CENTER OF ECONOMIC RESEARCH

LECTURE SERIES

10.

MONTESQUIEU AND THE WEALTH OF NATIONS

By

NICOS E. DEVLETOGLOU

London School of Economics
and Political Science

ATHENS, 1963

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THE CENTER OF ECONOMIC RESEARCH

The Center of Economic Research in Greece was established in the expectation that it would fulfill three functions: (1) *Basic research on the structure and behavior of the Greek economy*, (2) *Scientific programming of resource allocation for economic development, and* (3) *Technical-economic training of personnel for key positions in government and industry. Its financial resources have been contributed by the Greek Government, the United States Mission in Greece and the Ford and Rockefeller Foundations. The University of California at Berkeley participates in the process of selection of foreign scholars who join the Center's staff on an annual basis. It also participates in a fellowship program which supports research in Greece by American graduate students, as well as studies for an advanced degree in economics of Greek students in American Universities.*

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It is contemplated that the Center will exchange information and results with similar Centers in other countries and will participate in joint research efforts with Greek or foreign public and private organizations.

Finally, one should emphasize that this is one more example of Greek-American co-operation, a pooling of human talent, funds and efforts, designed to promote the training of economists and help in meeting Greece's needs in the field of economic development.

The final aim is eminently practical: to help in creating a better life for the Greek people.

ANDREAS G. PAPANDREOU, Director

MONTESQUIEU AND THE WEALTH OF NATIONS*

I. PROLEGOMENA

In the recently recovered Preface to the French edition of *The General Theory of Employment, Interest and Money* Keynes refers to Montesquieu (1689-1755) as the greatest French economist. Addressing the French public Keynes writes that "Montesquieu was the real French equivalent of Adam Smith. The greatest of your economists, head and shoulders above the physiocrats in penetration, clear-headedness and good sense (which are the qualities an economist should have)."[1] The admi-

*Warm gratitude goes to Professor Lord Robbins, upon whose time I drew heavily while preparing this study, as it was always a pleasant occasion to hear and absorb his criticisms. I am also indebted to Professor Letiche of the University of California in Berkeley to whom I can trace my interest in Montesquieu.

[1]Preface to the French Edition of *The General Theory of Employment, Interest and Money*. Professor R. F. Kahn has kindly made available to me a photograph of the recovered original manuscript with permission to quote certain passages. He has suggested that the Preface would be published in its entirety in a few years' time along with other papers of Keynes's. Until very recently the English manuscript of the Preface could not be traced after it was translated into French by M. Jean de Largentaye in *Théorie Générale de l'Emploi, de l'Intérêt et de la Monnaie* (Paris, 1943), 9 - 13; but an English translation from the French version prepared by Professor Peacock is available in *International Economic Papers*, no. 4, 1954, 66 - 9. Professor Peacock's translation should serve as an excellent substitute until the original is published. The French Preface is an invaluable document and it would be unwise if the

ration that Keynes expressed for Montesquieu in that document led me to undertake an investigation of Montesquieu's works. This research has made it possible to show that Montesquieu, though never fancying himself as an economist, had been creatively concerned with a crucial economic problem: the comparative statics of economic welfare.

Keynes was conscious mainly of Montesquieu's interest theory.[2] He admired this theory in passing in the French Preface, but mentioned in no other of his works the influence that Montesquieu had on him. Nowhere did Keynes undertake to elaborate on or indeed justify any of his extraordinary remarks about Montesquieu. There is no reference to Montesquieu in the text proper of either the English or the French edition of the *General Theory*, or in any other of Keynes's works. As it stands, Keynes's sudden conviction that Montesquieu was the greatest French economist is hardly convincing. In this essay an attempt has been made to collect some of the evidence necessary for us to appraise the economic work of

economic historians continued to neglect it. In addition to the remarks Keynes made there about Montesquieu, he took the opportunity to defend, clarify and, to a certain extent, restate briefly his position in the light of the criticism and discussion that followed the publication of the English edition of the *General Theory* in 1936.

[2]See below on Money, Inflation, and Interest.

Montesquieu.[3] I hope to vindicate the introduction of Montesquieu as an economist to the Anglo-Saxon world and to put Keynes's extraordinary contentions into proper perspective.

We explore the writings of a man who some two hundred years ago, and well before Adam Smith, conceived intelligently the "wealth of nations", offering a shrewd analysis of agriculture, industry, saving, enterprise, money, inflation, interest, international trade, and population. It will be seen that Montesquieu's was an erudite endeavour showing beyond any doubt the author's clear understanding of the so-called "economic problem" confronting man as a specific problem and one quite important in its own right. Naturally, the factors considered here do not include all

[3]The following six French works, listed in chronological order, are the only studies that we have of Montesquieu's significance as an economist: Pascal Duprat, "Les Idées Economiques de Montesquieu," *Journal des économistes*, 1870; Joseph Oczapowski, "Montesquieu économiste," *Revue d'économie politique*, 1891, p. 1039; Charles Jaubert, *Montesquieu économiste* (Paris, 1901); Tournyol du Clos. "Les Idées Financières de Montesquieu," *Revue de science et de la législation financière*, 1912; C. de la Taille-Lolainville, *Les Idées économiques et financières de Montesquieu* (Paris, 1940); and Alain Cotta, "Le Développement Economique dans la Pensée de Montesquieu", *Revue d'histoire économique et sociale*, numéro 4, 1957. F.T.H. Fletcher's *Montesquieu and English Politics*, 1750 - 1800 (London, 1939) includes a passing glance at Montesquieu's economic thought but generally it misses the essential parts of our author's system. I have found the above works very useful, although the present study explores a new aspect of Montesquieu's contribution to economics.

those that can be found in Montesquieu's own account, but they are both indispensable and sufficient to provide us with an adequate portrayal of Montesquieu's basic economic message. A summary of the author's celebrated views on the ideology that should govern efforts to promote economic welfare in the long run occupies us briefly toward the end of the study. Space limitations prevent me from considering here Montesquieu's ingenious treatment of banking and credit, taxation, the budget, property, and value. These topics provide ample material for a further study which, together with a detailed analysis of Montesquieu's views on the relation between compulsion and economic progress, would almost certainly throw more fresh light on the period of transition from Mercantilism to Physiocracy.

At the outset, it should be pointed out that modern economic terminology is dispensed with whenever possible in order to avoid making Montesquieu appear awkwardly up-to-date. The reader is cautioned further not to expect Montesquieu's discussion of economic variables to be exhaustive. Montesquieu was not an economist *per se*, and his reflections on economic problems, though penetrating, were often a collection of fortuitous explanations and observations regarding the wealth of nations in practice. Montesquieu was intrigued by what determines the

wealth of nations in his prime capacity as a political and social theorist who devoted his life to the study of social change.

Next, I must sound another warning lest the impression be left that this interpretation of Montesquieu reads too much into the chosen quotations. It may be objected that some of my analytical conclusions are derived from purely descriptive passages. This apparently unsound practice is adopted to match Montesquieu's cherished literary method of introducing good economic argument in the descriptive parts of his favourite works. Montesquieu's constant references to the world around him are as much an integral part of the body of theory inherent in his works as are the strictly abstract aspects of his thought. It is a method which underlies Montesquieu's pioneering analysis of what we have been accustomed to refer to as the *politico-socio-economic reality*, a life-time's work and a monumental achievement where the unity of theory and practice has been worked out in a masterly manner.

Finally, it should be noted that certain of my conclusions are more of an attempt to catch the mood and direction of Montesquieu's writing than direct derivations from the specific passages quoted. This is not only a fair practice but also one rendered necessary by Montesquieu's tendency to develop some of his important ideas

cryptically and over hundreds of pages. We must always remember the author's words. "Je demande une grâce que je crains qu'on ne m'accorde pas: c'est de ne pas juger, par la lecture d' un moment, d'un travail de vingt années; d'approuver ou de condamner le livre entier, et non pas quelques phrases. Si l'on veut chercher le dessein de l'auteur, on ne le peut bien découvrir que dans le dessein de l'ouvrage."[4]

II. AGRICULTURE

Beginning with agriculture is particularly convenient because this allows us to appreciate at the very outset the significance of Keyne's's contention that Montesquieu towers above the Physiocrats. Montesquieu's approach to the role of agriculture is well epitomized by the statements that "la culture des terres est le plus grand travail des hommes,"[5] and that "les richesses consist-

[4] *De l'Esprit des lois*, Preface, p. 229. All quotations from Montesquieu are taken from *Montesquieu: Oeuvres complètes* (Paris: Bibliothèque de la Pléiade, NRF, 1949 - 51, 2 vols.). Abbreviations are used throughout the paper as follows: *LP* for *Lettres persanes*; *EL* for *De l'Esprit des lois*; *DDEL* for *Dossier l'esprit des lois*; *CGR* for *Considérations sur les causes de la grandeur des Romains et de leur decadence*; *DCGR* for *Dossier des considérations sur la grandeur des Romains*; *MDE* for *Mémoire sur les dettes de l'Etat*; *Voyages* for *Mes Voyages*; and *Pensées* for Mes *Pensées*. Numbers accompanying the latter are not page numbers but Montesquieu's own numbering of *Pensées*. The titles of Montesquieu's other works are not abbreviated.

