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Via Curtatone e Montanara 15, I 56126 Pisa,  
tel. +39 050 2212845, fax +39 050 2212853, hei@ec.unipi.it

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# MONTCHRESTIEN IN 1615: THE BEGINNINGS OF POLITICAL ECONOMY?

JÉRÔME MAUCOURANT\*

*Université de Lyon*

*TRIANGLE, UMR 5206 du CNRS*

*Université Jean Monnet*

This article seeks to demonstrate that Montchrestien participates in the emergence of *one* modern way of thinking about the economy as an «instituted process». The damage caused by international competition led Montchrestien to promote protectionism and a policy aimed at educating the labour force. But, the mercantilism attributed to Montchrestien in no way implies that the economy is a transposition of a war-like model. In the embedded markets of a well-managed State, trade is not a zero-sum game. More generally, the paper argues that Montchrestien distinguishes three modes of transaction and gives a place to money that is peculiar in mercantilist thought.

## 1. INTRODUCTION<sup>1</sup>

ANTOINE DE MONTCHRESTIEN is all too often known only for his invention of the commonly-used syntagm, political economy.<sup>2</sup> But, Montchrestien proposes a rather unique economy. The world he describes is not condemned to generally restrictive scarcity because men are numerous and their aptitude for work is excellent: only poor management can spoil this plenty which is the gift of God.<sup>3</sup> Yet, beyond this singularity that liberal economic modernity might compare to archaism, it may be noted, as Perrot (1992, 63) wrote: «The plan to link

\* Address for correspondence: maucourant.jerome@wanadoo.fr

The author thanks Pierre Dockès, Alain Guéry, Christine Théré, Abdallah Zouache for their valuable comments. He is entirely responsible for any remaining errors in this paper. The paper was translated by Emma Bell, Senior Lecturer in British Civilisation, Université de Savoie.

<sup>1</sup> The translation of French texts into English is either our own or has been reviewed by ourselves. We have chosen to translate Montchrestien's work using contemporary English syntax and orthography. We thank the two referees of *History of Economic Ideas* for their critiques that have had a profound impact on the writing of this article.

<sup>2</sup> To the best of our knowledge, the *Treatise (Traicté de l'Économie Politique)* is the first text in which the expression *political economy* is used in the way it is commonly understood today.

<sup>3</sup> We are conscious that this feature of Montchrestien's thought, *i.e.*, the place of gift in *political economy*, could be developed further in so far as the *Treatise* partly reflects sixteenth-century France in which gift has a very special place. See ZEMON DAVIS 2000.

domestic affairs (the economy) to the affairs of the State (politics) is new». Therefore, the *Treatise on Political Economy* should not be seen as a mere relic which, if we are to follow some textbooks on the history of economic thought, is deemed more suitable for citation than for study. Montchrestien's project symbolises a rupture with ancient and medieval thought. Our hypothesis is that the contemporary world still contains critical elements discovered by Montchrestien. A reason why his work could be relevant today is that the economy and markets are presented as objects of political considerations that are essential to their very existence and development.

Given that modernity is such a polysemous word, the first part of the paper («The modernity of *political economy*?») attempts to define the concept: modernity is presented as the systematic portrayal of the economy as lying in the public domain. Yet, this does not mean that economic action constituted a sphere entirely separate from the rest of society. Obviously, our specific approach to modernity differs from liberal economic paradigm. It is consistent with one of Polanyi's main theses in asserting that the separation of economy from the other social ties is illusory. The second part of the paper («*Political economy* or understanding economy as an instituted process») shows that Montchrestien's *political economy* is not a science of the market, in the sense of a science of market principle<sup>1</sup> as advanced, for instance, by Cantillon.<sup>2</sup> Indeed, there are only *markets* which may be governed by rules, allowing the State to act for the benefit of all. Economy is here an «instituted process», according to Polanyi (1957a). Indeed, Montchrestien's thesis is far removed from that of the 'economists' who, during the 18th century, aimed to isolate a particular kind of exchange, the economic exchange, as the foundation of a new social order. For our author, three models of exchange exist and pure economic exchange does not prevail. In the third part («Labour,

<sup>1</sup> The market principle is a principle of organisation of economic *and* social life according to which a network of markets is capable of self-regulation. These markets are said to be 'self-regulating' although, in reality, this self-regulation represents more the social ideal which legitimates these markets than the reality of self-regulation which is often chaotic. Nonetheless, the market principle is a fiction which nonetheless is capable of structuring empirical economies. See POLANYI 1944.

<sup>2</sup> It would be an exaggeration to make Cantillon the precursor of this issue. Kubeta has analysed the concept of equilibrium with Boisguilbert (KUBETA 1966 [1941], 81). Even more than Cantillon or Montchrestien, he anticipated a truly macroeconomic representation (according to MC DONALD 1966, 109). Similarly, Billoret does not hesitate to claim that the «natural» equilibrium of Boisguilbert is «Walrasien» (see BILLORET 1989, 69). To this end, he invokes the work of Clower who holds that the «constraints» weighing on exchange would reveal the Keynesian conclusions that Boisguilbert had anticipated. In general, we disagree with the excesses of the retrospective history of ideas, as followed by Billoret, when he attributes an «economic analysis» founded on the notions of «utility» and «marginal utility» to Aristotle. But it is true that it is no longer necessary to invoke general anthropology in order to understand Boisguilbert and Cantillon.

competition and money»), the case is made for interventionism: without a wise State, the economic sphere is spontaneously dysfunctional. The self-regulating market as a mechanism for the distribution of resources is not present. Instead, there is a set of principles which is meant to regulate the volume of exchange, to protect domestic production and to educate men. So, it can be shown that Montchrestien's 'mercantilism' has to be reexamined: politics, labour and competition are the pillars of *political economy*, money having a subordinate role.

