

Chapter One

INTRODUCTION

THIS BOOK considers a number of the key political and economic themes and concepts that emerged in the early period of political economy up to the final quarter of the nineteenth century. We trace the manner in which a systematic interrelationship between politics and political economy was developed, altered, and refined in those years. Many writers and many circumstances contributed to the formation and development of politics and political economy. Who these writers were, what contexts might be useful in understanding their ideas, and how those ideas shaped the discourse of politics and political economy form the object of our analysis. That Adam Smith and John Stuart Mill have garnered by far the most attention in this arena—and that the secondary interest in their work shows no sign of diminishing in intensity—goes without saying. Yet there exist only a few substantive attempts either to connect those ideas and arguments about politics systematically to the economic thinking of those two individual writers, or more importantly to trace the interdependent development of politics and political economy in their as well as others hands.

Our interest is to show how, and in what ways, political economists sought to influence and alter the understanding of politics and political life in these years. We are concerned with a *transition* that took place between an eighteenth-century discourse on commercial society and the liberty of trade, and an understanding of these same subjects as they came to be exemplified in later nineteenth-century considerations of both politics and political economy. Our canvass covers the landscape, then, of what is now called classical political economy—and our object is to chart the conceptual transformations in politics and political economy, and the perceived relationships between them, that took place after Adam Smith.

In the years between 1750 and 1870 there appeared a range of efforts to develop a new and sophisticated framework of concepts through which, it was believed, one might secure a better understanding of the commercial and subsequently industrial character of civil society. From these efforts was to emerge not only an identifiable discipline known as political economy but also, in the hands of some, a science of politics. Questions of how and to what effect order and good government, justice and individual liberty, might be enhanced or compromised by the workings of the market were widely canvassed—and the findings of the new discourse of political

economy came increasingly to inform (and transform) the answers. Politics and political economy began to be seen as systematically interrelated, and it has remained so ever since.

These developments often overlapped, often drew on each other, and were often forged in the hands of the very same writers. They took shape over time, and by way of mutual theoretical interaction and criticism, as part of an ongoing and sometimes volatile conversation concerning both the nature of market society along with the characteristics of the polity and policies appropriate to it. In these years, political economy was at the epicentre of new and unfolding understandings of society; it could illuminate, it seemed to some, not only the movements in the price of provisions but also the very basis of liberty and progress.

§1. Smith's *Wealth of Nations* and Mill's *Principles of Political Economy* stand, in a sense, at the beginning and the end of the nearly one hundred years of developments that concern us here. Of course, not all issues were treated in the same depth or with the same intentions by Smith and Mill, and not all of their arguments proceeded to entirely satisfactory conclusions. On this point or that, one might more usefully consult Baron Montesquieu or Jean-Jacques Rousseau, Anne-Robert-Jacques Turgot or François Quesnay, or Jeremy Bentham. On yet other points one might wish to look to Immanuel Kant or Edmund Burke, and on still others to David Hume or Adam Ferguson, or Bernard de Mandeville. But what Smith did manage to do in the *Wealth of Nations*, and for the first time, was to examine in a systematic way what much of the earlier literature of political economy had approached in a piecemeal manner—as a set of individual, largely disparate or unconnected economic phenomena and problems. Regardless of his intentions, the effect of Smith's efforts was to provide a deep reservoir of ideas and arguments for later political economists to draw on in framing some of their own concerns, gloss their own interpretations, and against which to provide their own corrections, clarifications, and criticisms as their needs required.

If political economy in the eighteenth century was more than what was to be found in Smith alone—and its conceptual apparatus more extensive and, in places, more developed than it was even in its presentation in the *Wealth of Nations*—then by the middle of the nineteenth century there was little objectively left of Smith's original arguments in the literature of political economy. The ideas and arguments of Thomas Robert Malthus, David Ricardo, and Mill had risen to dominance, and had moved considerations of the interdependence between politics and political economy into new and different directions. Nevertheless, on consulting the vast secondary literature on these subjects one sometimes comes away with the impression that this simple point is often forgotten.

In much of that literature, for example, Smith's name appears again and again; one gets the impression that the relationship he forged between politics and political economy was not only decisive but that it was born fully formed too. In some of that literature, whether from the political Left or Right, it is almost as if all of the essential ingredients of, say, a twentieth-century welfare state or its neoliberal counterpart actually emerged complete in 1776 in the *Wealth of Nations*. Nothing could be more anachronistic and misleading.