[5] *EL*, XIV, chap. 6. It should be of some interest to the student

ent en fonds de terre ou en effets mobiliers. . . tels que sont l'argent, les billets, lettres de change ou actions sur les compagnies, et toutes les marchandises."[6] First we present a summary of Montesquieu's *schema*, and proceed next to examine it in greater detail.

The author's greatest accomplishment, perhaps, lay in his ability to have defined accurately the economic role of agriculture even before the emergence of the monistic approach of the Physiocrats. In Montesquieu, as with the Physiocrats later, the peasant is introduced as the primary producer on whose skill and hard work a society's whole economy rests. In both cases, the existence of arable land and the possibility of exploiting intelligently agricultural resources are the key to economic welfare. Montesquieu, however, was not inclined to isolate agricultural activity and call it the "prima donna" of all economic behaviour. He paid due tribute to the eco-

of doctrine to note that, whilst the *Economistes* or Physiocrats hardly caught the spirit of Montesquieu's message, Dupont de Nemours, prominent among them, was writing: "L'époque de l' ébranlement général qui a déterminé les esprits à s'appliquer à l'étude de l'économie politique remonte jusqu'à M. de Montesquieu. Ce furent les éclairs de son génie qui montrèrent à notre nation, encore si frivole, que l'étude de l'intérêt des hommes en société pouvait être préférable aux recherches d'une metaphysique abstraite, et même plus constamment agréable que la lecture des petits romans." Notice abrégée, Préambule, *Oeuvres de Quesnay*, edited by Auguste Oncken (Frankfurt, 1888), 145 - 6.

[6] *Pensées:* 1976.

nomic contribution of agriculture, but nowhere did he link economic welfare, or net productivity, with that sector alone. The pivotal role of agriculture is appreciated in full, yet in association with a comprehensive account of what he felt were the two other basic sources of wealth: industry and commerce. For Montesquieu agriculture, industry, and commerce are all equally significant fountains of wealth. Agriculture is "different" only in that it has been called upon to supply the necessary initial economic impetus (surplus of consumer goods) ultimately responsible for the flourishing of industry and commerce. Nowhere in Montesquieu is it evident that productive activity is monopolized by the agricultural sector—an exception, of course, having been made in the case of the so-called "primitive state." Montesquieu was perhaps the first man to have had an acceptable notion of the *produit net*, insisting that such a product might be generated equally well, if not better, in the operation of the non-agricultural sectors of the economy. Indeed, so striking is Montesquieu's clair-voyance and common sense in this connection that one can hardly refuse to partake of Keynes's uninhibited enthusiasm for the great eighteenth century philosopher. One might even suggest in retrospect that the subsequent successful emergence of the Physiocrats can be best understood as an ephemeral *succès de sa-*

lon, certainly too superficial to reflect Montesquieu's message that in the long run economic welfare is the net result of industrial and commercial hard work, skill, inventiveness, ingenuity, and imagination. But let us have now a closer look at what has been summarized above.

Montesquieu distinguished between goods essential to life, and goods which are not indispensable in that sense. The former are what one might include as "nécessités physiologiques de l'être," the latter to be assumed as non-essential to the conservation of life.[7] Presumably, then, man has vital needs to be contrasted with his other non-essential (secondary) needs, which do not contribute equally dramatically to the preservation of human life. Montesquieu was inclined to think, therefore, that the satisfaction of man's vital needs, mainly the responsibility of agriculture, is the basic purpose of the economic system. The economy was regarded as a system involving the production, distribution, and consumption of a whole spectrum of goods and services subject to the above fundamental distinction; and agriculture emerged naturally as a particularly significant component part of the general economic effort.[8] Agriculture produces "essentialities", and is featured prominently in Montesquieu's view

[7] *EL*, VII, chaps. 2, 4, 6; VIII, chaps. 16, 17, 21; *LP*, 288 - 90.
[8] *Pensées*: 311, 366, 367, 1883, 1973, 1976, 1977.

of the crux of economic pragmatism. In this sense alone is it submitted in Montesquieu that agriculture is the basic source of wealth.

We come next to what the author had in mind when he thought of agriculture as the "original" source of wealth. In Montesquieu there is no allegation of any *inherent* or permanent superiority distinguishing the agricultural sector's contribution to economic welfare or net productivity. The considerable similarity we have observed so far between Montesquieu's views and those developed subsequently by the Physiocrats ends here. The real difference begins to settle in when we recognize that the supremacy of agriculture in Montesquieu is only a relative or historical one. *Qua* supremacy, it occurs temporarily and at a certain point in time, at a particular stage in the progress of a country's economy. Agriculture was certainly not idolized. Instead, Montesquieu emphasized repeatedly the pivotal role that sector can play in promoting economic welfare while in intimate association with the other wealth-generating sectors of the economy. The importance of the latter is evident in Montesquieu's conviction that a country which remains indefinitely strictly agricultural must also remain at a very low level of civilization. It is said that such countries are doomed to experience indefinitely a primitive level of economic welfare, incapable of develop-

ing the kind of economic substructure which, we see later in the paper, stems from inventiveness, ingenuity and imagination—basic properties held responsible by Montesquieu for long-term progress.[9] Montesquieu argued that where essential needs are satisfied the "supremacy" of agriculture ends, making it imperative to introduce industrial and commercial activity. It is said that once a community is beyond its primitive stage of existence (enjoying an agricultural production capable of satisfying primary needs *and* leaving a surplus) it is mandatory that industry and commerce assume the protagonist's role in increasing the net product of the society. Montesquieu identified, in effect, economic progress with the appreciation rate of the preliminary agricultural saving brought about by way of wide-spread non-agricultural activity. He felt that the process would generate increasingly more diversified entrepreneurial activity, expected, in turn, to benefit economic welfare both by intensifying the stream of saving (and, consequently, investment expenditure) and by leading to the establishment of a complex network of economic markets and exchange. Industry and commerce are a dominating feature in the author's economic *schema*.[10] Certainly productive, they are "se-

[9] *Pensées*: 1973; *EL*, 496 - 7; *Encouragement aux sciences*, 53 - 7.
[10] *EL*, XXI, chap. 14; *Pensées*: 1883, 1976.

condary", and agriculture "primary" or "original", only in the sense that their establishment and growth, discussed below, are immediately dependent upon the successful operation of the agricultural sector. Perhaps this was not a particularly surprising attitude for a person who divided most of his life between living in Bordeaux and roaming the rest of the world—when not reading, thinking, or writing. Whatever the origin of this enthusiasm, however, such was the significance that Montesquieu attached to "les arts et le commerce" that in a famous work, *Considérations sur les causes de la grandeur des Romains et de leur décadence*, we are presented with the observation that Rome became ultimately "une ville sans commerce et sans arts [i.e., industry]" as a sufficient and conclusive explanation of its downfall. Similarly, Montesquieu wrote of the Spanish people that "si d'un côté, la vertu perd les Espagnols, l'honneur, qui les fait rougir du *commerce* et de l'*industrie*, ne les perd pas moins."[11]

With a distinction between primary-need- and secondary-need-satisfying goods and services having been established, we proceed to outline Montesquieu's doctrine that desirable proportions must prevail both in the supply of these two general types of goods, and in the numbers of people employed in the production of each. Montesquieu

[11] *Pensées*: 1995.

believed, to begin with, that the long-term prosperity of a state depends on the production of secondary goods. He wrote that a state producing only what is necessary for the subsistence of its inhabitants would invariably dwell at low, primitive, levels of economic welfare, and, consequently, civilization.[12] With the emergence of an agricultural surplus, therefore, Montesquieu suggests that a certain proportion of the population engage in the production of non-agricultural goods, on the assumption that the ensuing development of industry and exchange would lead to fast-increasing economic welfare and human excellence.[13] At this point, however, he explained that the right proportion of people would have to be employed in the two differing branches of production if prolonged crises were to be avoided. It was suggested that if an *excessive* number applied themselves to the production of non-agricultural goods a class of people would emerge and live at the immediate expense of the agricultural class—preventing, at the same time, the smooth, and otherwise increasing, flow of production, distribution, exchange, and consumption of wealth.[14] Montesquieu was not concerned with the possibility of too small a number of people engag-

[12]*LP*, 287 - 90; *Pensées*: 366.
[13]*EL*, XXIII, chap. 15; *Pensées*: 366, 1973.
[14]*EL*, VII, chap. 6; *Pensées*: 311, 670; *EL*, XXIII, chap. 15.

ing in the production of secondary products because he was interested in practical problems and felt he could see around him mainly cases of over-crowded capitals; or, in fact, centres of industrial production "regorgeant", as he puts it, "d'habitants inutiles".[15] He was convinced that too great a number of people employed in the production of non-agricultural goods was usually the case; suggested that they were normally bringing forth an excess (non-digestible) supply of these goods; and concluded that whenever that happened commercial, industrial, and liberal professions experienced crises in complete accordance with the rate that the said professions became unduly abundant. Montesquieu warned, in conclusion, that these crises would last until the necessary proportions were established,[16] and called for a desirable proportion to prevail between the numbers of people engaged in the production of his two basically different types of goods and services—with an equivalent equilibrium in existence between the actual amounts of these goods produced. In a practical example of too fast a rate of urbanization the author summed up the situation as follows: "La plus déplorable situation est lorsque la capitale, qui attire tout le mond des provinces, se détruit de son côté.