## 2. THE MODERNITY OF *POLITICAL ECONOMY*?

In order to demonstrate that Montchrestien's work is still important for modernity, a clear definition of the concept is necessary. For us, the term refers to the point in Western civilisation when, from the 16th century onwards, politics, religion and economy progressively came to be regarded as separate categories. Modernity came to maturity at the end of the 18th century, following both the British industrial Revolution and French political Revolution. Economic liberals lean on this historical genealogy to argue that modern society is marked by the absolute autonomy of economy and to claim that the economy is rendered dysfunctional by State intervention. Foucault (1989, 112) links this strain of «liberal thought» to the ordoliberalism of the Fribourg School which had such a significant influence on the construction of the European Union and especially on the development of the European currency. But, as Polanyi (1944) argues, the spread of markets entails «counter-movements» of social protections, which enable society to survive, and paradoxically markets to function more efficiently.<sup>1</sup>

Therefore, what is decisive for judging the modernity of a policy is not necessarily its liberal character but the fact that the economy is the object of policy. Montchrestien considers markets as subordinate elements since they are only the *economic elements of politics*. Starting from a criticism of the Ancients, Montchrestien affirms that the Greeks and the Romans had not grasped the importance of the regulatory function of *political economy*:

All boils down to the fact that in the State (just as in the family), it is in the interests of all to govern men according to their own and particular inclinations [...]. Contrary to the opinion of Aristotle and Xenophon, it can be asserted that the economy cannot

<sup>1</sup> Following STIGLITZ 2001, vii-ix, the intellectual relevance of Polanyi's legacy is in no doubt: «[b]ecause the transformation of European civilization is analogous to the transformation confronting developed countries around the world today, it often seems that it is as if Polanyi is speaking directly to present-day issues. [...] The most recent global financial crises reminded the current generations of the lessons that their grandparents had learned during the Great Depression: the self-regulating economy does not always work as well as its proponents would like to believe».

be separated from government without destroying the Whole [...]. They ignored the principle of public householding with which the responsibility of the State should be mainly concerned.

(Montchrestien 1999 [1615], 67)

It is this very idea of «public householding» which characterises the invention of *political economy*: those in power are responsible for the welfare of men because they have a science the Ancients did not yet have. It is the reason why Montchrestien rebukes Antiquity for its lack of reflection on the social division of labour<sup>1</sup> as it exists in the towns:<sup>2</sup>

Coming back to the Ancients [...], in their books we cannot even find any ordinances or guidelines on how to adapt men to states and train them for the liberal arts and trade, according to the capacity, temperament, utility and needs of each country.

(*Ibidem*, 49)

Here, we are far removed, indeed, from what was developed in the 18th century, with the birth of classical political economy, since, as Foucault (1989, 114) writes, liberal modernity aims to show that there is «an incompatibility of principle between the optimal functioning of the economic process and the maximisation of governmental procedures». <sup>3</sup> It means that Montchrestien's *political economy*, the source of inspiration for «good government», implies that the autonomy of economy is fundamentally *relative* compared to society: politics must control economic activity in order to avoid the disintegration of the social body. Admittedly, such a line of thinking presupposes a *hint* of autonomy between what now appear to be obviously separate dimensions of social life – economy and politics. Yet, it does not imply that the economy functions separately. Consequently, Montchrestien's *Treatise* may be seen as adhering to a form of modernity which is different to the liberal point of view. Even if the progressive distinction between what we today call economy and politics is a necessary condition of all modern thought, there is absolutely no reason why the movement of aspects of social life towards *absolute* autonomy should be regarded as constituting the key to modernity. The moment of Western intellectual life inaugurated by Montchrestien is still relevant because the question of the emancipation of the economy from society has always been posed, rightly or wrongly. It is the strength of such reasoning to show the political conditions of the constitution of markets which are all too often ignored. For us,

<sup>1</sup> The term 'division of labour' is never used in the text.

<sup>2</sup> Here, Montchrestien wants to be the conscious witness of new times and distances himself from a number of his own previous claims according to which the Greco-Romans or the Hebrews are the source of truth.

<sup>3</sup> It is in this sense that Foucault considers that the 18th century economists depart from mercantilism. See FOUCAULT 1989, 115.

Montchrestien unveils a dimension of economic modernity which is still relevant – the idea that there can be no *economy without sovereignty*, except when assuming the antagonistic trend of modernity which postulates that the market is, as a rule, a self-regulating system. This debate is highly relevant today as is at the heart of the European integration process.<sup>1</sup>

The very nature of Montchrestien's *political economy* questions Perrot's analysis which concludes that economists «over the course of two centuries» have provided the «hypothesis of spontaneous regulation» (Perrot 1992, 90-91). For us, Montchrestien ought to be excluded from his analysis.<sup>2</sup> This historian also refers to «Montchrestien's axiom» according to which «everyone wants to be rich».<sup>3</sup> This leads him to write: «This claim is so obvious that it is pointless to write it down». Yet, for us, it does not seem possible to link this «axiom» to the hypothesis of the auto-regulation of the economy in any logical way. Our hypothesis is that this desire for wealth does not have the same meaning in the emerging political economy of the 17th century or in the economic discourse which developed in the 18th century. First of all, this assertion of the selfish motivations of mankind, a key element of mainstream thought, cannot be understood in a transhistorical way. Marx observes that, as an individual, Brutus knew how to lend his money at the best rate possible; as for the Romans, «the question is always which mode of property creates the best citizens».<sup>4</sup> This example serves to show that the desire to be rich can form part of very particular institutional systems, making it impossible to draw precise conclusions for a general analysis. Is it therefore possible, without great risk, to establish continuity between Montchrestien's discourse on human nature and, for example, Hume's economic anthropology?

Certainly, it may be strange to read that, for Montchrestien, the private economy is the model for the national economy: «the private

<sup>1</sup> Outside the European Union, the issue of the complex relationship between economy and sovereignty must also be raised because, on account of their size, transnational companies crucially influence institutions that were formerly under the control of Nation-States.

<sup>2</sup> Something which Perrot does not do: PERROT 1992, 63. This is why the issue of the «selfish interest» of the individual and that of the «regulation of the collectivity» are not elements that can be considered as the two bases of Montchrestien's theory, as it suggested by Perrot (*ibidem*, 89). Montchrestien's idea is not that of the «invisible hand» and does not involve a conceptual distinction between civil society and the State. As Foucault underlines, «Rather than making the distinction between the State and civil society an all-purpose explanation which allows all concrete systems to be questioned, one should try to see a form of schematisation common to the particular technology of government» (FOUCAULT 1989, 113).

<sup>3</sup> *Treatise*; cited by PERROT 1992, 91, fn. 79.

