of England, should add much to his stature.

Within recent years, however, a tendency has arisen in some quarters to dispute the value of Hume's contribution on the basis of work done by other of his precursors. In part this turns on a captious interpretation of the term "originality." Erich Roll, for example, chooses to treat Hume's political economy as but "an excellent summary and synthesis of the ideas of his predecessors."[35] As evidence of Hume's lack of "originality" he cites the writings of Locke and Vanderlint on money, North on free trade, and Massie on interest theory. Since important strands of Hume's doctrine are to be found in the writings of

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[33]However, see above, p. 55 n.

[34]See for example Heimann, op. cit., p. 44; Rist, op. cit., and Viner, op. cit., in their many references to Hume's monetary theory, and the various comments on different portions of Hume's political economy in Whittaker, op. cit.

[35]Roll, op. cit., p. 120.

several others, one may indeed add liberally to this list of citations. To those who are impressed with the fact that few if any ideas are immaculately conceived, however, the superiority of Hume's "excellent summary and synthesis"--in point of its more lucid statement of a wider range of concepts, its generally deeper appreciation of the issues of the period and its more thorough elaboration of implications germane to these issues--will doubtless continue to appear as a considerable and genuine advance over the thought of any of these predecessors.

In another of its manifestations, however, this new evaluation takes the form of an attempt to see in Hume a "synthesis" of doctrines primarily of a mercantilist origin. Statements implying this affinity in greater or lesser degree are to be found scattered throughout several of the standard histories. The most ambitious attempt of this kind, however, appears in the essay by E.A.J. Johnson entitled "Hume, the Synthetist," which is the latest of the special studies of Hume in the literature. As Johnson states his position in the opening passages:

> There is a stylistic quality of Hume's writings which leads one to believe that he is stating essentially new ideas, although, at closer inspection, many of these apparent innovations are subtle, compact, and felicitous restatements of older views. Hume's literary adroitness has beguiled many critics into thinking that he entertained few of the economic ideas of his predecessors. Much of his economic thought was indeed original and many of his ideas did foreshadow those of Adam Smith; nevertheless Hume's economic ideas for the most part belonged to the old regime . . . indeed an excessive emphasis on his innovations has tended to place Hume much nearer to Adam Smith than he really was.[36]

That there is a relationship between parts of Hume's doc-

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[36] Johnson, op. cit., p. 164.

trine and non-classical writings more or less generally identified with mercantilism is of course undeniable, and in several, and not unimportant, respects his political economy may be said to represent a kind of half-way house between the old and the new in eighteenth century economic thought. His short run monetary analysis and his position that a larger quantity of money may prove stimulating to industry through its effect on the rate of profit bear a resemblance to several earlier doctrines; his argument that within limits the supply of labor may be negatively sloped represents a recognition of the partial validity of the prevailing belief that increased economic burdens prove stimulating to industry; while, provided all necessary qualifications are made for the very different ideological context in which it appears, his general concern over the problem of unemployment as well as the "spirit of industry" may likewise be said to exhibit a similarity to the perspective of many mercantilist writers.

As is indicated by his general thesis, however, Johnson's view is far more sweeping. Indeed, although he acknowledges that a substantial portion of Hume's economic thought was "original," one searches his essay in vain for any significant aspect of Hume's analysis which has managed to elude the shadow of this species of "synthesis." If this seems extraordinary, however, it is scarcely more so than the type of argument by which the thesis is substantiated. Misreadings of the text abound. Repeatedly the analysis reduces to an identification of concept through an implied association by a similarity of verbiage; and frequently, where explicit in relating the essential content of ideas, it

takes the form of assertions neither properly elaborated within their relevant contexts nor adequately supported by documentary evidence.[37]

To illustrate, in many portions of the essay an affinity between Hume and his "merchant predecessors"[38] is found in their common "praise of the manufacturer" and especially of the "merchant." ("Hume joined the merchant-praising chorus" of his predecessors.) Previously Johnson has acknowledged that the earlier praise was based on a desire to increase exports as a means of acquiring specie.[39] Nonetheless Hume's interest in an expansion of manufactures is then identified with this "long sought" goal of "greater national productiveness." On the other hand he argues elsewhere that this praise of the merchant was based on a common understanding of their function in bringing together "distant producers who would otherwise be 'wholly unacquainted and ignorant of each other's necessities.'" As noted earlier, it is true that many writers, dating in fact from classical times, had recognized this principle.[40] What is equally apparent, however, is the general absence of thoroughness and consistency in the elaboration of this principle, not to speak of its common disregard, in both the theory and practical policy proposals of Hume's "mer-

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[37]It may be noted that Johnson's analysis touches on several important aspects of Hume's political economy. In general their significance is elipsed, however, by the nature of the context in which he treats them.