[15] *DDEL*, 1074.
[16] *Pensées*: 311, 367; *EL*, XXV, chap. 15.

Constantinople est dans ce cas. . . Souvent des Etats qui paraissent très florissants se sont trouvés très faibles: les hommes y étaient mal distribués; et, pendant que les villes y regorgeaient d'habitants inutiles, la campagne manquait de ceux qui sont nécessaires. *Effet malheureux, que la prospérité même produit!*"[17]

We conclude this section with some of Montesquieu's observations regarding agriculture in its own light, as it were, and not in its relation to the rest of the economy.

Impressed by the strategic position of the agricultural sector, Montesquieu thought about, wrote on, and even went to parliament to present the case for agriculture in an attempt to convince everyone of its beneficence to economic welfare. In his *Mémoire contre l'arrêt du Conseil* he was full of good advice with regard to the proper cultivation of vines, and later intensified and generalized his concern over agriculture. Discussing *la nature du terrain* he distinguished three kinds of nations. He called them "pays de blé", "pays de vignobles", and "pays de pâturages," well aware that land is a heterogeneous factor of production. The realization that sharp differentials exist in the productivity of different types of land led him to feel clearly more optimistic about improvements in the economic welfare of certain coun-

[17] *DDEL*, 1074; my italics.

tries. He was least optimistic about productivity in the "pays de blé"; considerably more optimistic about the "pays de vignobles," and classified "les pays de pâturages" as the most likely ones to enjoy the highest productivity in agriculture.[18]

Montesquieu also expressed concern over "le morcellement des terrains," or the pattern of exploitation of the agricultural sector.[19] He felt that extreme land fragmentation, having each individual cultivate "son petit bout de champ," as it were, could cause an undesirable increase in the number of inhabitants of a given area, and thereby hamper economic welfare. In general, programs of land fragmentation were looked upon with little favour excepting cases where agriculture was "naturally" limited. Montesquieu thought that in countries where agriculture had been long neglected, and the soil allowed to deteriorate, or in countries where agriculture was inherently poor, programs of land fragmentation and redistribution could prove useful. Such programs though did not strike the author as particularly necessary for his time, because, as he put it, "dans nos Etats d'aujourd'hui, les fonds de terres sont inégalement distribuées; mais produisent plus de fruits que ceux qui les cultivent n'en peuvent consommer."[20] The existence of a surplus in agricul-

[18] *Ibid.*, 1075.
[19] *Ibid.*, 1002.
[20] *EL*, 692.

ture was what interested him mainly, agriculture was apparently making available then the relevant "produit net" and basic reforms were presumably unnecessary.

We complete this section with the reminder that in Montesquieu the existence of a surplus in agriculture is an essential, not a sufficient, condition to guarantee the economic welfare of a country in the long run. A favourable agricultural production holds forth only the opportunity to achieve prosperity. It remains necessary to exploit this opportunity intelligently—that is, largely by economic and non-agricultural, but also by non-economic, ways and means.[21]

III. Industry, Enterprise, and Saving

Montesquieu based long-term economic welfare almost exclusively on industry and commerce. He felt that "dans le fond" industry and commerce are the basic long-term wealth-generating forces on the implicit assumption that average productivity is ultimately greater there than in agricultural activity. "Dans le fond, la source de vos richesses sont le commerce et l'industrie, et ces sources sont de telle nature qui celui qui y puise ne peut s'enrichir sans en enrichir beau-

[21]See Conclusion.

coup d'autres".[22] On the basis of this observation, Montesquieu proceeded to indicate that non-agricultural activity, and the consequent development of markets, depend on natural resources, human inventiveness, imagination, entrepreneurship, and a fast circulation of wealth resulting from a certain (required) level of total expenditure on the part of the dominant classes.

But let us begin again with a summary of the author's general argument, and examine it in greater detail as we proceed with this and the next section. In his general economic analysis[23] Montesquieu appears aware of the extent to which economic welfare is governed by the level of expenditure in the long run. He suggested that economic welfare depends on the expenditure behaviour of the dominant economic groups in society, with the implication that progress is not compatible with the practice of *thésaurisation.* The notion probably marks the birth of the belief that there must correspond to the sum-total of consumer goods, out of which springs the first form of real savings, a certain level of *expenditure* presumably re-

[22]Anticipating the multiplier in *Pensées:* "A Monsieur Domville", 1883.

[23]Mainly in *EL,* XX - XXII; *Pensées*: 231, 295, 300, 311, 336, 337, 339, 344 - 8, 355, 662, 670, 691, 709, 1773, 1884, 1952, 1966 - 2034; *MDE,* 66 - 71; *Préparation de l'esprit des lois,* 9 - 38; *CGR,* I, III, IV, X, XIV - XVII, XXI, XXIII; *LP,* 329 - 31, 338 - 9, 348 - 53, 360 - 2.

sponsible for the prevailing level of production and complementary to the natural resources in existence. The reconciliation of the commodity and monetary aspects of running an economy is complete. Montesquieu's preoccupation with the variable "expenditure," however, in no way induced him to overlook the contribution of "parsimony" to economic welfare. Parsimony, we see below, is analysed with considerable care and found particularly favourable to economic welfare where the resulting savings involved an equivalent rate of productive investment. The latter responsibility was assigned to human inventiveness and enterprise, *les gens d'industrie*, in a manner making it clear that the author turned to the expenditure pattern characterizing an economy for an explanation of the appreciation rate of the initial *produit net* brought forth through the productive operation of the agricultural sector. We elaborate in this, and the next, section.

Montesquieu did not neglect to stress at the outset the "real" origin of industry—that is, the existence of mineral resources.[24] The pattern of exploitation of natural resources, however, was found equally crucial, and the origin of industry was explained also in terms of the imagination, ingenuity, inventiveness, and enterprise of the peo-

[24] *EL*, 599.

ple.[25] The latter can be seen (below) in what the author felt was the manner that complementary economic activity mushroomed once the opportunity of industrialization appeared following the creation of the necessary surplus in agriculture.

In a detailed tract, "Mémoire sur les Mines", Montesquieu was very articulate on the necessity of exploiting natural resources in a rational (restrained) manner. Suffice it here to note his warning that "on tirerait plus de profit de cette montagne, si l'on y travaillait avec discrétion";[26] and that, in examples taken from his travels, the author exposed the economic disadvantages ensuing from the careless exploitation of (mineral) resources or from physical disasters and other similar calamities.[27] Montesquieu's account of the actual pattern in which complementary economic activities grow around an emerging industrial centre began with a series of penetrating observations on the manner in which each such centre attracts to itself the neighbouring population, employed previously in agriculture. It was a vivid account and contributed heavily to the substantial resistance which emerged later in France against the many undesirable social consequences accompanying programs of industrialization. Where cruelty,

[25] *Encouragement aux sciences*, 53 - 7.
[26] *Voyages*, 901.
[27] *Ibid.*, 907.

pain, or injustice were involved Montesquieu's critical observations came forth in abundance. A sample passage follows, in which Montesquieu describes with characteristic irony a typical, but deep-cutting, social drama born with the rise of industry. "Les enfants des mineurs commencent à travailler dès l'âge de neuf, dix à douze ans à des ouvrages assez pénibles; comme, par exemple, à séparer le minerai."[28] However, neither the above nor any of his other similar observations prevented Montesquieu from appreciating the importance of industrial mechanization which was already beginning during his time to replace in considerable degree human labour. Indeed, in *De l'Esprit des lois* industrialization received a warm welcome. "On peut, par la commodité des machines que l'art invente ou applique, suppléer au travail forcé qu'ailleurs on fait faire aux esclaves. Les mines des Turcs, dans le banat de Témeswar, étaient plus riches que celles de Hongrie, et elles ne produisaient pas tant, parce qu'ils n'*imaginaient jamais que les bras de leurs esclaves.*"[29] Montesquieu argued convicingly in favour of scientific research, and called for continuous study—his eye always fixed on the abundance of benefits that society would be deriving from scientific advancement properly incorporated in the industrial ferment of a grow-

[28] *Ibid.*, 898 - 9.
[29] *EL*, 497; my italics.

ing economy. In his words, "Un. . . motif qui doit nous encourager à nous appliquer à l'étude c'est l'utilité que peut en tirer la société dont nous faisons partie; nous pourrons joindre à tant de commodités que nous avons, bien des commodités que nous n'avons pas encore. Le commerce,. . . la médecine, la physique, ont reçu mille avantages des travaux de ceux qui nous ont précédés: n'est-ce pas un beau dessein que de travailler à laisser après nous les hommes plus heureux que nous ne l'avons été?"[30]