Smith invented neither the principle of population nor the doctrine of comparative advantage; he invented neither the theory of the division of labour nor the quantity theory of money; he resolved neither the analytical problem of price determination nor adequately explained the distribution of income between the classes. Smith did not establish the priority of the market over the state nor is he responsible for the reduction of politics to economics. He is not the strictly lineal descendant of John Locke in some putative progression towards modern liberalism, although he certainly integrated considerations of political and economic life into one coherent discourse. He is not the champion of unregulated competition, nor the moral purveyor of possessive individualism, nor the architect of an economic theory of capitalist democracy—not, at least, as these ideas are understood today.

The political economy that forms the subject matter of this book, however, should not be understood as just a body of economic thought and doctrine—although to be sure, there are certain unifying themes and concerns that characterise its landscape, and mark it out from what came before and what followed it. Nor yet should it be understood simply as a catalogue of the diverse, and often conflicting, ideas and arguments produced by a group of thinkers writing on economic affairs between the middle of the eighteenth and the middle of the nineteenth century—although without doubt, those years do broadly define the period of its heyday. Such conceptions, while perhaps well suited to other ends, seem at once too narrow, too self-limiting, and too static to capture its essential character.¹

¹ Ever since Karl Marx (1867, 174–75, 175n) first coined the term classical political economy in the first volume of *Das Kapital*, it has been the subject of many a page of critical analysis, historical interpretation, and theoretical reconsideration. In fact, this literature has become so extensive that it is not unreasonable to ask what value might remain to be extracted from traversing, once again, a terrain already travelled by the classical writers. To this question we will offer in our own defence just two responses: that the time is never unripe for an effort at historical recovery, and that there is at least some novelty in addressing the ways in which political economy informed and transformed politics in this period—be it at the practical, theoretical, or doctrinal level.

Furthermore, the history of the accumulated historical scholarship sometimes seems to be nothing if not a series of grand tournaments between contemporary minds seeking to appropriate the past to various partisan causes of the present. The regularity with which the historians have charged each other with this sort of offence against the past—and in so doing, the regularity with which one encounters implicit claims to be doing better history—may even be an indicator of its ubiquity. Within the doctrinal camp itself, for example, there has been not a little argument about which doctrines actually define the movement in the first place. For their part, more contextual accounts have sought to expose the narrowness, thinness, and (sometimes) ideological biases of doctrinal reconstructions. Within the contextual camp, however, there is always the delicate problem of what context to choose.

A glance at the work of the historians of economic thought, for instance, readily reveals a distinct ebb and flow in their views about these thinkers. On the one hand, some have chosen to cast their political economy as being essentially different from the economics of today. This view stresses discontinuity—not just in economic theory and method but also with respect to the kinds of problems each addresses. On the other hand, there are those who have chosen to accentuate the similarities between them and modern theory and method, and/or between the economic problems faced then and those faced now.

On the first line of argument, while it is true that political economy is said to differ from the economics (and the economic problems) of today, it might yet be said to be either relevant or irrelevant to the present concerns. If different and irrelevant, it might be found to be, say, outdated, wrong, or wrongheaded (or some combination of all three). It might also be, say, that the progress of economic science, and/or the very development of the economy itself, had rendered these ideas and arguments irrelevant to the present concerns.² If different and relevant, these thinkers might be shown to have had, for example, a more robust economic theory or have provided invaluable insights (theoretical or practical) now lost.³ On the second line of argument, an emphasis on continuity customarily goes hand in hand with a quite favourable image of political economy.

In addition to the historians of economic thought, there are also historians who seek to recover a much broader understanding of political econ-

² Implicitly, John Maynard Keynes made just such a claim when he declared in his *General Theory* that by the “classical” writers he meant everyone (except for the “heretics” and Thomas Robert Malthus) who had written before him.

³ The considerable body of scholarship due to Maurice Dobb, Ronald Meek, and Andrew Skinner probably falls into this category. One should also mention here those economists who favour taking a more sophisticated view of the broader *intellectual* landscape—and so who worry about accounts that might be said to be overly economicistic in outlook.

omy. But the catalogue of their findings is often no less redolent of their current concerns than is that of doctrinal historians. Even among the ever-dwindling ranks of Marxist historians, similar tendencies are apparent. There are some of their number who see political economy as apologetics, and who set out their position against it. Others of their number link political economy to Karl Marx's contributions by way of a rational reconstruction of the analytical connections between them.