[38]On taxonomic grounds Johnson prefers this term to "mercantilist." The issues involved, however, will be recognized as those more generally treated as fundamental to the distinction between mercantilist and classical doctrine.

[39]Ibid., pp. 167-168. [40]See above, p. 77, n. 42.

chant predecessors."[41] In any event since the doctrine that the ultimate justification of trade lay in the mutual benefits of the interchange of goods is of primary significance in the analysis of all the classical economists, why single out Hume as a "synthetist" in this respect? The basis for this is found wholly in a contrast between Hume and Smith which turns on the latter's attack on the monopolistic practices of merchants here isolated from his general recognition of their legitimate function in a competitive economy. "With this traditional praise of the merchant, Adam Smith broke completely; in his opinion, merchants were more often anti-social monopolists than beneficent promoters of well being."[42]

More commonly, however, Johnson rests his argument on a diametrically opposite approach, that is, Hume's economic philosophy is linked to the spirit of aggressive nationalism generally

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[41] In commenting on an assertion by Johnson that "not ten per cent of English mercantilist literature is devoted to the ill-fated doctrine of the balance of trade. Let anyone who doubts this assertion turn the pages of the English mercantilist literature and be convinced," Viner states that "such quantitative propositions have an unearned air of precision but on the basis of my turning of the pages of English mercantilist literature, I venture the conclusion that not ten per cent of it was free from concern, expressed or clearly implied, in the state of the balance of trade and in the means whereby it could be improved." See J. Viner, Studies in the Theory of International Trade, pp. 55-56.

[42] Ibid., p. 164. In more strikingly fallacious form this argument likewise appears in Roll's more general negative appraisal of Hume. "Sometimes," he asserts, "[Hume]repeated mercantilist errors which certainly did not appear in Adam Smith. His praise of the merchants as 'one of the most useful races of men' and as the motive force of production sounds strange after the writings of Petty, Locke, and North." Roll, op. cit., p. 120. If, considered on the terms on which it was based, Hume's praise of the merchant is a "mercantilist error," it is doubtful whether one can find many non-mercantilists anywhere except perhaps in various religious orders.

acknowledged to be characteristic of mercantilist thought. Throughout the analysis this is accomplished by the device of arbitrary emphasis and omission. Thus, in Johnson's construction Hume's early references to the "greatness of the state" proliferate throughout virtually the whole of his political economy. Repeatedly Hume's allusions to the "spirit of industry" are seen as reflecting an interest in such objectives as the development of a "strong state," the "creation of a reserve army of labor" for military purposes or as implying a desire to "compel" labor to expand output for the use of the state. On the other hand, his emphasis on the "happiness of individuals" is rarely vouchsafed attention as an end in its own right, his detailed analysis of the relationship between economic progress and the broader well being of society is entirely ignored, while it is nowhere made unambiguously clear that in his general treatment of this question Hume treats the "power of the state" as a means to the security and happiness of the community.[43] In light of this, one is more or less prepared for the following dénoûment which appears near the conclusion of the essay.

> Many examples could be cited to show that although Hume's essays postulated that the happiness of individuals should be the purpose of policy, the greatness of the state should always be regarded as an even more important goal.[44]

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[43]See Essays, p. 150.