Rationalizing the process of urbanization, involved in almost all efforts of industrialization, Montesquieu's thought again was practical and very much on the right track. "Quelques gens ont pensé qu'en assemblant tant de peuple dans une capitale, on diminuait le commerce, parce que les hommes ne sont plus à certaine distance les uns des autres. Je ne le crois pas; on a plus de désires, plus de besoins, plus de fantaisies, quand on est ensemble."[31] Montesquieu did not commit the error, however, of assuming that the process of industrialization and urbanization was accompanied automatically by scientific discoveries or by technological change, the latter being introduced and applied in the absence of further (economic) inventiveness, effort, and sacrifice. The role of *les gens*

[30] *Encouragement aux sciences*, 56.
[31] *EL*, 334.

d'industrie, or entrepreneurs, is central. This is evident throughout the works of Montesquieu. He thought of entrepreneurs as those men who besides discovering, or appreciating, new technological and social ideas also have the energy, the courage, and the determination to submit themselves to the many sizeable inconveniences required in order that such ideas be put into action. The institution of entrepreneurship is charged with the responsibility of practically "holding together" the economic system. Time and again does the author account for the backwardness of nations in terms of their tendency to alienate *les gens d'industrie*. For example, in his brilliant discussion of the totalitarian regime of the Ottoman empire, Montesquieu attributed overtly the latter's economic disintegration to the adverse effect of the system on entrepreneurial, and general economic, activity.

J'ai vu avec étonnement la faiblesse de l'empire des Osmanlins [i.e., Turks]. Ce corps malade ne se soutient pas par un régime doux et tempéré, mais par des remèdes violents, qui l'épuisent et le minent sans cesse . . . Les places sont démantelées; les villes, désertes; les campagnes, désolées; la culture des terres et le commerce, entièrement abandonnée . . . La propriété des terres est incertaine, et, par conséquent, l'ardeur de les faire valoir, ralentie: il n'y a ni titre ni possession qui vaille contre le caprice de ceux qui gouvernent. . . . *Ces barbares ont tellement abandonné les arts* . . . Pendant que les

nations d'Europe se raffinent tous les jours, ils restent dans leur ancienne ignorance, et ils ne s'avisent de prendre leurs nouvelles inventions qu'après qu'elles s'en sont servies mille fois contre eux. . . . *Incapables de faire le commerce*, ils souffrent presque avec peine que les Européens, *toujours laborieur et entreprenants*, viennent le faire: ils croient faire grâce à ces étrangers de permettre qu'ils les enrichissent.[32]

Montesquieu was so convinced that in the absence of free entrepreneurial activity economic welfare comes very near to being impossible that he came to put greater emphasis on enterpreneurial activity than on saving *per se*. He also made clear, however, that the process of increasing economic welfare requires the willingness to *forego* part of potential present consumption and enjoyment in order to accumulate more skills, machinery, or equipment. Montesquieu had no difficulty in recognizing that entrepreneurship can fuction only where a desirable stream of savings is maintained. "... les bonnes démocraties, en établissant la frugalité domestique, ont-elles ouvert la porte aux dépenses publiques . . . Pour lors la magnificence et la profusion naissaient du fonds de la frugalité même: et, comme la religion demande qu'on ait les mains pures pour faire des offrandes aux dieux, les lois voulaient des mœurs frugales pour que l'on pût donner à sa patrie."[33]

[32] *LP*, 159 - 60; my italics.
[33] *EL*, 275.

In short, Montesquieu found saving essential. Yet more important still, he felt that *saving must be successful.* He believed that in a civilized community, one aspiring to progressively higher levels of economic welfare, savings must not be allowed to run to waste but rather be invested productively. The responsibility in question was assigned to the protagonist of non-agricultural activity: the entrepreneur.

IV. Money, Inflation, and Interest

We complete here the general argument summarized in the beginning of the preceding section. We present a synopsis of Montesquieu's appreciation of the nature and role of money, and proceed with a résumé of his views on the relationship between a rising price level and economic welfare. We conclude with an appraisal of the author's observations on the determination and purpose of the interest rate.

Montesquieu offered an excellent account of money as a unit of account, a medium of exchange, and a standard or store of value.[34] He explained that "la monnaie est un signe qui représente la valeur de toutes les marchandises"; and added, with a touch of nominalism, that "de même que l'argent est le signe d'une chose et la représente,

[34] *Ibid.*, XXII.

chaque chose est un signe de l'argent et le représente.[35]" Recalling his statement that "c'est une mauvaise espèce de richesse qu'un tribut d'accident et qui ne dépend pas de l'industrie de la nation, du nombre de ses habitants, ni de la culture de ses terres,"[36] we may suggest further that in this connection there is no trace of mercantilism in Montesquieu. Money or gold is not seen as wealth. So convined was the author that specie *per se* has no real value that he wrote of Spain, using a colourful parable, as though it resembled the foolish king who desired everything he touched might turn into gold and who, before long, was begging of the gods to put an end to his misery![37]

Montesquieu missed no opportunity to state that a nation ought to be amassing wealth in terms of a multiplication of its real goods and services rather than concentrating its efforts on the accumulation of precious metals. We are told time and again in *De l'Esprit des lois* that specie is only *representative* of wealth —paper being the "sign" of the value of specie. On the other hand, Montesquieu was aware that money could be legitimately desired for its own sake. He felt that liquidity was an obvious characteristic in a money economy, and regarded, in fact, the ability to hold "ready

[35] *Ibid.*, 651.
[36] *Ibid.*, 648.
[37] *Ibid.*, 647.

wealth" as a service people would, within certain limits, not forego willingly even in the face of appreciable rises in the price level. He denounced avarice, however, having first distinguished *une avarice stupide* from the demand for money for the purpose of enjoying liquidity, on the assumption that *thésaurisation* is rarely, if ever, advantageous to economic welfare.[38] Montesquieu was opposed to hoarding for nearly the same reasons that Keynes advocated, some two hundred years later, a high level of money expenditure. He lacked, of course, the vision of a stable under-employment equilibrium, but argued convincigly in favour of a strong stream of expenditure to maintain and promote economic welfare. He wrote with enthusiasm that "easy money", and a consequently rising price level, in a country endowed with the necessary natural resources, could serve well economic progress. "Et l'argent se trouvant plus abondant dans ces Etats que dans les Etats voisins, les denrées du pays y étaient plus chères, le travail plus payé, l'industrie plus encouragée, les voisins plus excités à y venir habiter, plus de facilité pour satisfaire les besoins de l'Etat et ceux des particuliers."[39] By means of its effect on the rate of interest plentiful money could be conducive to increases in the flow of private and publc ex-

[38] *DCGR*, 211.
[39] *Préparation de l'esprit des lois*, 16.

penditure — the forces, in turn, underlying the appreciation of the agricultural surplus. The prosperity of certain nations of his time, apparently enhanced by the easy availability of credit, probably inspired Montesquieu with the idea that "le réveil de commerce et de l'industrie" is often the happy consequence of monetary abundance. Ha was rarely alarmed by the tendency of prices to rise, and summed up a typical inflationary price rise as follows. "Qu'importait-il donc qu'ils [l'or et l'argent] devinssent plus communs, et que, pour marquer la valeur d'une denrée, nous eussions deux ou trois signes au lieu d'un? Cela n'en était que plus incommode."[40]

At the same time that Montesquieu sympathized with the impact of a mildly rising price level, he pointed out the possibility that very plentiful money might be unwarranted. Money was certainly not said to be desired for its own sake; and, in fact, beyond some limit, a growing money supply was seen to result in undesirable increases in the price level: increases scarcely capable of generating the requisite intensification in the flow of real goods and services.[41] Accordingly, it was inflations of the Spanish variety that Montesquieu really feared. They were much more than merely *incommode*. He was shocked by the impo-

[40] *LP*, 286.

[41] *Préparation de l'esprit des lois*, 17.

verishment of Spain that followed the massive importation of gold to it from the New World, one of the main causes of the severe inflation suffered later by that country. Such was the nature of the Spanish inflation, Montesquieu observed disapprovingly, that Spain came to the point where it preferred *des richesses de signe* rather than *des richesses réelles*. Two excellent passages illustrate his views on this matter. "Il n'y a personne [presumably excepting the King of Spain] qui ne sâche que l'or et l'argent ne sont qu'une richesse de fiction ou de signe . . . il arrive que plus ils se multiplient plus ils perdent de leur prix parce qu'ils représentent moins de choses. Le malheur des Espagnoles fut que par la conquête du Mexique et de Pérou, ils abandonnèrent les richesses naturelles pour avoir des richesses de signe qui s'avillissaient par elles-mêmes."[42] But Montesquieu made his main point best in the eloquent passage that concluded his "Considérations sur les richesses de l'Espagne".