<sup>4</sup> Marx writes also: «Do we never find in Antiquity an inquiry into which form of landed property etc. is the most productive and creates the greatest wealth? Wealth does not appear as the aim of production, although Cato may well investigate which manner of cultivating a field brings the greatest rewards, and Brutus may even lend out his money at the best rates of interest» (MARX 1857-1858).

occupation makes public occupation». Thus, «good private government [...] is an example for public government» (Montchrestien 1999 [1615], 52). But, writing about «public householding» is defending State intervention in markets. The following quotation is revealing: Montchrestien suggests that the King must «first order that those who accumulate grain (and harvest all the fields in a country without selling the grain to the people) should be forbidden from doing so» (*ibidem*, 398). He defended conscious State interventionism in what were starting to be perceived as economic mechanisms.

It is here necessary to distinguish between two different ways in which society is represented by many political thinkers during the 17th and the 18th century. For some, society is conceived of as a *machine*, organised by a social architect or a *deus ex machina*: Smith himself uses the watch analogy. For others, society is considered as an organism which develops *independently* of any human or divine intervention. In this framework, which can be qualified as a 'spontaneous view of society'<sup>1</sup> as opposed to a 'mechanistic view', society is no longer subjected to a teleological principle. Two models thus clash with each other: the *machine mechanism* on one side and *the vitality of the organism* on the other. It goes without saying that the role of politics and the economy is different in the two models.<sup>2</sup> Montchrestien's *political economy* belongs to a mechanistic view of society and sits in opposition to the spontaneous view of society that is characterised by the primacy given to emergent phenomena. But, this does not imply that his *political economy* and his concept of the Social Architect are opposed to modernity. Indeed, Hayek (1988) thinks that the idea of a controlled economy comes from false conceptions and «fatal conceit», but even he does not deny that these teleological or mechanistic views have a crucial importance in contemporary debates.

Montchrestien favours mechanistic conceptions by following the general current of thought at the time: he invokes the figure of the monarch as the *image of God* or the *image of Christ*,<sup>3</sup> thus reinforcing the importance given to the function of representation unique to the King.<sup>4</sup> In this worldview that is theological-political, there is a relationship which unites God as Social Architect, the King as an image of God and

<sup>1</sup> We can understand why Hayek cites Ferguson as one of his inspirations. See HAYEK 1988 and FERGUSON 1966 [1759].

<sup>2</sup> On Hume see DELEULE 1979 and 2001.

<sup>3</sup> «Though all men are divine creatures [...] kings are separate from the rank of commoners. As the true children of God, they have more divine characteristics and lineaments. Thus they are to this Eternal Divinity what shadow is to the body, the image to the thing» (MONTCHRESTIEN 1999 [1615], 215). As for the king as *imago dei*, see KANTOROWICZ 1957.

<sup>4</sup> If Montchrestien affirms with such conviction that kings are the «true children of God», it is without doubt in order to justify a monarchial absolutism considered necessary to avoid ever returning to what the Kingdom was like during the wars of religion.



*political economy* as the science of the Royal Power. *Political economy* enables the king – already seen as incarnating immortal judicial power<sup>1</sup> – to determine the eternal laws of the wealth of the States. The chapter entitled *Of Exemplarity and the King's Main Concerns* (Montchrestien 1999 [1615], 213) is particularly illustrative of this concern. The author even claims that the monarch «exists for his people» (*ibidem*, 221), «represents and moderates the body politic» and should make use of the desire for imitation that resides within each one of us for the good of the social order as a whole (*ibidem*, 217-218). Admittedly, later forms of modernity remove all traces of religious transcendence in the formation of social relations, but the mechanistic conception of society – ‘constructivist’ view in Hayek’s wording – remains one form of modern thought. Likewise, the concept of sovereignty as «the absolute and eternal power of a Common Weal», as defined by Bodin, who had considerable influence over Montchrestien, remains another pillar of modernity.<sup>2</sup> Hence, secular modes of thinking may be rooted in theological-political principle.

There may be a convergence between all modern views – whether they are liberal or not – with regard to the question of religion and morality. Montchrestien holds that religion, as a stimulus for moral standards, finds itself assigned to a *subordinate* role in social life. He points out that royal authority derives from the «supreme power of God» (*ibidem*, 43). Yet he also claims that this power should only be exercised in the interest of the «Common Weal» and that the power of religion must be subordinated to that of the sovereign: «It is a great tool in the hands of he who knows how to use it correctly» (*ibidem*, 224). Natural sociability must not be corrupted by a false interpretation of religious texts. Consequently, one part of his programme of *political economy* states, «From there, it follows that the most important role of the State is to prevent any part of it from becoming useless» (*ibidem*, 58). Montchrestien goes as far as to suggest that economic sanctions should be used to control the activities of the clerics. He explains that since ecclesiastical privileges are granted by the monarch, it is his responsibility to ensure that they are not abused (*ibidem*, 227).<sup>3</sup> As a good Gallican, he

<sup>1</sup> Following the same theological-political line of interpretation, this body of the king, the *corpus mysticum*, is immortal, in contrast to the other body of the king which is material and perishable.

<sup>2</sup> In order to criticise the modern view of economy and society – that is initiated by Bodin and Montchrestien – a postmodern view has been developed: see NEGRI and HARDT 2000, 98. These authors invite us to forget European-style «territorial sovereignty», which is supposedly dead. From a theoretical and practical point of view, we should place ourselves on the level of «Empire», as «the political subject that effectively regulates these global exchanges, the sovereign power that governs the world» (*ibidem*, 11).

<sup>3</sup> One century later, it became a *topos* of writers like Voltaire or economists like Cantillon to lambast the unproductive role of the monks. See CANTILLON 1997 [1755], 53.

reminds us, «Always remember that the Church is in the State, not the State in the Church» (*ibidem*, 228). It is interesting to note that, if Montchrestien's general depiction of society is characterised by a *priori* which reveal religious transcendence, the logic of his reasoning leads him to a secular point of view whereby the issue of pure economic activity can be considered separately from religious considerations. Finally, the relationship established between economy and religion result from the quest for wealth and power.

Beyond the image of the monarch concerned for the well-being of his people<sup>1</sup> and controlling the clerics, Montchrestien insists on the necessity of containing the abuses of judicial power<sup>2</sup> and the privileges of the nobility. Let us examine this latter aspect. Montchrestien takes care, as the master of public householding, to remind the king of the need to exercise distributive justice, notably with regard to the attribution of such costly honours. He explains that the monarch must remember that it is «the pure blood of your people which deserves to be used for good, useful and honest ends» (*ibidem*, 259). Indeed, the author fears that the munificence of the monarch conflicts with the good practice of governance (*ibidem*, 260). He reasonably fears the uncontrollable increase of public debt caused by the privileges that may jeopardise the monarchy; and, a little over a century and a half after the publication of the *Treatise*, the people erase the monarch in favour of national sovereignty. Montchrestien is a conscious witness of a new epoch of politics and economy.

