The Routledge History of Economic Thought

A HISTORY OF ECONOMIC THOUGHT IN FRANCE

THE LONG NINETEENTH CENTURY

Edited by
Gilbert Faccarello and Claire Silvant

ROUTLEDGE

A History of Economic Thought in France

Traditionally, there has been a long and sustained interest in studying the history of economic ideas in France. Interest appeared to wane after World War II, but in recent decades, there has been a marked renaissance of interest and research in the contributions of French-speaking authors. Drawing on the flow of recent research, this book presents a new assessment of the history of political economy in France incorporating both novel presentations of some traditional subjects and topics that are not usually studied.

This second volume analyses the evolution of political economy during the long nineteenth century, combining an assessment of both liberals and their opponents. Its first part covers the most outstanding contributions to political economy in the age of industry, from the founding fathers (L.-C.-C. Destutt de Tracy and J. –B. Say) until the pre-World War I period, including that of A.-A. Cournot, J. Dupuit, the French liberal economists, and L. Walras. The volume then outlines the critiques of liberal political economy, focusing on the analyses of J.-C.L.S. de Sismondi, C.-H. de Saint-Simon and his followers, and the successive generations of socialist and associationist authors, not forgetting the sociological critique. A substantial postlude concludes the volume with a survey of recent developments of French economic thought up to the present day.

A History of Economic Thought in France will be invaluable reading for advanced students and researchers of the history of economic thought, political economy, intellectual history and French history.

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The Long Nineteenth Century

Edited by Gilbert Faccarello and Claire Silvant

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Preface

> Notre héritage n'est précédé d'aucun testament.[1]
>
> The cultural treasures of the past, believed to be dead, are being made to speak, in the course of which it turns out that they propose things altogether different from the familiar, worn-out trivialities they had been presumed to say.[2]

Traditionally, there has been a long and sustained interest in studying the history of economic ideas in France. Yet, after World War II, this interest appeared to wane as attention shifted to the study of British and American authors and traditions. However, in recent decades, there has been a renaissance of interest in the contributions of French-speaking authors. This revival was sometimes propelled by the publication of critical editions of major works such as those of Pierre Le Pesant de Boisguilbert, François Quesnay, Jean-Baptiste Say, Claude-Henri de Saint-Simon, Jean-Charles Léonard Simonde de Sismondi, Jules Dupuit and Léon Walras. It was also helped by the emerging availability on the internet of a sizeable number of scanned original works which would have been otherwise difficult to find. As a result, the field of study has been considerably extended, and novel original research has been made possible. Examples of this new research are eighteenth-century studies highlighting "commerce politique", sensationist political economy, quantification and formalisation. Nineteenth-century studies have provided detailed analyses on the different approaches of the liberal economists and the many attempts to propose alternative views, such as Christian political economy or the multifaceted developments proposed by associationist or socialist authors. All these advances necessarily changed the perspective from which the story was usually told.

Based on this flow of recent research, the objective of this book is to present a new assessment of the history of political economy in France. Besides novel presentations of some traditional subjects, the reader will find topics that are not usually studied, and which are yet part and parcel of this history and contribute in

1 "Our inheritance was left to us by no testament". René Char, *Feuillets d'Hypnos*, Paris: Gallimard, 1946.
2 Hanna Arendt, "Martin Heidegger at Eighty", *The New York Review of Books*, 21 October 1971.

an important way to its understanding. The present work focuses on what could be called the "golden age" of French political economy, a period extending from 1695 to 1914. It symbolically starts with Boisguilbert's foundation of *laissez-faire* at the end of the seventeenth century and ends with World War I. It is divided into two volumes, reflecting two very distinct phases of the evolution of economic ideas in France, separated by the traumatic events of the French Revolution. The first volume deals with political economy in the Age of Enlightenment, while the second analyses political economy during the long nineteenth century, combining an assessment of both liberals and their opponents. Additionally, a Prelude, in Volume 1, presents the main features of the Age of Enlightenment and some developments which happened prior to this period. A substantial Postlude, in Volume 2, deals with the main theoretical developments which took place after World War I.