Je ne saurais assez répéter qu'on a une idée très fausse du pouvoir de l'or et de l'argent à qui l'on attribue—malgré que l'on en ait—une vertu réelle; cette manière de penser vient principalement de ce que l'on croit que les Etats les plus puissants ont beacoup d'or et d' argent; mais la raison on est que leur bonne police, la bonté et la culture de leurs terres l'y attire nécessairement, et l'on fait de ces métaux une cause de la puis-

[42] *Réflexions sur la monarchie universelle*, 31.

sance de ces Etats quoiqu'ils n'en soient que le signe . . . Laissons une autre nation aller au loin renverser des montagnes affreuses; laissons-lui ce travail d'esclave; qu'elle sacrifie la vie et la santé d'une grande partie de ses sujets et qu'elle se console par le mépris qu'elle en fait . . . *Pour nous, nous jouissons de notre terre et de notre soleil; nos richesses seront plus solides, parce qu'une abondance toujours nouvelle viendra pour des besoins toujours nouveaux.*[43]

We conclude this section with some of Montesquieu's observations on the rate of interest which so delighted Keynes — a delight most evident in the French Preface. Keynes stated plainly in that document that his theory of interest "is a return to the doctrines of Montesquieu", in that the new theory demonstrated that the role of the interest rate is to keep in equilibrium the demand and supply of *money*. Keynes's suggestion really was that the basic contribution of the rate of interest is to render compatible the demand for liquidity and the various means available for satisfying that demand — an elaboration of an approximately two-hundred-year-old truth. But let the ensuing passage from the Preface best illustrate the matter.

Another feature, specially characteristic of this book, is the theory of the rate of interest. In recent times it has been held by many economists that the rate of current savings determined the supply of free capital, that the rate of current investment governed the demand

[43] *Préparation de l'esprit des lois*, 17 - 18; my italics.

for it, and that the rate of interest was, so to speak, the equilibrating price-factor determined by the point of intersection of the supply curve of savings and the demand curve of investment. But if aggregate saving is necessarily and in all circumstances exactly equal to aggregate investment, it is evident that this explanation collapses. We have to search elsewhere for the solution. I find it in the idea that it is the function of the rate of interest to preserve equilibrium, not between the demand and the supply of new capital goods, but between the demand and the supply of money, that is to say between the demand for *liquidity* and the means of satisfying this demand. I am here returning to the doctrine of the older, pre-nineteenth century economists. Montesquieu, for example, saw this truth with considerable clarity . . . Perhaps I can best express to French readers what I claim for this book by saying that in the theory of production it is a final break-away from the doctrines of J. B. Say and that in the theory of interest it is a return to the doctrines of Montesquieu.

Keynes's melancholy wish that every economist enjoyed common sense comparable to Montesquieu's stemmed mainly from his admiration of Book XXII, Chapter XIX, of *De l'Esprit des lois*, cited in the Preface as a sample of Montesquieu's strikingly clairvoyant reflections on economic questions. Basically, this was because the six brief passages of that chapter make it clear that it is the demand and supply of money which between them determine the rate of interest. But the chapter is important also for certain other insights deve-

loped there. The author suggests, for example, that the state should not tinker with the prevailing level of interest as the latter is postulated to be a rate best determined by the free (natural) play of real economic forces. Montesquieu was a passionate supporter of the doctrine of laissez-faire, yet his general politico-socio-economic philosophy, where *moderation* is held as the greatest vitrue [see next section and Conclusion], caused his all-embracing "hands-off" policies to be far from adamant or unconditional. For instance, Montesquieu was not inclined to object to the fixation of a legal ceiling beyond which the rate of interest should not be allowed to rise. This was partly a concession to ecclesiastical pressure, yet more a concrete expression of the resentment the author felt for the exploitation of the average borrower in the hands of the mostly usurious lenders of his times. Montesquieu was convinced that unless the rate of interest were induced to fluctuate within reasonable limits (unless, in effect, it were a moderate rate) economic progress and welfare would certainly be hampered as neither entrepreneur nor lender would find it worthwhile to borrow and lend, respectively, in appreciable amounts and at a rapid enough pace. A strong exception was made in the case of maritime rates. The author *advocated* a much higher rate for this sector both on the grounds that maritime commerce was of an inhe-

rently hazardous nature and because the average borrower there normally realized large profits.

A few interesting questions emerge at this point regarding Keynes's unique admiration for Montesquieu. Was, perhaps, one wonders, Keynes's sudden apotheosis of Montesquieu a confirmation of the eminent theorist's reputation of a "hit-or-miss" tactician in the history of doctrine? Or, even if Keynes were aware of the over-all competence of Montesquieu as an economist, and if Montesquieu appeared to him as no less than the greatest French economist with a liquidity-preference theory of interest in mind, was it not inexcusable that he should have ignored Montesquieu both in the English edition of the *General Theory* and in all of his other works? Lord Robbins, I am happy to state, has provided me with a possible answer which Sir Dennis Robertson and Professors R.F. Kahn and Sraffa have also welcomed. They have all suggested that during the latter part of his life Keynes began to collect original editions of works of interest to him, and that among these there could have been works of Montesquieu. I examined the personal library of Keynes in King's College, Cambridge, and have found this to be true. Indeed, Keynes's impressive collection of books by (and some on) Montesquieu, all in original editions, indicates that one can reasonably assume that Keynes had a keen interest in Mon-

tesquieu. It is possible to believe, therefore, as Lord Robbins suggests, that there are no references to Montesquieu, excepting those in the French Preface, because Keynes probably bought and read Montesquieu late in his life and only in time to reveal (in passing) his admiration in the French Preface—one of his last works. Lord Robbins' solution is made all the more tempting as Professor Kahn tells me that it can be shown from Keynes's book bills (which, however, are not complete) that his purchases of Montesquieu 's works were on the whole made between 1933 and 1937, inclusive. Presumably, then, Keynes's real interest in Montesquieu began in 1933, developed and intensified until 1937, at which time, well after the publication of the *General Theory* and certainly late in his life, Keynes became fully aware of Montesquieu's significance as an economist and was prepared to acknowledge the brilliant eighteenth-century philosopher as the greatest French economist.

Finally, I must report that I have found it pertinent to ask these four distinguished friends of Keynes whether they recall Keynes having ever mentioned to them his resolution that Montesquieu was the greatest French economist. Their answer, unfortunately, was not affirmative; and one is left wondering just how Keynes could think of something so unusual and not even mention it

to the closest of his friends and associates—in particular if he really thought the point to have been as worthwhile as he made it appear in the French Preface.

V. International Trade

Montesquieu opened his discussion of international trade, *commerce*, with an appropriate comment. "Je voudrais," he remarked, "couler sur une rivière tranquille; je suis entraîné par un torrent".[44] Two torrential books followed, Books XX and XXI of *De l'Esprit des lois*. Together with "Commerce des Etats d'Europe," *Pensées*: 1981 - 2010, they offer a long, erudite, penetrating analysis of the basic economo-cultural problems associated with international trade. It is difficult to do justice here to these two works, and, hoping that the reader will have occasion to study the original account, we confine ourselves to a presentation of their salient features. Our concern in this section is Montesquieu's defence of free trade. We begin with a glance at some of the author's views on domestic free commerce as his analysis of international trade was partly a projection of observations on domestic commerce.

Montesquieu emerged convinced from his extensive travels that commerce, like man, can flou-

[44] *EL*, 585.

rish only if free. Commerce, he wrote, traverses the earth flying from places where it is oppressed to nestle where it enjoys the liberty to breathe.[45] In Montesquieu all prohibitive measures are denounced in a dramatic effort to endow commerce with a maximum opportunity to spread and grow. Free and uninhibited commercial activity (where state intervention or prejudicially privileged individuals are anathema) is found to be governed by natural (good) laws which, it is said, man should never attempt to suspend. Tinkering with the laws of nature would seldom go without inflicting serious damage to actual and potential welfare. All privileges and monopolies were stigmatized[46] in much the same vein that state intervention was condemned—whether direct or by special grants and favouritism to individuals.[47] Montesquieu was quite certain of two things: first, that economic activity was the exclusive prerogative of individuals; and, second, that commerce could live only at liberty and without restraint. Of course, neither did the author's concept of complete freedom of commerce mean that anarchy was being fostered, nor that the role of the state was necessarily one of a disinterested onlooker. On the one hand, the individual economic

[45] *Ibid.*, 604.
[46] *Ibid.*, V, chap. 8.
[47] *Ibid.*, XX, chaps. 19 and 20.

unit was never said to enjoy the right to behave in whatever fashion it pleased. "La liberté du commerce n'est pas une faculté accordée aux négociants de faire ce qu'ils veulent; ce serait bien plutôt sa servitude. Ce qui gêne le commerçant, ne gêne pas pour cela le commerce."[48] On the other, to enforce the relevant individual behaviour was acknowledged as the primary responsibility of the state. In addition, the state was responsible for such further active support of free economic exchange as preventing formal obstacles, or administrative hindrances, to the flow of commerce,[49] and encouraging "des directions normales".[50]