Another feature of modernity in Montchrestien's discourse is that he disagrees with the *vita activa* of the Ancients as well as the *vita contemplativa* of the Middle-Ages, favouring a healthy *vita activa* of a new and particular kind, characterised by the importance given to industry over political action:<sup>3</sup> «contemplative life» (*ibidem*, 56) which being «the closest to God» is pointless without action. For Montchrestien, a *vita activa* is a wholly economic way of life, politics being the privilege of the monarch and not of his subjects. Here we are far from the ancient model in which the precondition of freedom is being able to live off the work of others thanks to one's membership of the political community.

<sup>1</sup> Its greatest expression is the reciprocity which must be forged between the people and the monarch: «Whosoever is called to govern the people must love them in order to be loved himself because their love is his strongest defence, his unassailable fortress» (MONTCHRESTIEN 1999 [1615], 80).

<sup>2</sup> He rejects the venality of office: «The ambition of honours means that those which are put up for sale find many buyers unworthy of owning that which they purchase» (*ibidem* [1615], 274); he also denounces the rise of judge-made law whilst magistrates ought to be bound to be made to «judge according to laws and ordinances without in any way being able to stray from them under whatever pretext. Laws must control magistrates, not the other way around» (*ibidem*, 274).

<sup>3</sup> We are here using Arendt's terminology. See ARENDT 1958.

Perrot, who takes Montchrestien's thought seriously, places it in the context of a civilising process in which the emphasis is placed on «the refusal of Christian economy according to moral theology, work as punishment, just price and idleness of capital» (Perrot 1992, 64). The origin of such a refusal seems to result from the dislocations caused by «the progress of Nation-States since the 15<sup>th</sup> Century, the Renaissance and the Protestant Reformation»<sup>1</sup> (*ibidem*).

3. *POLITICAL ECONOMY OR UNDERSTANDING ECONOMY AS AN «INSTITUTED PROCESS»*

If the modern aspect of Montchrestien's discourse seems well established from our point of view, the very nature of his method needs to be discussed. Let us thus cautiously employ some of the contemporary categories that the *Treatise* helped to inspire. The sphere of the economy, which constitutes the investigative field of Montchrestien's work, refers to all the means and institutions essential to the very «livelihood of man».<sup>2</sup> In this way, economy is an «instituted process». Taking up again Polanyi's contribution to the issue,<sup>3</sup> we make the hypothesis according to which Montchrestien initiates the «substantive» (or material) meaning of economy, opposed to «formal» (or neoclassical) meaning. Even if the term «political economy» lost its own political or institutional roots with the fall of mercantilism during the 18th century, these words still carried their full meaning at the time when Montchrestien was writing. But, his mercantilism is not a theory which considers the wealth of the State as the main consequence of monetary abundance.

The political and moral roots of the good economy are obvious when the consumption of precious goods is considered: this *querelle du luxe* ('quarrel about luxury') was becoming commonplace at the time.

<sup>1</sup> Nevertheless, the role of the Protestant Reformation in the modernisation process must be examined carefully. The fact that Montchrestien claims that it is sufficient to contemplate «the works of God» on the Seventh Day is not proof of Protestantism but a simple sign that divine commandment is the condition of the wealth of the people and, consequently, of kings. In other words, there is nothing in that which could be considered to be proof of heresy by Catholics of his time. Therefore, it would certainly be difficult to justify «occupation» or «action» in pre-Weberian terms, as Billacois would have us believe in the introduction to his edition of the *Treatise*. See MONTCHRESTIEN 1999 [1615], 57.

<sup>2</sup> This is Polanyi's idea according to which the «scarcity situation» is not universal because society can determine the means and ends of economic activity. The «substantive economy» relates to «interactions between man and his surroundings» and to the «institutionalisation of that process». In order for man's livelihood to be exposed to the fewest possible hazards, it is necessary for collective behavioural rigidities to develop. See POLANYI 1977, 25, 31, 34.

<sup>3</sup> Nobel Prize winner D. North wrote that it was necessary to meet the Polanyian challenge in the field of the history of facts. But, we think that there is also a substantive or Polanyian challenge in the field of the history of ideas. Indeed, E. Khalil is right in arguing that Robbin's conception of economics has won out over that presented by Alfred Marshall or Karl Polanyi, yet the issue has not yet been entirely settled. See NORTH 1977 and KHALIL 1996.

Montchrestien condemns the excessive consumption of wealth which must be embedded in moral considerations. The economy is the result of a policy constrained by moral designs. Morality and the need for the accumulation of metal join together harmoniously since there is a trade deficit with the Levant on account of the elite's weakness for luxury, the «public plague and the ruin of monarchies!» (Montchrestien 1999 [1615], 361). Thus, he considers the so-called «natural economy» as a source of the *political economy*. In the same passage concerning the «wise ruler» (*ibidem*, 27), he writes, «It must imitate nature which never lacks anything essential and which never produces anything superfluous». Thus, the monarch's policy must lead the dysfunctional economy, in the very words of Montchrestien, back to «nature». The meaning of the adjective «nature» should not confuse the reader. This model of domestic life of course evokes the «middle way» of the great Turkish sultan.

Another feature of the embedded economy is the decisive question – for Montchrestien – of agriculture (*ibidem*, 78-79). Indeed, agriculture is as much a *moral* as an *economic* issue: «From the time of our fathers [...] our very Nobility lived in the countryside. Since people have migrated to the towns, evil has increased [...] idleness has developed». This is why the riches of France, «her wheat and her wines make her richer than all Perus» (*ibidem*, 60). It is, in the final analysis, the «abundance of men» which is the real reason for this wealth. Montchrestien thus underlines the quality of the workforce in this extremely rich Kingdom, which would be a «world» capable of surviving without other worlds. If the source of wealth of the people of the Kingdom comes from its size and the number of its subjects, it is natural to question the proper organisation of the division of labour in this world-economy that is France.