[44]Ibid., p. 177. "With regard to national aggrandizement, Hume's sympathies were definitely akin to those of his predecessors; if a choice must be made between the happiness of the subjects and the greatness of the state, Hume would choose the latter!" Ibid., p. 178. Although the view that the mercantilists subordinated the objective of "plenty" to "power" has been widely accepted in the literature, Viner has recently shown that even they regarded these two as equally important and, except in the

Of these "many examples" Johnson cites a statement in which Hume supports the organization of public banks for purposes of storing specie which could be used in times of "public danger and distress,"[45] and his previously noted opposition to public debt on the ground that foreign ownership of the securities exposed the nation to the danger of imperialistic aggrandizement.[46] If in the background of Hume's economic philosophy evidence of this character is to be construed as implying anything more than the moderate and non-aggressive nationalism common amongst virtually all liberals of the period (and this writer ventures to assert that more compelling evidence cannot be found anywhere in Hume's writings), then it would appear that Adam Smith's statement that "defense is more important than opulence"[47] should qualify him as a chauvinist primus inter primos.

Cognate errors of omission and commission are likewise found throughout the remainder of the analysis. A few of the more conspicuous of these may be cited. In his attempt to relate

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short run, as mutually harmonious aims. See J. Viner, "Power versus Plenty as Objectives of Foreign Policy, in the Seventeenth and Eighteenth Century," World Politics, I (October, 1945), 1-29.

[45]Johnson misreads Hume's proposal as calling for a storage of specie reserves "so that the state might more easily confiscate them" in times of public danger and distress. It should further be noted that the suggestion that specie be stored in public banks is introduced in the context of Hume's discussion of the poor country-rich country issue where it is proposed as a means of preventing the price increase vis-a-vis other nations which would result from its circulation, and that the military objective is mentioned only in passing. See Essays, p. 169, and above, p. 67 n.

[46]Ibid., pp. 177-178.

[47]Smith, The Wealth of Nations, p. 204.

Hume's interest theory to that of the "merchant predecessors" he supposes that it was Hume's purpose to demonstrate that low interest and its correlative low profit are "indisputable signs of national prosperity because they guarantee that costs of production will be on a parity with those of other nations."[48] Furthermore, as nothing appears on the nature of the prevailing interest theories, the reader, unless otherwise informed, would scarcely gather that Hume wrote his essay primarily to refute the monetary theories of interest of his predecessors. In a similar vein Hume's short run monetary analysis is gratuitously treated as an attempt to preserve the "cherished doctrine" of the "desirability of treasure,"[49] while his contention that heavy taxes create despair is categorically asserted to be in "a spirit quite definitely similar to that of his forerunners."[50]

Moreover, while similarities are stretched, the differences, even where acknowledged, are nonetheless ignored in the general evaluation; so that in places the argument reads like nothing so much as another version of the maxim that "after all there is nothing really new under the sun." One illustration will suffice. In connection with his treatment of Hume's interest theory he asserts that "hundreds of pages were devoted by English critics before Hume to show that Holland was prosperous

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[48] Ibid., p. 179. [49] Ibid., p. 167.

[50] Ibid., p. 176. Compare with Johnson's own statement which appears in his essay "Idleness and Luxury." "The wage doctrine of the pre-Smithian writers was based upon a theory of human motivation which the nineteenth century repudiated. Low wages were regarded as necessary incentives to industry; high earnings, it was alleged, provoked 'excess,' 'idleness,' and 'riot.'" Ibid., p. 287.

because the rate of interest there was low; even more pages were devoted to praising the frugality of the Dutch and lamenting the prodigality of the English." He acknowledges however that "Hume does accomplish something new and important when he integrates the theory of interest with basic principles of economic motivation, when he relates his doctrine of interest to national economic institutions and to popular habits, when he points out the connection between profits and the rate of interest." Nonetheless, this notwithstanding, he asserts that "actually Hume's interest doctrine merely clarifies a set of ideas which had been suggested many times by his predecessors."[51]

In a general criticism of treatments of early doctrinal history which appears in the preface to this volume Johnson protests the "critical tradition which [insists] that each early writer be judged in terms of whether he was or was not a mercantilist."[52] Johnson's interpretation of this "tradition" may or may not be accurate. If so, however, the remedy lies in a more circumspect use of the standard, not in a beclouding of all distinctions on which it rests.

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[51] Ibid., p. 172. See also his treatment of Hume's analysis of fiscal policy. Ibid., pp. 176-177.

[52] Ibid., p. 3.

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