Montesquieu's discussion of international commerce, a natural extension of his views on domestic commerce, was a long analysis of the basic advantages of free trade. Presented throughout on a practical basis the analysis blends theory with a critical and stimulating account of the flows of international trade prevailing in the world since the earliest times. Montesquieu began with the observation that the spirit of free trade unites nations and develops both domestically and internationally "agreeable manners": the fundamental basis of domestic economic welfare and of peaceful and productive international co-operation.[51] Along with his contention that the (indispensable)

[48] *Ibid.*, 593.
[49] *Ibid.*, XX, chap. 13.
[50] *Pensées*: 1985, 2032.
[51] *EL*, 585.

mœurs douces are a net result of free trade, Montesquieu claimed ardently that the spirit of trade produces in the minds of men what he called a certain sense of "exact justice", another basic prerequisite to long-term economic progress. "L'esprit de commerce", we are told, "produit dans les hommes un certain sentiment de justice exacte, opposé, d'un côté au brigandage, et de l'autre, à ces vertus morales qui font qu'on ne discute pas toujours ses intérêts avec rigidité, et qu'on peut les negliger pour ceux des autres."[52] In Montesquieu international trade is, in effect, an *educating* force of utmost and unprecedented importance to the welfare of all peoples—whether as individuals, as nations or as a universe. The power of international trade to popularize desirable individual behaviour is evident in the passage that follows, where trade is found crucial for developing precisely those dramatic social qualities that the modern economic development specialist usually seeks to promote in the underdeveloped parts of the world. "Il est vrai," Montesquieu observed, "que lorsque la démocratie est fondée sur le commerce, il peut fort bien arriver que des particuliers y aient de grandes richesses, et que les mœurs n'y soient pas corrompues. *C'est que l'esprit de commerce entraîne avec soi selui de frugalité, d'économie, de*

[52] *Ibid.*, 586.

modération, de travail, de sagesse, de tranquillité, d'*ordre et de règle.*" [53]

Montesquieu proceeded with a discussion of the strictly economic advantages resulting from free trade. He believed that free competition is a practical way of bringing about attractive prices and "real" economic interrelations; he warned, time and again, that there is normally no point in advocating protective policies. "La vraie maxime", he wrote, "est de n'exclure aucune nation de son commerce sans de grandes raisons,... [car] c'est la concurrence qui met un prix juste aux marchandises, et qui établit les vraies rapports entre elles".[54] The suggestion that there is normally no point in protective policies *per se* stemmed from the author's celebrated belief that "protected" countries protect themselves almost invariably at the expense of neighbouring countries and thus run the risk of self-improverishment in the midst of their neighbours' poverty. Montesquieu cited many cases in this connection (Spain most promiment among them) in an effort to expose the widespread mistake of failing to realize that free trade benefits all who engage in it.[55] He was convinced that the welfare of any one country is ultimately related to international prosperity, and literally deplored the "beggar-my-neighbour" mentality. "L'éta-

[53] *Ibid.*, 280; my italics.
[54] *Ibid.*, 591.
[55] *Pensées*: 1990.

blissement des manufactures," he pointed out, "chez des nations qui n'en avaient pas ne doit point si fort alarmer celles qui en ont. Les premières achètent peu; mais, si elles établissent des manufactures, elles seront bientôt en état de se procurer celles qu'elles ne peuvent imiter, et qui entreront d'abord dans leur besoin."[56] We see here stated with force the argument that free trade is likely to benefit everyone both by enlarging economic markets and leading to more diversified consumption goods enjoyed by more people. But the passage that follows, also typically in favour of free trade, describes more vividly, perhaps, the basic advantages of free trade.

Considérons à présent le Japon. La quantité excessive de ce qu'il peut recevoir, produit la quantité excessive de ce qu'il peut envoyer: les choses seront en équilibre comme si l'importation et l'exportation étaient modérées; et d'ailleurs cette espèce d'enflure produira à l' Etat mille avantages: il y aura plus de consommation, plus de choses sur lesquelles les arts peuvent s'exercer, plus d'hommes employés, plus de moyens d'acquérir de la puissance . . . Il est difficile qu'un pays ait des choses superflues; mais c'est la nature du commerce de rendre les choses superflues utiles, et les utiles nécessaires. L'Etat pourra donc donner les choses nécessaires à un plus grand nombre de sujets.[57]

At this point we note the author's insight that "L'Europe n'est plus une nation composée de plu-

[56] *DDEL*, 1081. [57] *EL*, 601.

sieurs, la France et l'Angleterre ont besoin de l' opulence de la Pologne et de la Moscovie, comme une de leurs Provinces a besoin des autres."[58] At a time that the Common Market endeavour in Europe has yet to shake off its anaemic complexion it is gratifying, though also ironic, to discover Montesquieu's constructive apprehension of "ce besoin des autres", coupled by a strong call for a united Europe based on the beneficence of free trade.

Finally, it can be shown that Montesquieu, aware of the basic implications of differences in the relative price structure of two countries, had a reasonably good understanding of the possible pattern of economic interdependence or international transmission of national economic conditions. He explained that "on sait que c'est une chose particulière aux Puissances fondées sur le Commerce et sur l'Industrie, que la prospérité même y met des bornes. Une grande quantité d'or et d'argent dans un Etat, faisant que tout y devient plus cher; les ouvriers se font payer leur luxe et les autres Nations peuvent donner leur marchandises à plus bas prix."[59] Montesquieu did not swallow hook, line, and sinker, however, the "specie flow mechanism" implicit in this observation mainly because of his practical approach to the

[58] *Réflexions sur ls monarchie universelle*, 34.
[59] *Ibid.*, 20.

economics of international trade and a detailed knowledge of protectionist policies so fashionable in his time. It is clear in Montesquieu that the smooth (automatic) operation of such an adjustment process is a distinct impossibility in a world where defensive discretion is certainly a virtue. Naturally, to conclude, Montesquieu's sole suggestion that protectionism may be warranted in certain circumstances came creeping in at this point. "Un pays qui envoie toujours moins de marchandises ou de denrées qu'il n'en reçoit," he observed, "se met lui-même en équilibre en s'appauvrissant: il recevra toujours moins, jusqu'à ce que, dans une pauvreté extrême, il ne reçoive plus rien."[60] Only in such extraordinary instances was Montesquieu prepared to tolerate a protectionist policy. The policy in question, it goes without saying, would have to be assumed successful in substituting domestic production for purchases of foreign goods.

We close this section with a remark very much *à propos* of international trade and characteristic of the author's often amusing method of describing brilliantly the numerous curiosities generally apparent in the pattern of human life. Happy must it be for men, Montesquieu remarked, that they may, though their passions prompt them to be deceitful and wicked, create institutions that induce

[60] *EL*, 600.

them to be humane and virtuous—and to be so to their interest, too.[61]

VI. Population

In this section we deal with Montequieu's extensive discussion of population questions. In the first half of the section we present an eclectic account of the author's cultural theory of population growth; and, inevitably, touch upon the question of whether or not population had increased between the sixteenth and mid-eighteenth centuries. Quotations to justify what we attribute to Montesquieu in this connection are omitted. Space limitations compel us to refer the reader to Professor Spengler's excellent exposition of Montesquieu's general population theory[62] where the necessary quotations can be found in abundance. In the second half of the section we deal with Monquieu's analysis of the strictly economic role of population, and the use of quotations is reintroduced as we move beyond the realm of Professor Spengler's work.

It must be pointed out at the outset that the writers of the seventeenth and eighteenth centuries theorized about population in virtually com-

[61] *Ibid.*, 641.

[62] *Joseph J.* Spengler, *French Predecessors of Malthus* (Durham, NC, 1942), 213 - 63.

plete ignorance of statistical data, as little statistical information of significance was available then.[63] What these writers had to go on was mostly unreliable local observations responsible for the conflicting views and considerable confusion which characterized demographical studies during that period. The uncertainty grew with the persistent lack of satisfactory statistical data; and still there remains considerable confusion to be cleared up. Even today, however, the modern demographer looking back at that period would face a nasty statistical disadvantage, and in much the same way perhaps that did Montesquieu along with his contemporary and later followers and critics. It is not altogether unreasonable, therefore, to conclude that not only was it proper, and necessary, that the eighteenth-century writers should have attempted to damp their disturbing statistical disadvantage by dealing with the population problem on a strictly *theoretical* basis but also that it is on the same basis that one could evaluate nowadays the significance of their various conclusions and policy recommendations.

Montesquieu's was an economo-cultural theory of population. We begin with a few generalizations, and proceed next to examine it in greater detail. Montesquieu recognized that population

[63]See Joseph A. Schumpeter, *History of Economic Analysis* (New York, 1950), 253.

growth is conditioned by the availability of subsistence, but also appreciated the comparative rigidity of the relationship between numbers and subsistence—which he explained in "cultural" terms. The cultural element of the theory, discussed below, was very much an application of his general sociological philosophy. In fact, it can be said that Montesquieu's demographic *schema* involves a "superstructural" subsistence theory complementary to a "substructural" conception of the broad socio-cultural determinants of population, the latter embellished by a multitude of specific observations and practical comments. At no time is the availability of subsistence considered as the sole determinant of demographic developments. Indeed, it is never referred to as the most important determinant. On the other hand, in no way was the role of subsistence belittled as the subsistence factor is assumed throughout to be an integral part of the process of population growth.