Certainly, Montchrestien never uses the term, *division of labour*, as was underlined above. He evokes «this public work, divided between the liberal arts and trade» (*ibidem*, 73) which ought to be the object of «political foresight». Nothing is said about the commercial origins of this division;<sup>1</sup> it is above all claimed that it cannot spontaneously regulate itself for the common good. This description of the economy is coherent with the idea that labour must be instituted by the monarch. It is recommended that he use all the regulations possible to allow the liberal arts and trade to flourish: the «emulation»<sup>2</sup> praised by Montchrestien (*ibidem*, 72) should be used for the good of society. But if this emulation or competition is left to its own devices, the author fears that it is entire-

<sup>1</sup> Polanyi questions the commercial hypothesis of the division of labour and of the origin of money – made by mainstream economists – in many places, notably in POLANYI 1944 and 1957b.

<sup>2</sup> Montchrestien does not mention here the word 'competition' but, in this context, we can translate «emulation» by «competition».

ly possible, given the sad state of industry in France, that the forces of competition could be more favourable to foreigners than to the subjects of the king. Thus, Montchrestien, fully aware of the importance of the division of labour and of competition, asserts that these two things cannot spontaneously contribute to the social good. Montchrestien asserts in an obsessive way that there are *two worlds of exchange*: the world of foreign trade places itself in opposition to the world of domestic trade.<sup>1</sup> The commerce of inside» is considered to be «safer» and more widespread than «the commerce of outside», considered as «bigger, more renowned, riskier» (*ibidem*, 291). It is as if these two models of exchange structure the work of the author.

We find, firstly, a *model of embedded markets* in which exchange is subordinate to the social sphere and embodies forms of social relationships corresponding to cultural values. So Montchrestien writes:

It is said that one can never lose what the other cannot win. That is correct, especially with regard to trade. However, I would say that in trade that is carried out between citizens, there is no loss for the public.

(*Ibidem*, 303)

Domestic trade should function for the public benefit thanks to the revival of «*Censure*» which Montchrestien strongly advocates. The term *Censure* covers two ideas which are strongly linked, as was already the case for the Roman *census* which combined an evaluation of one's wealth and of one's moral qualities.<sup>2</sup> Montchrestien favours a return to the past in this respect and even asserts, «From the moment the Roman Empire stopped using *Censure*, it headed straight for decline» (*ibidem*, 233). He suggests going even further in this return to Antiquity, suggesting not only a return to the original liturgies (*ibidem*, 237),<sup>3</sup> but also to another old Athenian legal practice, which allowed trials to be brought in order to prove that other citizens could better afford to fulfill their liturgical duties. Montchrestien is convinced that knowledge of the true wealth of some citizens or, on the contrary, of the genuine poverty of

<sup>1</sup> Larrère developed a thesis on the «Aristotelian structure of mercantilism» that we in part support (LARRÈRE 1992, 111-113). Indeed, below we highlight a specific mode of foreign trade which could benefit everyone. Certainly, Spector rightly points out a passage in Montchrestien's work in which liquid metaphors seem to be the key to his system: «It is as if one is holding a vase of water in each hand, pouring liquid from one to the other. The matter is different for merchants and agents of foreign merchants. They both serve as pumps, sucking the blood from our people and selling it abroad» (MONTCHRESTIEN; cited by SPECTOR 1992, 303). Montchrestien clearly regrets this loss of money for the State. But a strict Aristotelian structure of exchange should rest on the idea of the exchange of equivalents *as if there was no possible profit to be made from it*. Yet, as we see it, Montchrestien perceives this idea that commerce is not systematically a zero-sum game.

<sup>2</sup> ANDREAU 1998, 215, 250.

<sup>3</sup> In classical Athens, the institution of liturgies obliged wealthy citizens to fulfill a number of civic duties, such as arming a warship, etc.

others, is an effective guarantee of political stability.<sup>1</sup> In many respects, it could be then admitted that two key Polanyian issues – socially integrating the economic process and the necessity of embedded markets – are essential to Montchrestien's design.

Nonetheless, the use of Roman, or sometimes even Hellenist rhetoric, common under the *Ancien Régime*, can mask the fundamental modernity of Montchrestien's writing. The Roman model of public virtue is magnified by the example of Tribune Drusus «who wanted to make holes in his house so that everyone could see inside» (Montchrestien 1999 [1615], 236). This would at first appear to be an example of freedom in the ancient sense of the term, far removed from the «freedom of the Moderns». Yet, this powerful image, when placed in the general economy of the *Traicté*, aims to show that those who have nothing to hide concerning the real source of their wealth have nothing to worry about. For Montchrestien, good merchants have nothing to fear from public judgment. In other words, his treatise is not a real exaltation of the «Freedom of the Ancients» in the sense that these words would have had for Constant (1997 [1819]): it rather involves the development of a social and political model which legitimates itself by a very selective reading of ancient Greco-Roman or biblical texts.

Leaving the reflection about embedded markets aside, Montchrestien invokes another aspect of the market in which «negative reciprocity» (Sahlins 1972) dominates because the commercial partner does not belong to any pre-existing social community. On contrary to embedded markets, we can see here a war-like model of the market. The parties to the exchange are in a state of radical *otherness*, the relations between groups or individuals are not sufficiently durable to be instituted. In this respect, it is worth noting that it is still a challenge to economics as a science to create a profitable system through *a priori* selfish exchanges. The very existence of the transaction cost theory shows this to be true. In this respect, we could not possibly qualify the author's reflections as economic nationalism, unless we wanted to hide what we consider to be decisive in his work. Admittedly, as the money supply is considered to be a constant, Montchrestien often claims that foreign or external trade is a zero-sum game. Yet his thoughts on the subject are more nuanced: he also notes that the different social relationships which characterise domestic and foreign trade are fundamentally different from the social relationships which characterise foreign trade. This latter is effectively understood as arbitrary rule, inequality of trading relations and

<sup>1</sup> Therefore, it is highly questionable to claim, as Spector does that morality is essentially a private thing for Montchrestien. In our opinion, Montchrestien does not isolate morality from the economy, as is proved by his comments regarding *Censure*. See SPECTOR 2003, 206.

totally unjust laws, which cannot generate the gain from trade that is the main feature of domestic exchanges. The king's subjects are then, for the most part, all obliged to follow the same law where the feeling of reciprocal goodwill is highly effective.<sup>1</sup>