Finally, there are a number of relevant issues here to bring to the attention of the reader. Firstly, the book deals with the history of political economy *in France*, and not strictly speaking *French* political economy because it focuses on works originally published in the French language: many important authors – such as John Law, Richard Cantillon, Ferdinando Galiani, Jean-Charles Léonard Simonde de Sismondi, Antoine-Élisée Cherbuliez, Gustave de Molinari or Vilfredo Pareto, for example – while not French but Scottish, Irish, Neapolitan, Swiss, Belgian, Italian – published path-breaking writings in the French language and played a major role in French debates. Secondly, the approaches used in the various chapters may be different, due to the subject discussed. However, aside from the analytical developments, they also concentrate on the institutional, political and/or philosophical aspects of these subjects. Thirdly, while comprehensiveness is of course out of reach in such an enterprise, the developments are nonetheless substantial and offer the readers a wealth of new analyses and perspectives. Fourthly, throughout the book, and unless otherwise indicated, italics in quotations are always those of the original works.

Such a work could not be but a collective venture and the various chapters have been assigned to the relevant specialist(s). The editors are sincerely grateful to the authors who patiently and very professionally accepted the review process. They also would like to thank them – and the publishers – for their patience during the long gestation of this work.

Gilbert Faccarello and Claire Silvant

Part I

Political economy in the age of industry

1 Prelude I

Political economy in the age of industry

Claire Silvant

The first volume of this book identified the existence of a genuine French liberal tradition from the eighteenth century onwards. Pierre Le Pesant de Boisguilbert (1646–1714), Anne Robert Jacques Turgot (1727–1781), François Quesnay (1694–1774), M.J.A.N. Caritat de Condorcet (1743–1794) and other authors contributed in a substantial way to this tradition, which proved to be distinct from the British liberal approach. The passage to the nineteenth century was indeed complex (see Vol. I, Chapters 8 and 9) but, after the 1789 Revolution and the First Empire, French liberal thought – while sometimes heavily contested – consolidated and gradually became institutionalised: a process which is reflected in the progressive but slow triumph of liberal democracy during the last decades of the nineteenth century.

From the perspective of the history of economic thought, the economists of the nineteenth century appear as direct or indirect heirs of the Enlightenment and the Revolution. They were struggling for freedom, both economically and socially, and shared a strong distrust of the regulations and arbitrariness of the Ancient Regime and of some episodes of the Revolution – especially the 1793–94 Terror. The authoritarianism of the First Empire further increased their rejection of any form of absolutism. Nineteenth-century French political economy would long bear these markers and a majority of French economists adhered to a form of uncompromising liberalism. Moreover, to them, the advent of industrialisation and free trade should have enabled a lasting improvement in the material living conditions of all social classes, whereas their critiques (below, Part II) expressed fears about its consequences.

1. Setting the stage

From a global economic viewpoint, the nineteenth century was undoubtedly a period of great transformations, which provided fertile ground for the development of political economy. The industrial revolution, characterised by a profound change in production structures and the organisation of labour, started in the 1830s in France, gradually transforming pre-industrial activities into modern industries, with steady economic growth (Verley 1985). Industrial production, mainly of consumer goods, grew significantly, fuelled by the development of railways from the end of the 1820s, by the modernisation and extension of the banking system

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from the middle of the century, and by the support of public financing. Economists naturally witnessed these phenomena, which they sought to understand and explain. They believed that progressive liberalisation of the economy would allow the industrial and financial apparatus to gain in efficiency and tear France away from a state of backwardness. Like the Saint-Simonians and the socialists, liberal economists shared a hope for economic and moral progress, but they analysed the consequences of the industrial revolution differently. They were aware of the sad phenomenon of pauperism, and they had read the results of the inquiries of Louis René Villermé (1782–1863) in his *Tableau de l'état physique et moral des ouvriers employés dans les manufactures de coton, de laine et de soie* (1840). However, they still believed that economic freedom would end in increased welfare for all – pauperism being ascribed by most of them to a problem of individual moral behaviour of the lower classes and of some greedy entrepreneurs.