§2. We begin with what appears to us today as Smith's political odyssey. We consider his contributions to the discourse of political and economic thought as it has been viewed through a lens provided by the myriad of characterisations of both his personal politics and the politics to which his political economy putatively gave rise. Here we find that a challenging complexity in Smith's own presentation is reflected in wide disagreement among his interpreters as to his contribution—whether theoretical, historical, or ideological. In particular, it would seem that attempts to understand Smith from much later vantage points fail to give sufficient weight to either the process through which his framework of concepts had been transmitted to them or the subtle, but substantial transformations that had been worked on his ideas before they reached them. By attending to those transformations, we may find ourselves in a better position from which to draw out the basis as well as content of Smith's original idea of perfect liberty in both its market and governmental manifestations—and to understand how it was developed and altered after him.

§3. In that task, we first consider the deployment of an older notion of civil society—but in what seems to have been an increasingly distinctive guise—immediately before and after the *Wealth of Nations*. There is a real sense in which it was eighteenth-century political economy that established the presumption that civil society should be conceived as comprising the economic aspect of social life. Still, just what such an economic understanding of civil society entailed, what institutions, social groups, and voluntary associations were taken to be formative of its anatomy, and how civil society itself was thought to relate to the polity all underwent important changes after Smith.

These changes were partly the result of a historical development that saw the mercantile and commercial character of economic society of the eighteenth century give way, quite rapidly, to its industrial counterpart in the nineteenth century. But they were also the result of changes in the approach to the theory of political economy itself that took place over the same period. What began in the writings of Ferguson and Smith as an attempt to outline a picture of civil society more suited to the newly

Here one thinks of the works of Edwin Seligman, Jacob Viner, Albert Hirschman, and Donald Winch.

emerging characteristics of an economic world dominated by market exchange, changed over time to become, by the 1870s, a world modelled as being one of isolated, individual decision making in an austere, putatively universally applicable context. Civil society was thereby emptied of much of the earlier social, institutional, cultural, and historical content that it was initially thought to embody. We present these developments as the rise and fall of civil society in chapter 3 below.

§4. From the anatomy of civil society, so to speak, we turn to a consideration of its main organs, and the framework of concepts deployed by the classical political economists to examine them. The relationship between economic and political life more generally is the subject of chapter 4. Viewed in perspective, it would appear that Bentham's utilitarian calculator, modified (perhaps) by some of Mill's later moral embellishments, became in the hands of the neoclassical writers of the 1870s not only the accepted view of the personality of economic man but also the model of man from which to deduce the very laws governing market exchange and the distribution of income. Self-interested action, now thought of as constrained optimisation, was to become not only a component part of economic life in civil society but rather its only component. Where once stood Smith's rich description of morally regulated, prudent behaviour to describe self-interested action—derived from a model of a socially constructed self—now stood a rational calculator of exclusively private costs and benefits.

§5. The set of organising concepts and themes introduced into political economy to aid in understanding the operation of the economy—free competition, the economic machine, natural conditions, and the invisible hand—form the subject matter of chapter 5.

From this plurality of views, we then consider the more self-consciously uniform picture of Smith's enterprise created by Dugald Stewart. Stewart altered the figure of Smith for both political economy and political theory in decisive ways. He altered Smith's views on the input that political economy might have into both legislative practice and constitutional reform. Stewart created a figure of Smith for whom political economy was exclusively a science of the legislator, but one that had nothing to contribute to debates over forms of constitutional order. In Stewart's figure of Smith, the former could enact progressive reforms without touching on the latter in revolutionary ways.

§6. Despite Stewart's effort to build a coherent basis for the further development of a now-Smithian project—one that moved political economy significantly away from Smith's own picture—he was not entirely successful. When Malthus first entered the conversation (admittedly anonymously) at the end of the eighteenth century, he reworked Smith's understanding of the relationships between the wealth of nations and

prosperity and progress in quite fundamental ways. With the introduction of the principle of population, along with the possibility that there might arise in the progress of wealth a general overproduction of commodities, political economy and politics could no longer ignore, or put to one side as Stewart had suggested, the question of the moral integrity of market society. Malthus's interventions cast new and grave doubts on the moral and political content of economic progress itself—doubts that later critics of unbridled market life, as diverse as Marx and John Maynard Keynes, would later seize on. An examination of this reworking as well as its impact on thinking about moral and political reform is presented in chapter 7 below.