The economic nationalism that we sometimes think we detect in this text is the necessary result of the fact that competition between States is ferocious. As a result, the asymmetrical positions in the process of exchange are harmful from the collective point of view – another contemporary and topical problem. For him, the laws of foreign States create the imbalance of trade which harms the subjects of the king of France. He observes that trade between France and Spain, on the other hand, was once mutually profitable (Montchrestien 1999 [1615], 302). In these ancient times, the wheat of France was exchanged against Spanish gold. However, the Franco-Spanish trade of his day no longer seems to bring reciprocal benefit. He deplors «the unequal treatment that the Spanish receive in France and that the French receive in Spain with regard to the taxes levied on goods» (*ibidem*, 351). Rather surprising for a 'mercantilist', Montchrestien insists on the fact that genuine commercial reciprocity could be advantageous to all. If the French monarch could equalise the rights of his subjects and the rights of the Spaniards (*ibidem*, 356), we could «supply them in abundance with the principal goods they need forty percent cheaper than they can procure them in Spain». Montchrestien considers that commercial reciprocity would be beneficial to the welfare of the Spanish since he perceived the possibility of gain resulting from trade. His belief reflects the development of a merchant society<sup>2</sup> in the 17th century: we are no longer dealing with the ideal of a strict exchange of equivalents, the sole aim of which is to preserve the ancient *phylia* at the heart of the *polis*.

Montchrestien consequently calls for higher considerations of justice: «So long as all the provinces of France are freely open to Spain, why should the greatest and best of Spanish provinces be closed and forbidden to France?» (*ibidem*, 356). Because commerce should be regulated by the *ius gentium*, he insists that commercial partners should have the same rights.<sup>3</sup> This is why we must explain the precise nature of this dual

<sup>1</sup> Montchrestien's hypothesis does not refer to the 'state of nature' that was to become so widely accepted. Within the kingdom, the monarch can transform the «multitude» into a «social body» because he is at once «Love» and the trustee of «Divine Authority». On the other hand, the state of nature does indeed exist between the kingdoms and republics which make up the world. Hence, the question of *ius gentium* which is dealt with below.

<sup>2</sup> The «merchant society» we describe here is obviously to be distinguished from Polanyi's «market society» which developed in the 19th century. See POLANYI 1977, 12.

<sup>3</sup> Curiously, Billacois asks himself if Montchrestien had not read Grotius, yet the text he refers to, *De jure pacis et belli*, was not published until 1625! This work is dedicated to Louis XIII, Grotius having taken refuge in France. It would be better to ask, «Had Grotius read Montchrestien?».

model of exchange. Could there not have been, for this author, a third model of exchange – the *ius gentium trade model* – where foreign transactions are profitable for all? According to this model, States guarantee the protection of those who participate in trade and the symmetry of commercial relationships. It is interesting to note that Montchrestien lambasts the lack of freedom that the king of Spain inflicts on his subjects whilst, on the other hand, he praises the French King who supports the universal *ius gentium* and «free trade» (Montchrestien 1999 [1615], 359). The qualifier, «free», should not however be taken literally: freedom here refers to a system of privileges granted by royal authority to merchants, giving them the means to trade freely.

Our current ‘economic freedom’ is in no way a given of Montchrestien’s society. Here, we are concerned with the «defensive capitalism» described by Commons (1924). It might seem odd that these ‘freedoms’ are often the result of the creation of monopolies which benefit private individuals or companies. However, the reduction of arbitrary feudal rules created possibilities for entrepreneurs. In this respect, Montchrestien’s work is a reflection of this new state of affairs. Commons considers that «the guilds were defensive capitalism» (*ibidem*, 226). The «offensive stage» of capitalism» (*ibidem*, 228), *i.e.*, after the 18th century, no longer needs these ancient monopolies, the existence of which was the precondition for the development of the defensive phase. The profits of the monopolies thus cease to be legitimate.<sup>1</sup> Similarly, all misinterpretation with regard to political freedom must be avoided. When Montchrestien defends France as the land of freedom, as he so often does, he means that the State frees any man who enters the territory from serfdom and that he is protected against arbitrary treatment: the ‘absolute’ monarch is by no means a despot.

#### 4. LABOUR, TRADE AND MONEY

If forms of exchange are at the very heart of Montchrestien’s work, whether with regard to the exchange of goods or to the exchange which takes place between the monarch and his subjects, it is more difficult to determine the role of money and prices. Although these issues are often debated in detail by the author, it is not clear how they are linked with the rest of his work which, on the contrary, seems to us to form a coherent system. If the question of sovereignty is central to Mont-

<sup>1</sup> Therefore, the modern aim of the common law, according to Commons, is to abolish private jurisdictions which hinder competition. Modern or «offensive» capitalism is thus a legal construction which forms part of a long drawn-out process of institutionalisation. For Commons, this does not mean that the pure ideal of competition is an intangible given of capitalism because the economic power of big companies and the development of credit money is what justified the interventionism of Roosevelt. See COMMONS 1990 [1934], 612.



chrestien's work, money does not necessarily occupy the key place that we sometimes give it. Surprising for a supposed 'mercantilist', he underlines that the Ottoman sultan, an «absolute» monarch like the king to whom he is addressing his advice, tolerates the free movement of currencies in Cairo (*ibidem*, 322]. Thus, the political absolutism that is so praised by Montchrestien does not necessarily entail the monopoly to mint money.

It is the reason why we must be cautious when reading this sentence by Montchrestien: «Only he who is the architect of the law can make law for monies». It may be that Montchrestien contradicts himself here, but it may also be that our author does not want to offend the vanity of the absolute monarch with regard to the money question. At the time, it was commonplace to link the king to the money system. It is reasonable to think that, in this treatise addressed to an absolute king, Montchrestien deliberately evades the problem. Moreover, the actual problem of «making law for monies» is the issue of depreciating currencies. And, he clearly holds that the devaluation of monies is a worrying cause of social disorder since it erodes fixed income, impeding the normal course of business (*ibidem*, 319-320). In that regard, the king, as he who carries out the will of God, must admit his limitations. Indeed, it must be remembered that the monarch is absolute in the sense that he is free from any link, except the link that exists between him and God.