Two turning points marked the history of economic thought of the nineteenth century: the first occurred in 1848, and the second in the early 1870s. The pre-1848 situation can be analysed as a period of progressive consolidation of liberal political economy. Before 1848, the relations of liberal economists to political power had fluctuated. During the First Empire and the Restoration, they clearly belonged to the opposition and censorship was a constant threat – as it was for Jean-Baptiste Say (1767–1832) in his time.[1] Political economy was viewed as subversive and had no place either at the Institut de France (until Guizot re-established the Classe des Sciences Morales et Politiques in 1832) or in French universities (until 1864). However, these relations slowly improved after the July Revolution: the new regime facilitated the expansion of liberal ideas and the institutionalisation of political economy. Say's heirs increasingly entered the political arena, by acquiring positions as ministers, prefects, ambassadors, or by being elected to parliament. This entry into the political realm went hand in hand with the beginnings of the institutionalisation of political economy, initiated by Say's followers; in the 1840s, the liberals, grouped within the Société d'économie politique (see below), formed an opposition to the protectionist temptations of Adolphe Thiers (1797–1877) for example, and to the colonialist arguments of Alexis de Tocqueville (1805–1859) (Leter 2006). Apart from Pellegrino Rossi (1787–1848) and a few others, they also denounced the conservatism of François Guizot (1787–1874). The intellectual activities of the socialists and the Saint-Simonians were very intense in the pre-1848 period (see Part II of this volume); the liberals denied any relevance to their ideas but still did not measure the threat they would cause a few years later, either intellectually or politically. They even showed a certain openness to Pierre-Joseph Proudhon (1809–1865), with whom some had friendly relations, and several of whose works were published by Gilbert-Urbain Guillaumin (1801–1864), the liberals' favourite publisher.

1 Say's *Traité d'économie politique* was censored soon after publication, as he was reproached for not having changed some of his positions which were considered too liberal by Bonaparte. Publication of the *Traité* was again authorised in 1815 after the fall of the Empire. Other liberals, such as Charles Dunoyer (1786–1862) and Charles Comte (1782–1837), suffered from censorship.

In this period, classical ideas spread in France, mainly coming from Great Britain, thanks to the numerous translations of classical works published since the end of the eighteenth century. Adam Smith's ideas had circulated easily in French-speaking areas since some early translations during the last decades of the eighteenth century (see Vol. I, Chapter 9; Faccarello and Steiner 2002). Henry Thornton's 1802 *Enquiry into the Nature and Effects of the Paper Credit of Great Britain* had been translated in 1803. Malthus' ideas on population also began to be disseminated in France from 1805 onwards and his 1820 *Principles of political economy, considered with a view to their practical application* was published in French the same year of its publication in Great Britain (Faccarello 2020). Last but not least, David Ricardo's works also were available in French from the 1810s onwards: *The High Price of Bullion* was translated in 1810 and the *Principles of Political Economy and Taxation* in 1819 (Béraud and Faccarello 2014). In a nutshell, although the translations were sometimes questionable, classical British economic thought circulated with some ease in France, and Smith's ideas, especially, influenced French readers.[2] The liberal political economy that developed in France at that time was thus in dialogue with the English school, without, however, being subjugated by it.

The 1848 Revolution brought a break in this period of affirmation of liberal thought, with two consequences. First, the outburst of violence during the revolution and the radicalisation of the movement left lasting marks (Demier 2001): the socialist threat was now taken seriously, and there was no longer any question of treating with benevolence or patronising the writings of the socialists that had flourished in the preceding years.[3] After 1848, a radicalisation of liberal thinking could be observed: private property had to be defended, and it had to be proved just and efficient. Liberal economists protested against the authoritarian organisation of labour and Louis Blanc's "droit au travail" (right to have a job): they vehemently opposed the implementation of National Workshops and responded with a plea for the freedom of labour. Along with this theoretical fight against interventionist ideas, a political softening of their relations to political power occurred. After an initial period of mistrust and surveillance in the early years of the Second Empire, the regime took a liberal turn in 1860, which obviously benefited the economists of the liberal group. The movement was twofold: the Empire took a step towards liberalism, and in return, some eminent liberals supported the regime (Le Van-Lemesle 2004; Schwartz 2022). They thus accompanied the free-trade turn of the French economy and one of them, the former Saint-Simonian Michel Chevalier (1806–1879), was an architect of the effective trade opening by participating with Richard Cobden in the preparation of the Anglo-French free trade agreement (23 January 1860). After 1848, French liberal economists also significantly increased