One of our basic sources on demographic behaviour between the sixteenth and mid-eighteenth centuries, Montesquieu spread the belief that the population of the world, Europe and France in particular, had diminished over that period. This is confirmed by Spengler and Schumpeter. Schumpeter, discussing, the population issue, wrote: "Of eighteenth century controversies we shall first notice one that arose from Montes-

quieu's statement in the *Lettres persanes* that the ancient world was more populous than was the Western world of his time. In his essay 'Of the Populousness of Ancient Nations' (*Political Discourses*, 1752), Hume proffered reasons for the opposite opinion that were criticized by Robert Wallace in the Appendix of his *Dissertation on the Numbers of Mankind* (1753), in which he upheld Montesquieu's thesis. Wallace found a follower in William Bell,..."[64] Regardless of its empirical validity, Montesquieu's rationale, discussed below, was espoused by many writers, and reflected in the works of most of the *Encyclopédistes*, including D'Alembert, D'Amilaville, Chevalier de Jacourt, Buffon, and, to a certain extent, Diderot. The population issue, however, always unsettled, involved other French writers actually denying the possibility of theorizing that population had declined at all. Most prominent among them were Voltaire[65] and the Abbé Raynal,[66] who argued that since numbers increase where subsistence is increasing and where men are happy, neither the world nor Europe, nor France for that matter, could be less populated than formerly. They contended that inasmuch as land was being cultivated progres-

[64] *Ibid.*

[65] *Essai sur les moeurs*, and "Population" in *Oeuvres.*

[66] See the Abbé Raynal's celebrated work. *A Philosophical History of the Settlement and Trade of the Europeans in the East and West Indies*, translated by J. O. Justamond (London, 1798).

sively more intelligently, the arts advancing, and warfare declining (due to a postulated reduction in the number of states) population should have been increasing.

Montesquieu's conclusions were quite different. He had declared in 1721 that most of the world had undergone depopulation; and, indeed, referred to the circumstance as the worst calamity ever to have hit the world.[67] In *Lettres persanes* he noted with obvious anxiety that the depopulation of the world was going on daily reflecting an «inward defect» and a "malady of decline" afflicting the entire human race. Though over-pessimistic, Montesquieu's contentions were neither superficial nor theoretically unjustified. Montesquieu undertook to show in detail that certain socio-cultural checks to population growth were far more operative during his time than formerly. For example, he demonstrated how among the ancient Romans, and with the ultimate spread of the Roman empire, veneration for ancestors had caused celibacy and sterility to be looked down upon with scorn. He showed also that continued peace in Japan and China, in conjunction with a relative abundance of rice and fish (a food favouring fecundity, according to the author, as the oily parts

[67] *LP*, 296. Montesquieu's principal treatment of population, and all that follows below, can be found in *LP*, 295 - 317, but also scattered about in *EL*.

of fish are conducive to accelerating the manufacture of the matter in the body which contributes to generation), the absence of eunuchs, and the favourableness of the climate for human generation and agriculture, had all been responsible for population increases in the past. Whereas, in more modern times, polygamy, the spread of Christianity, celibacy, modern slavery, and persistent attempts to develop colonies were proved to have had an opposite effect. A brief elaboration follows on a few of Montesquieu's major arguments qualifying the latter set of contentions.

Where polygamy is practised Montesquieu expected to find undue numbers of female slaves monopolized by a single man who necessarily underutilizes their sexual potential. He felt that such men become physically debilitated, suffer diminution in natural fecundity, and are likely to produce offspring of low fecundity and of weak nature. The spread of Christianity was another cause for depopulation in Montesquieu. Christianity was seen to have brought about increasingly greater emphasis on asceticism, and to have also popularized the prohibition of divorce. Montesquieu thought that the latter contributed particularly significantly to the tendency towards depopulation. He claimed that divorce is essential to population growth as it permits badly assorted or infertile unions to be dissolved. He argued that "coldness",

directly unfavourable to reproduction, is liable to develop in couples who know they are permanently "stuck" with each other; whereas married persons, who know they can separate if they wish to, are more apt to adjust to each other, and more inclined to sex life and reproduction. With regard to the peculiarities of modern slavery, Montesquieu reminded his reader that Roman slaves were allowed to reproduce whereas Mohammedan slaves were not. And in connection with efforts to develop colonies, he emphasized the various obvious hazards involved in projects of that kind; and observed that the people of European mother countries were usually unable to multiply as well in the newly formed colonies due to the different and often unsuitable climates of these colonies. Basically Montesquieu was fully aware that subsistence was increasing and that population *could have been* increasing as a result. The above was a notion common to everyone; and, to be sure, not a particulalry difficult one to have occurred to him. Montesquieu differed only in that he was convinced that certain substructural socio-cultural factors were serving to check the said growth.

Last among these factors, although by no means least, he analysed the effects of alternative types of government on population growth, and concluded that propagation is substantially favoured in countries where government is mild. "La douceur

de gouvernement contribue merveilleusement à la propagation de l'Espèce. Toutes les républiques en sont une preuve constante, et, plus que toutes, la Suisse et la Hollande, qui sont les deux plus mauvais pays de l'Europe, si l'on considère la nature du terrain, et qui cependant sont les plus peuplés."[68] Contemplating the rarity of enlightened and moderate governments in existence during his age, Montesquieu warned that depopulation due to intrinsic vice and bad government (such as he felt France, Germany, central Europe, the Balkans and certainly all that came under the Ottoman Empire, most of Africa and Asia were experiencing) is of the worst kind. He concluded that it was far more difficult to repair such depopulation than it was population losses resulting from exogenous factors as, for example, wars, pestilence, or famines. On the basis of these, and certain other similar, considerations, treated in the concluding section of this paper, Montesquieu wrote splendid passages in defence of social systems where politico-socio-economic coercion is minimized.

This completes the first half of the present section, and brings us to Montesquieu's views on the purely economic role of population. Montesquieu believed that economic welfare is closely linked with the existence of a desirable relationship bet-

[68] *LP*, 313.

ween the two interdependent factors of population and national resources. It is shown that economic welfare depends on the natural riches of a country, and on the work of its inhabitants. Of course, the role of population is often presented as a dominant one. The extreme enthusiasm over a large population that characterized the middle of the eighteenth century certainly did not leave Montesquieu unaffected. However, nowhere in Montesquieu is an increasing population seen as the unfailing symptom of wealth; or even as the chief cause of wealth. Montesquieu presented population as an equal among equals in the family of variables governing economic welfare. He managed to concentrate on this variable without overshadowing other relevant factors. "Chaque état en acquiert [des richesses] par ses denrées, par le travail de ses ouvriers, par son industrie, par ses découvertes."[69] The author did not reject Bodin's slogan that "il n'y a de richesses que d'hommes." He merely stressed that human effort and sacrifice, the foremost promoters of economic welfare, require the existence of a certain amount of natural resources if they are not to be expended in vain. He saw no use in favouring *a priori* any particular side in the debate between the populationists and their opponents. Montesquieu's extensive travels proved to him that population magnitudes assume a

[69] *Pensées*: 1976.

different meaning in different countries. Neither a mercantile populationist, advocating a large population for its own sake, nor an unqualified Malthusian, he thought in terms of and pronounced separate judgments on individual cases.

We begin first with Montesquieu's case for large population. "La terre donne toujours à proportion de ce qu'on exige. La fécondité des lieux qui sont dans le voisinage des villes nous doit faire juger de ce qu'on pourrait espérer des autres. Les troupeaux augmentent avec le peuple qui en prend soin."[70] To Montesquieu, assuming the existence of a desirable socio-political framework [see next section], a large population living in a reasonably well-endowed area is seldom disadvantageous to economic welfare. This followed from his conviction that in a growing society an individual can almost invariably produce more than is necessary for his own subsistence, and justified his contention that "les princes doivent chercher des sujets et non des terres."[71] The implication was that with an increasing population, and if the requisite mental and natural resources are not lacking, all labour could be made to have a *net* productivity, and such as would cause marked increases in average per capita production. Many of Montesquieu's statements are plainly in favour of a large populat-

[70] *DDEL*, 1093.
[71] *LP*, 287.

ion. "Plus un pays est peuplé, plus il est en état de fournir du blé."[72] Or, again, "cinquante millions d'habitants pourraient vivre sans peine dans le royaume de France."[73]

Montesquieu's "mercantilist" views on the desirability of a large population were a logical reaction, of course, to the general process of depopulation which he felt was in operation during, and for a considerable period prior to, his age. His travels throughout the Continent seem to have left him with the disturbing (though possibly exaggerated) impression that the population of Europe suffered a pronounced decline during the two centuries preceding the eighteenth century, and that the Continent was actually enjoying levels of population even lower than it did during the times of antiquity. The major European cities, such as Rome, struck him as "entièrement désertes et dépeuplées." He concluded that "il semble bien qu' elles ne subsistent encore que pour marquer le lieu où étaient ces cités puissantes dont l'histoire a tant parlé."[74] The situation was summed up in the assertion that "*après un calcul aussi exact qu'il peut l'être dans ces sortes de choses*, j'ai trouvé qu'il n'y a à peine sur la Terre la dixième partie des hommes qui y étaient dans les anciens temps."[75]

On the one hand, then, Montequieu seems to

[72] *Pensées*: 1970.
[73] *DDEL*, 1093.
[74] *LP*, 296.
[75] *Ibid.*, 297; my italics.

explain economic welfare in terms of the productive presence of man; or, conversely, economic lethargy in terms of the existence of the human element in insufficient numbers. On the other hand, he presented his reader with a series of different considerations. Let us consider now the latter.