The deterioration of the commodity-money system deeply concerns Montchrestien. Pointing out that the Kingdom had to suffer the consequences of ever-increasing quantities of gold coming from the Americas which caused «the prices of all sorts of commodities to rise» (*ibidem*, 397), he asserts that «the essential value of merchandise is static [...] that nothing is expensive that was ever cheap». He recommends the simple application of existing laws to lower the price of goods, as if the issue was not the general level of prices but rather the level of certain relative prices essential for the livelihood of the people.

In a very classical way, he considers it necessary for the State to fight against speculators by regulating the grain market so that prices can return to their previous level: «To conclude, it is only via this regulation (such as Your Majesty can establish and operate it in this Kingdom) that the price of merchandises and essential supplies can return to its original level» (*ibidem*, 398). Montchrestien describes the inflationary phenomenon *via* the changes in the structure of relative prices which affects the division of income: certain social classes are more exposed than others to this process of price fluctuation. This can create injustice on account of the destabilising character of speculation and the danger of excessive freedom in the circulation of grain: «Due to the transactions of a few, an entire Province can end up starving» (Montchrestien

1999 [1615], 400). Our inventor of *political economy* thus contributed to the debate that would last until the end of the 18th century. Montchrestien perhaps stands out when he underlines that the dissymmetry of trade, due to the unequal distribution of wealth within the Kingdom itself (*ibidem*, 400-401), makes commerce harmful, although in the normal course of events, when it is well-managed, it contributes to the prosperity of all. He thus writes: «these little market-runners [...] monopolists of basic essentials, all those who cause prices to rise everywhere they operate, must be suffocated. Those who devour all the sustenance and food of the people are true leeches» (*ibidem*, 399).

As for money, Montchrestien thus refuses the arbitrary policy and the result of abundance not caused by a surplus of trade balance: indeed, he fears the consequences of public deficit, not without some pathos (*ibidem*, 259). He thus suggests that the Royal debt must be reduced as much as possible since it serves as «a squadron of bloodsuckers on your people» (*ibidem*, 260). Once more, the Turkish model is, in this respect, an example of «good administration», on account of the proportionately small number of people operating in the system of public finance and of the «middle way» that one finds there (*ibidem*, 322).

Montchrestien fears an active monetary policy but interventionism is required, as in the domain of labour. He explains that in order to face foreign competition, the workforce must be educated. *Political economy* is mostly a policy for the education of man. Consequently, Montchrestien is convinced that

no animal in the world is born more stupid than man. But, in a few short years, he can be made capable of great things. Whosoever can make something good out of this living tool [...] can glory in the fact that he has made the best of the economy and government.

(*Ibidem*, 61)

He recalls how the Romans reportedly placed much importance on the education of their servants. Finally, he deduces that the chronic lack of employment in the Kingdom is due to a lack of qualifications and that it is for the good of the public that the poor should be obliged to work (*ibidem*, 61-63). The correct policy with relation to the «employment of men» is, consequently, to imitate the English and the Dutch who had once learnt from us (*ibidem*, 119). He applauds the fact that, in Switzerland and Germany, «there is hardly a bourg in which the Lord does not finance a few colleges in order to instruct his poor subjects in the liberal arts and in the mechanical trades» (*ibidem*, 120). It is thus necessary to follow the Dutch example of «schools» (*ibidem*, 121). Even if these places are most certainly aimed at the «assistance of the poor» (*ibidem*, 122), Montchrestien underlines the fact that the Dutch system also places emphasis on apprenticeship. In this way, the «common good» (*ibidem*,

119) is achieved through the fact that the poor are no longer «dependent on the State» (*ibidem*, 122).

Montchrestien's arguments are novel: this way of thinking about work was taken up by Colbert, in other words, well after 1615. It would thus be possible to use the central place given to work to redefine the concept of mercantilism. For Montchrestien, if many nations were once, in a way, the «pupils» of the French, by his day it was the French who had been overcome by external competition and who should become the pupils:

As for everything else, the place has already been taken. If we want to attend the theatre, it must be as spectators since we are incapable of getting up on stage to act. All the roles have already been allocated to the people who know how to play them best.

(*Ibidem*, 346)

The pupils who have become our teachers are chiefly the English (*ibidem*, 99). He is not just concerned about that fact that the English have overcome their technical backwardness, thus competing with the people of France, but he also worries about the possible consequences of the king's decision to allow English capital to build a factory (*ibidem*, 100) given that the English do not use the work of the French for the latter's own good (*ibidem*, 101). Therefore, the visible hand of the monarch is seen as a condition for the correct functioning of the economy. Without a good policy, the French economy will decline and be subordinated to other economies. Montchrestien asserts: «I have already said that we allowed our business to be looked after by the agents of foreign traders [...]. Thus we became the agents of the agents» (*ibidem*, 308-309). A century later, even Cantillon, from a different point of view, makes a similar criticism of French economic policy.<sup>1</sup>

An important dimension of *political economy* is, in that respect, the necessary protection of economic agents by political power, since foreign trade, although unpredictable and dangerous, is indispensable to the common good. This is not just about protecting the Kingdom from the foreign competition which reduces employment (*ibidem*, 104), but also about promoting a genuine policy which aims to substitute imports with domestic production. To the objection that the quest for autarchy is a cause of war, Montchrestien responds that it is the rest of the world that needs France more than France needs the world: the size of the population of the Kingdom at this time should not lead us to consider this proposition as absurd. Montchrestien is nonetheless aware that the

<sup>1</sup> Criticising States such as France and Spain, which «do not take into account in their policy the way in which trade would be advantageous», Cantillon deplors the fact that «most merchants in France and Spain who trade with the foreigner are rather agents of the foreign merchants than entrepreneurs trading on their own account» (CANTILLON 1992 [1755], 133).

public benefit resulting from the employment of the poor can *a priori* be to the detriment of affordable supplies. But «the benefit to the public is more important than any other advantages that may be advanced» (Montchrestien 1999 [1615], 326). He does not however just develop this argument concerning social stability, so necessary to the prosperity of the Kingdom. He also explains that the development of domestic production will allow prices to fall as low as possible. The argument has some coherence, aside from its peremptory rhetoric, since it involves the recognition of a certain length of time necessary to the development of this production; temporary protection allows the workforce to be well-educated. State control should go further and determine the correct amount of production. Here, mercantilism seems to be a doctrine generalising the customs of medieval towns to territories incomparably more vast. The market as a process of price fixing and the determination of optimal quantities is absent. Montchrestien, dealing with the issue of the possible excess of production and of the necessary profits of artificers writes, «The wise ruler must carefully invent the means to govern, finding the right balance between too little and too great» (*ibidem*, 127).