2 As shown by Béraud et al. (2004), and by Béraud and Faccarello (2014), a liberal, classical, Smith-inspired political economy emerged in France from the 1820s, which kept a good distance from Ricardian analysis, apart from a few isolated followers.

3 Only Proudhon partly escaped their vindictiveness, because of his moderate position in 1848, and because he shared the liberals' distrust of state intervention in the economy.

their presence in Parliament (Breton 2005), as was also occurring elsewhere in Europe during the same period.

After the fall of the Empire in 1870, the first years of the 1870s marked another turn at several levels, for reasons that are both general and specifically French. France's defeat by Prussia in 1871 came as an unprecedented shock. It was interpreted as France's failure to develop skilled political and administrative elites, calling for a deep change in education, in particular regarding political economy. The reforms that followed were mainly detrimental to the liberals: many of them did not find a place in the new organisation of university teaching of political economy (see Chapter 7 of this volume).[4] The "long stagnation" (Breton et al. 1997) that occurred between 1873 and 1893 also called for a theoretical renewal, as both the analyses and the remedies considered by the liberals – especially Charles Coquelin's (1802–1852) and Clément Juglar's (1819–1905) "optimistic" analysis of cycles based on self-regulation – seemed to have failed. Finally, French Liberals were also experiencing a more general trend, which was occurring all over Europe: from the 1870s onwards, classical ideas were challenged by the new theories of historicism and marginalism. During the Third Republic, they lost ground under the growing influence of interventionists, nationalists and protectionists.

2. The rise and decline of liberal political economy

The long nineteenth century is thus undoubtedly that of the rise and apogee of liberal political economy between the July Monarchy and the Second Empire, and its decline from the 1870s.

The first part of this volume naturally begins with Jean-Baptiste Say and Antoine-Louis-Claude Destutt de Tracy (1754–1836), that is to say, with the Idéologues. The transition from the eighteenth to the nineteenth century was certainly accomplished through them; they were the bridge-builders between Turgot, Condillac, Condorcet and the Physiocrats, and the subsequent economists who were the architects of the institutionalisation of liberal political economy. Thus, both participated in a decisive way in the development of the French liberal tradition. Say's role was especially crucial, in two respects.

First, from an analytical viewpoint, he orientated classical French political economy in a particular way, focusing on the role of political economy to promote the industrialisation and modernisation of the French economy, and on the imperious necessity of competition in this process. He insisted on interest "well-understood" as a way of reconciling economic efficiency and social justice, as we would say nowadays. His *Traité d'économie politique* remained the reference, the gospel of liberal political economy for a large part of the nineteenth century. Some

4 However, it should be mentioned that some liberal economists, such as Edmond Villey (1848–1924) and Alfred Jourdan (1823–1891), taught political economy in law faculties after 1880; furthermore, their influence outside the law faculties was still important, notably with Paul Leroy-Beaulieu (1843–1916) at the École Libre des Sciences Politique and the Collège de France, and Clément Colson (1853–1939), again at the École Libre and the École Polytechnique.

other contemporary figures were also of some weight,[5] but they never attained the aura of the founding fathers.

Say's role, however, was not only intellectual. He also played a decisive part in the institutionalisation process, which took place from the 1820s onwards. He held the two first academic chairs of political economy (at the Conservatoire des Arts et Métiers and at the Collège de France), which were afterwards occupied by other liberals. After his death, his family and friends – in particular, his son Horace (1794–1860) and his disciple and friend Adolphe-Jérôme Blanqui (1798–1854) – played an active part in the creation of the *Journal des économistes* (1841) and the Société d'économie politique (1842), which both had a central role in the dissemination of liberal economic ideas during the following decades.