Montesquieu did not desire a continuous population growth for its own sake. He had a vivid mental picture of the evils of an excess population prejudicing both the economic welfare of a nation and the nature of the species itself. Neither the state nor the species, he wrote, had any advantage to derive from masses of children wasting away in misery.

A quoi servent dans un état ce nombre d'enfants qui languissent dans la misère? Ils périssent presque tous à mesure qu'ils naissent; ils ne prospèrent jamais; faibles et débiles, ils meurent en détail de mille manières, tandis qu'ils sont emportés en gros par les fréquentes maladies populaires que la misère et la mauvaise nourriture produisent toujours; ceux qui en échappent atteignent l'âge viril sans en avoir la force et languissent tout le reste de leur vie. Les hommes sont comme les plantes, qui ne croissent jamais heureusement si elles ne sont bien cultivées: chez les peuples misérables, l'Espèce perd et quelquefois dégénère.[76]

Montesquieu stressed the positive impact of a large population on the welfare of a country *only* where he had in mind well endowed areas

[76] *Ibid.*, 313 - 14.

featuring man as a scarce factor of production. He was generally in favour of population increases because he felt that the fertility of very few parts of the world was nearing exhaustion, aware that the earth still yields in proportion to the demand made on it.

La terre donne toujours à proportion de ce qu'on exige, . . . La mer est inépuisable en poissons; on ne manque que de pêcheurs, que de flottes, que de négociants. Si les forêts s'épuisent, ouvrez la terre, et vous aurez des matières combustibles. Que de philosophes et de voyageurs ont fait des découvertes devenues inutiles parce que, dans la situation présente, l'industrie ordinaire suffit pour les besoins! Les philosophes n'ont pas prouvé ces choses pour nous; elles ne seront bonnes, que lorsqu'il y aura sur la Terre un grand peuple.[77]

As Montesquieu's analysis had shown that the human factor could be favourable to economic welfare only in certain circumstances, it followed that he should have greeted with a happy smile the institution of a positive population policy. A strong plea in favour of functional demographic policies was an obvious development in *De l'Esprit des lois*, a work where the right spirit of the law is sought. Montesquieu had made it clear that in certain countries no feasible rate of technological advance could guarantee sustained economic welfare unless the pace of population increase were slowed down. This was not what he thought the

[77] *DDEL*, 1093 - 4.

case was with Europe, and his policy recommendations varied accordingly. "Il faut conclure", he wrote, "que l'Europe est encore aujourd'hui dans le cas d'avoir besoin de lois qui favorisent la propagation de l'espèce humaine".[78] Indeed, where Montesquieu had found the human element to exist in dimensions insufficient for the due exploitation of natural resources, as was presumably the case with eighteenth-century Europe, he had called also for drastic remedial policies and hastened to describe the prevailing circumstances as "la plus terrible catastrophe qui soit jamais arrivée dans le monde".[79]

We conclude this section with a colourful quotation from Montesquieu's speculation that long-term overpopulation is not very likely to occur. "Les femelles des animaux ont à peu près une fécondité constante. Mais, dans l'espèce humaine, la manière de penser, le caractère, les passions, les fantaisies, les caprices, l'idée de conserver sa beauté, l'embarras de la grossesse, celui d'une famille trop nombreuse, troublent la propagation de mille manières."[80]

[78] *EL*, 710.
[79] *LP*, 297.
[80] *DDEL*, 683.

VII. Summary and Conclusion

Montesquieu's economic ideas reveal conclusively the author's awareness of the "economic problem" as a specific problem confronting all communities of men. We are not presented with *ad hoc* treatments of isolated problems, but rather with an admirable endeavour which combines intelligently practical and theoretical considerations, and illustrates the scope of economics as a science distinct from the other fields of "tooled" human knowledge.

Economic welfare, to begin with, depends on the existence of a surplus of real goods. The agricultural sector of the economy is responsible for supplying the said surplus in association with a quantitatively and qualitatively compatible population. The appreciation of this preliminary saving is a function of the rate at which diversified entrepreneurial activity will intensify the stream of saving and, consequently, investment expenditure, through the introduction of new, complementary, or non-agricultural, economic production and exchange. "Easy" money, resulting in digestible interest rates, can be helpful to the above process, but stability is likely to benefit everyone in the long run. International trade plays a positive role by enlarging the scope of the economy in general, and, more important yet, by breed-

ing social maturity and moderation—the non-economic crux of economic welfare.

As a conclusion to this paper we take up this latter point, and present briefly Montesquieu's analysis of the socio-political prerequisites to prolonged economic welfare. Montesquieu held as fundamental the belief that the political and social structure of a community of men may be incompatible with economic welfare in the long run. The basic inference from *De l'Esprit des lois* (1748) and the *Lettres persanes* (1721) is that economic welfare feeds on orderly dynamism. Montesquieu found a certain routine-destroying element indispensable to a progressive society. He counted heavily on the institution of criticism, having been convinced that art, science, and industry cease to develop in its absence. Valid criticism is said to prevail where it is revealed in terms of a constitutionally regularized element of dissension permeating society in all its levels of articulate politico-socio-economic expression. Montesquieu claimed that excessive obedience supposes, and breeds, ignorance both in the person who obeys and in him who commands, for neither, as he put it, would have occasion to deliberate, to doubt, or to reason.[81] He concluded, somewhat fanatically perhaps, that under authoritarianism stagnation in the long run is inescapable—pro-

[81] *EL*, 263.

bably because he was literally haunted by the possibility that absolute monarchy, typical of his age, had so undermined the constitution of France that liberty in terms of articulate free criticism had become forever impossible. His detestation of totalitarianism is equally evident in most of his observations on Prussia, Russia, and Turkey. "Voyez, je vous prie", he wrote in eloquent style, "avec quelle industrie le gouvernement moscovite cherche à sortir du despotisme, qui lui est plus pesant qu'aux peuples mêmes. On a cassé les grands corps de troupes; on a diminué les peines des crimes; on a établi des tribunaux; on a commencé à connaître les lois; on a *instruit* les peuples."[82]

Reading Montesquieu one is gently, but convincingly, led to infer that the political, social, and economic mechanism responsible for economic welfare can never be wholly routinized, or created to order, if only because, in order for discovery to be abundant and implemented fruitfully, it requires a society sufficiently disorderly and decentralized to give the creative non-conformists an adequate chance. Montesquieu believed that the inevitable unfavourable result of excessive centralization is that society is robbed of its *natural dynamism.* Spontaneity and diversification are wiped out, criticism disappears, and thus va-

[82] *Ibid.*, 294; my italics.

nishes the most powerful progressive force in society.

Clearly, Montesquieu's problem was that he could see only desolation whenever he observed totalitarianism in action. He wrote that ". . .dans ces états on ne répare rien, on n'améliore rien. On ne bâtit de maison que pour la vie, on ne fait point de fosse, on ne plante point d'arbres. On tire tout de la terre, on ne lui rend rien, tout est friche, tout est désert."[83] Approximating an operational definition of the proper degree of social liberty, therefore, he suggested carefully that the natural place of virtue is near to libarty—but that it is not nearer to excessive liberty than it is to servitude.[84] Unconditional liberty, he agreed, is impossible because in economic life certain regimentation is unavoidable—whatever the type of a country's political and economic orientation. All progress is built on sacrifice. This, after all, was Montesquieu's basic motto.

Perhaps Montesquieu's most brilliant insight into the social and political roots of economic welfare, however, was that the social framework must be liberal, and such that the numerous subversive propensities, usually fostered by increasingly combatted backwardness, be kept from developing into blind bitterness. It appeared axiomatic to him

[83] *Ibid.*, 294 - 5.
[84] *Ibid.*, 352.

that some distortion of motives, disappointment, envy, considerable insecurity, and a good deal of frustration should result from real economic life. Hence, Montesquieu's sober warning that economic progress demands flatly that people be taught to be moderate and obliging to each other, reasonable, charitable, tolerant, and unenvious—valuing, above, all, activity, and always willing to strive to create.