§7. We next turn to the so-called philosophic radicals, and the development of the discussion of politics and political economy in their hands. James Mill and the utilitarians were united in adopting Malthus's principle of population, but they differed dramatically from both the economic and political solutions that Malthus thought to follow from it. Mill in particular presented what he took to be a democratic reform of the constitution (expansive in principle, but somewhat limited in application) as the antidote to the imminent difficulties associated with the progress of wealth. Utility and property became, for him, the principal desiderata for constitutional reform. These arguments and how they were played out by the early philosophic radicals are examined in chapter 8 below. Their emphasis on the centrality of individual decision-making capacity in political life introduced a set of ideas that was to leave a lasting legacy.

§8. In political economy, however, other philosophic radicals charted a different course. Among their number—and most opposed to Malthus's own politics, policies, and political economy—was Ricardo. Ricardo, like James Mill, chose to accept Malthus's population principle. But on the question of the possibility of a general overproduction of commodities, he vigorously opposed Malthus on the need for any systematic state action to prevent economic stagnation and decline. He opposed him as well on the more theoretical issues of distribution and growth. Ricardo's interest in politics and the democratic reform of parliament led him to discuss the expansion of the franchise, the secret ballot, and electoral reform in a manner controversially informed by his theory of political economy. Rather than deferring to utility, property, and individual decision-making capacity, as Mill and the utilitarians had done, Ricardo appears to have mapped economic participation directly to political citizenship. While cognisant of the often conflictual character of economic life, Ricardo appears to have been sanguine about its political consequences. The Ricardian basis of an argument for democratic reform in the early decades of the nineteenth century occupies us in chapter 9 below.

§9. Historically speaking, none of these radical reforms proved sufficient to stem the growing dissatisfaction with the apparent mismatch between the theory of market order and its actual operation. Developments in economic and political theory were thought unsatisfactory, or at least insufficient, on the ground. The response was picked up in theory, and in the streets, by a group of utopian and popular political-economic writers. The utopian writers introduced ideas into economic and political discourse that transformed notions of progress into notions of retrogression, translated pragmatic solutions into visionary phantasms, and shifted the political debate from practical policy and incremental improvements to be achieved at the ballot box into systems of ideas within which the conundrums of justice, population, and distribution would all but disappear. The writers of popular political economy, on the other hand, attempted to solve existing inequalities and theoretical incongruities through direct action—namely, social and political revolution. The interventions of these writers, coupled with their effects on the understanding of the political economy and politics of industrial society, occupy us in chapters 10 and 11.

§10. With political economy and politics in some disarray by the 1840s, when John Stuart Mill declared his intention in the *Principles of Political Economy* to provide for his mid-nineteenth-century audience what he claimed Smith had supplied in the *Wealth of Nations* for the previous century, he could not have chosen a more opportune time. Mill's contributions are the subject matter of chapter 12. Mill published his *Principles* claiming not only to be modernising Smith's economic vision but also to be definitively addressing the dissatisfaction of the utopian projectors and the populist critics. He redefined the scope and reach of political economy itself. Mill offered his own creative recapitulation of the relationship between policymaking and economic principles—and between political theory and political economy. When Mill distinguished between arguments for economic liberty and political liberty, and rethought the strict separation between the science of production and the distribution of wealth—a distinction he believed to be a matter of political choice—his thinking reflected the beleaguered state of politics and political economy by the middle of the century.

§11. We conclude by considering two responses to Mill's efforts—responses that framed the debate about politics and political economy thereafter. On one side stands Marx's critique of classical political economy and, on the other, the neoclassical attack on the putative logical shortcomings of the formal economic theorising of the whole of the classical tendency. Both of these critiques were to have profound effects on the subsequent development as well as understanding of the relationship between politics and political economy. A conversation emerged from

Marx's work that was always afterwards conducted outside the mainstream of economics, while mainstream economics was born from the theory of the neoclassical writers. It was at this juncture that the political economy of the classical writers was recast. It was also at this juncture that the real foundations of our current understanding of the market mechanism appear to have been laid down. The journey travelled by political economy and politics after Smith seems at this time to have reached a divide in the road.