The liberal group, to which the third chapter is devoted, was formed in the 1830s mainly by Say's followers.[6] It gradually expanded during the Second Empire to become what Le Van-Lemesle (2004) called a "liberal lobby" who defended free trade, freedom of labour and *laissez-faire* at different levels: some publicists taught courses with a strong liberal flavour and published numerous treatises and handbooks based on French classical political economy (Steiner 2012); others encouraged public debate by publishing articles or pamphlets; and yet others delivered economic advice to the government. Despite some important nuances, which will be presented in due course, they shared a classical (following the principles of Smith and Say) and individualistic way of thinking; they also mostly relied on the doctrine of natural law defended by Benjamin Constant (1767–1830), which enabled them to justify private property, freedom of labour and freedom of trade. After having been long neglected, the interest in French liberal thought after Say increased in the wake of Yves Breton and Michel Lutfalla's seminal works in the 1980s, in which its heterogeneity and multifaceted developments were largely demonstrated (Breton and Lutfalla 1991).

However, in the 1870s, important intellectual, societal and political changes took place, leading to a destabilisation of the liberal group and its gradual decline. For the liberal economists, the change was methodological and generational. It was the time when, in the whole of Europe, one could witness a progressive fading of classical ideas and deductivism, in parallel with a move towards more empirical economic studies. The influence of new methods, in particular historicism, mainly came from beyond the Rhine and denied the existence of universal laws capable of explaining economic phenomena, advocating an analysis rooted in history

5 Say had a crucial role in this respect, from both an intellectual and an institutional viewpoint. This nevertheless should not overshadow the contribution to political economy of some other lesser-known figures, who published significant works during the first two decades of the century, such as Louis-François Guillaume de Cazaux (1785–1840), Charles Ganilh (1758–1836), Alexandre Maurice Blanc de Lanautte, comte d'Hauterive (1754–1830), Joseph-Michel Dutens (1765–1848) or Joseph Droz (1773–1850).

6 It is noteworthy, however, that Charles Comte, Say's disciple and son-in-law, was dismissed by Guizot from his succession to the Collège de France, in favour of Rossi. Some influential economists, such as Frédéric Bastiat and Gustave de Molinari, defended ideas that differed from those of Say.

and sociology. Other novel insights, those of the marginalists, came to undermine French liberal economists – even if their influence remained limited in France for a time. This methodological turn came with a generational change: the generation of Joseph Garnier (1813–1881), Louis Wolowski (1810–1876) and Michel Chevalier aged and disappeared without leaving any equally outstanding and influential heirs. Certainly, there remained some important French liberal figures by the end of the century, such as Yves Guyot (1843–1928) or Gustave de Molinari (1819–1912), but their thought was too radical to become a new common barycentre. In addition, the liberal economists hardly found their place in the newly created chairs of economics in the law faculties (1877), which allowed for different perspectives, including the defence of trade protection, an increased emphasis on the social question, the promotion of cooperation or the call for stronger state interventionism. The courses of political economy taught by the professors of the new generation – Paul Leroy-Beaulieu (1843–1916) at the Collège de France, Charles Gide (1847–1932) and Paul Cauwès (1843–1917) in the law faculties for example – were far away from those professed by their elder fellow economists.

As a result, the liberal group became rigid and reduced its sphere of influence. Thus, on the eve of World War I, liberal thought had been challenged by the new conceptions of the professors of economics in the law faculties, as well as by the development of mathematical economics and economic calculation.

3. Mathematical economics and economic calculation

Say's legacy went far beyond the group of liberal economists. The contributions of Antoine-Augustin Cournot (1801–1877) and Jules Dupuit (1804–1866) were also extensively influenced by Say's thought, even though they differed from him methodologically (by using mathematical tools) as well as on certain theoretical issues (in particular the theory of value). Later, the work of Léon Walras (1834–1910), influenced by his father Auguste Walras (1801–1866), would also bear the mark of Say's political economy, especially regarding the issues of equilibrium and competition (Potier 2019). These three economists, to whom this volume devotes a chapter each, are in their own ways the heirs of a tradition of mathematisation of social and economic questions inherited from the eighteenth century (see Vol. I, Chapter 8). Each of them, in a very distinctive way, made major contributions to economic theory, which were ground-breaking steps in the development of modern economic analysis.