The above arguments have used the concept of mercantilism, yet this concept is difficult to handle and often throws more shadow than light on the subject once a detailed analysis of authors generally classified as mercantilists is required. It is on the other hand possible to argue that, *on a quite general level*, mercantilism can be defined as the recognition that «the economy is henceforth the means of exercising power and its very foundation».<sup>1</sup> In this sense, it is true that there is a striking opposition between those who support the doctrine of «doux commerce» and the mercantilists who did not conceive of the economy as a peaceful sphere. But, at this level of generality, the place of money in mercantilist discourse and its relationship with sovereignty is not clear. Moreover, the thesis of the «Aristotelian structure» of mercantilist exchange,<sup>2</sup> which is evidently wide-reaching, is not capable of highlighting the full originality of Montchrestien who does not neglect the possible mutual profits that may be gained from exchange.

## 5. CONCLUSION

Montchrestien's *political economy* is the science of the governance of man, allowing the monarch to adopt the best means possible to increase the wealth of his people and, thus, of himself. This author may be bet-

<sup>1</sup> SPECTOR 2003, 302, 308-309.

<sup>2</sup> Larrère's thesis was taken up by Spector who, even if she correctly underlines the «profound changes» of the «Aristotelian» schema, does not fully appreciate all of its consequences.

ter understood thanks to the «substantive» conception according to which the economy is an «instituted process». This conception includes the question of *social values*. Montchrestien elaborates a deeply political way of thinking about the economy as an emerging facet of social life. Therefore, *political economy* does not equate with rational knowledge of the allocation of scarce resources through the price system.

The novelty of the *Treatise* is that there is an invention of political economy in the sense of our present conceptions: the discovery of the economy as a legitimate concern of the State, contrary to the Ancients. It meant no longer thinking about good management as a means of maximising the income of the estate or the city, but rather about promoting a policy which would aim to increase the wealth of the people. In this sense, the wealth of the State is a mere consequence of the wealth of the people.

Moreover, Montchrestien follows a line of thought which emphasises the *mechanistic* over the *spontaneous* and suggests that economy is not an autonomous category of thought. But if the market principle and the use of the invisible hand metaphor do not mark Montchrestien's economy, competition does lie at the heart of his work. This competition, in the sense that we now qualify as international, is thus, before markets themselves, a striking characteristic of the economy. Furthermore, Montchrestien contributes to the creation of a genuinely novel kind of discourse because he considers that men, the source of wealth, should be the principal concern of the government. On the contrary, his thoughts about money and finance seem more classical or sometimes rigid; above all, they are mainly the consequence of 16th century inflation, of the weariness caused by recurrent depreciations of the currencies and of the fear caused by the growth of unproductive deficits (that actually will contribute to ultimately defeat the French monarchy).

The characteristics of competition related to different political zones legitimate three models of commerce. The «natural» sociability of the citizens of the Kingdom determines the forms of exchange from which we can all benefit, *i.e.*, the model of «embedded markets» or 'social markets'. In the realm of external trade, we deal with a war-like model of market or the «negative reciprocity» pattern. Montchrestien nonetheless considers that the application of the *ius gentium* could render external trade beneficial, provided that the imbalances of positions, which result from State policies, are eliminated: the *iust gentium* model of markets. But it is clear that these kinds of benefits presuppose a prior political agreement. Montchrestien thus contributes to characterising the economy as political.

As a rule, current trends thus do not help us understand an author who is so attached to the issue of sovereignty. This new art of *political*

economy, promoted by Montchrestien (1999 [1615], 406), is the establishment of good government: it involves moral considerations which affect the organisation of markets. These are considerations which may seem as ideological as they are normative and, consequently, non-scientific. Certainly, Montchrestien seems to belong to a time long past when he echoes the ancient practices of the medieval guilds, suggesting they be applied at the level of an entire kingdom. It would nonetheless be wrong to judge the interest of Montchrestien's work from the sole point of view of current economic thought, because it is doubtful that our knowledge is really free from ideological considerations. Should it not also be remembered that many economists are now divided on the banishment of powers and institutions which made the foundation of economics possible? Yet, the hope of reducing phenomena relating to power and authority to pure economic reason seems questionable.<sup>1</sup> This is why the reading of ancient texts can encourage some distance to be taken from a certain number of obvious facts.

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<sup>1</sup> Elster claims that reductionisms fail to explain social norms. In particular, he refers to a reductionism in vogue amongst many economists according to whom norms can be viewed as a system resolving market failures. Yet, firstly, many norms damage the welfare of all and, secondly, it is not known how the social advantages of norms may be perpetuated. See ELSTER 1989.

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# CONTENTS

PEDRO N. TEIXEIRA, <i>Albert O. Hirschman (1915-2012): the passions and interests of an engiariert economist</i>	9
--	---

## PAPERS

JÉRÔME MAUCOURANT, <i>Montchrestien 1615: the beginnings of political economy?</i>	25
ALAIN CLÉMENT, <i>French economic liberalism and the colonial issue at the beginning of the Second colonial Empire (1830-1870)</i>	47
FERNANDO TOBOSO, <i>Methodological developments in the Old and the New Institutional Economics</i>	77
STEFANO FIGUERA, <i>The debate on the evolution of the payment system between free-banking and central banking</i>	117

## BOOK REVIEWS

FRIEDRICH AUGUST HAYEK, <i>Business cycles</i> (Besomi)	141
LAWRENCE H. WHITE, <i>The Clash of Economic Ideas: The Great Policy Debates and Experiments of the Last Hundred Years</i> (Klausinger)	144
Paolo Heritier and Paolo Silvestri (eds), <i>Good Government, Governance, Human Complexity. Luigi Einaudi's Legacy and Contemporary Societies</i> (Giordano)	146
IVO MAES, <i>A Century of Macroeconomic and Monetary Thought at the National Bank of Belgium</i> (De Vroey)	148
ROBERT B. EKELUND JR. and EDWARD O. PRICE III, <i>The Economics of Edwin Chadwick: Incentives Matter</i> (Gentle)	150
Pompeo Della Posta (a cura di), <i>Crisi dell'economia e crisi della teoria economica. Teoria tradizionale e nuova economia civile a confronto</i> (Caruso)	151



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