Antoine-Augustin Cournot's intellectual portrait is quite unique: he was a distinguished mathematician (initially specialised in mechanics and astronomy) and developed from his midlife a strong interest in the history and philosophy of science, and in economics. If Cournot's economic works were relatively ignored by his contemporaries, his contributions were considered in retrospect to be of major importance by the most eminent subsequent economists, notably Léon Walras, William-Stanley Jevons and Alfred Marshall. Indeed, he was the first to make explicit a decreasing function of demand with respect to price (his "loi du débit"), and to present a mathematical theory of price determination taking into account the possibility of different market structures, from monopoly to "unlimited competition", in partial equilibrium; his analysis of the duopoly is, in this respect, singularly ground-breaking. In his analysis of monopoly, he introduced the concept of marginal cost – although without naming it so – and the principle of profit maximisation. Finally, another of his key achievements was his analysis of the effect of taxation on consumers and producers, and his introduction of the notion of social income, distinguishing its nominal and real variations. In his late writings, Cournot distanced himself from liberal principles and took a critical stance towards some liberal economists, especially towards Frédéric Bastiat's (1801–1850) optimistic views.

Jules Dupuit belonged to a distinct current of authors, that of the French engineer-economists, whose roots go back to the creation of the corps des Ponts et Chaussées in 1716 and the École Royale des Ponts et Chaussées in 1747, the ramifications of which go as far as the most prestigious French economists of the recent period. In contrast to Cournot, who primarily addressed theoretical problems, Dupuit was a practitioner of public economics, who aimed at solving concrete issues related to the building or maintenance of public infrastructure. The context in which he contributed to political economy was also quite different from that of Cournot: although he was deeply involved in the liberal networks mentioned above, his most path-breaking contributions were expressed in other circles, those of the engineers of the Polytechnique and Ponts et Chaussées. He renewed the method for measuring utility, introducing the concept of public utility and the principle of economic surplus with the meaning that welfare economics would later give to it. This is why he was considered by the commentators as a pioneer, to whom the "secret origins of modern microeconomics" (Ekelund and Hébert 1999) could be traced back, long before the marginalist authors of the 1870s.

Finally, Léon Walras's profile is again different. After a phase of professional uncertainty, during which he had some difficulty in finding his place among engineers, liberals and socialists, he succeeded in obtaining the Chair of political economy in Lausanne (1870). From the perspective of economic analysis, Walras's masterpiece is undoubtedly his formulation of general equilibrium analysis, in his *Éléments d'économie politique pure* (1874–77), whilst other marginalists limited themselves to partial equilibrium analysis. Walras' approach is, like Cournot's, that of a theorist applying a rational method, whose aim was therefore to study the interdependencies between markets – expressed through systems of equations – and the resulting formation of a general equilibrium. His formalisation has become the "Magna Carta of economic theory", as Joseph Schumpeter noted (1954, 233). Nevertheless, Walras's political economy cannot be reduced to its pure economics. Pure economics constitutes a trilogy with two other branches of economic science, social economics and applied economics, which he exposed in two later volumes: *Études d'économie sociale* (1896) and *Études d'économie politique appliquée* (1898), dealing respectively with production and the distribution of social wealth. Far from being a supporter of individualism, of which the *Éléments d'économie politique pure* would be the prototype, Walras provided an analysis that reconciles the interests of the individual and those of society (Lallement 2017), and which attributes extensive functions to the State, including land ownership. As his *Études* show, he claimed throughout his life to be a “liberal scientific socialist” (Potier 2019).

At the end of the century, Walras found a successor in Albert Aupetit (1876–1944), while Clément Colson continued Dupuit’s work on public economics. Other engineers investigated different fields: Marcel Lenoir (1881–1927) used the most advanced developments in statistics to study the formation and dynamics of prices, building an approach that would be now described as econometric, and Maurice Potron (1872–1942), who developed a pioneering input-output analysis. But the most spectacular innovations of the period certainly came from the mathematicians: Joseph Bertrand (1822–1900) renewed the analysis of oligopoly by rejecting some of Cournot’s hypotheses, and Jules Regnault (1834–1894) and Louis Bachelier (1870–1946) made decisive contributions to mathematical finance by introducing new concepts in the theory of probability.

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2 The "founding fathers" of the French liberal thought

A-L-C. Destutt de Tracy and Jean-Baptiste Say

Alain Béraud and Guy Numa

The history of political economy in nineteenth-century France is naturally associated with the contributions and the legacy of French classical economist Jean-Baptiste Say (1767–1832). Undoubtedly one of the most influential authors in the economic discipline, Say is known for his "law of outlets"[1] ("loi des débouchés") – known as "Say's Law" – and for his pioneering analysis of the role of the entrepreneur. Say quickly became the intellectual reference for generations of French liberals. Three main characteristics emerge from his work: (1) he viewed political economy as the key to promoting modern industrial society against the errors and abuses of the Ancien Régime and Napoleon's policy; (2) in his framework, competition was not only an economic concept but also a political and moral principle in that it conveyed the idea of the social harmony of private interests; and (3) government intervention was required to achieve economic efficiency and social justice. This chapter explores Say's multifaceted life and discusses his intellectual influences. Say's views on production, value, income distribution, money, economic crises and the role of government are examined in turn.

But in the first decades of the nineteenth century, another author was influential: Antoine-Louis-Claude Destutt de Tracy (1754–1836). Alongside Pierre Cabanis, leader of the Idéologues, he played a pivotal role in the development of the French liberal tradition. From a philosophical standpoint, like Turgot, he followed the sensationist approach of John Locke and Étienne Bonnot de Condillac – "our sensations are the source and the origin of our ideas" (Destutt de Tracy 1796, 289). From a political standpoint, he distinguished between national governments and special governments: in the former, all rights and powers belonged to the entire nation based on the "general will",[2] while other legitimate sources of rights and powers (divine authority, conquest, birth, etc.) existed in the latter. Like Jean-Jacques Rousseau, he

1 The expression "law of markets" is often used in reference to Say's Law. The problem is that this term does not allow to accurately describe the issue that Say sought to resolve: what are the causes that open greater or lesser outlets to products?

2 In the *Social Contract*, Rousseau (1762, 56–7) defined the general will as something that every citizen should want for the good of all citizens. Destutt de Tracy does not refer to Rousseau's definition. Instead, for him the general will is the "sum" of individual wills.

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was convinced that direct democracy was only viable in a small country. For him, a system of representative government wherein citizens equally and freely choose their delegates could guarantee the permanence of democracy. He thus opposed those like Charles Louis de Montesquieu who considered the 1689 English Bill of Rights a symbol of perfection: the model to follow was the liberal system of the United States, not that of England (Destutt de Tracy 1819, 159). His philosophy led him to deal with political economy and to develop ideas close to Say's but sometimes in disagreement with them.[3] This is the reason why his developments are also examined in this chapter.

1. Life and background

Say's life was as fascinating as his work. He was successively bank clerk, soldier, publicist, managing editor, government official, factory owner, and ultimately became one of the first professors of political economy in France.

Say was born in Lyon on 5 January 1767, in a Huguenot family deeply rooted in business.[4] His father, Jean Étienne Say, was a Swiss-born silk merchant in Lyon, and later a bank and currency trader in Paris. At the age of 15, Say started an apprenticeship in a trading house in Paris, then went to England and, in 1787, Étienne Clavière, a Swiss banker and businessman, took him on his insurance company. Say took an active part in the French Revolution. He briefly served as a soldier, and then he focused on literary activities. He worked at a newspaper, the *Courrier de Provence*, published by Gabriel-Honoré de Mirabeau, and was close to the Girondins, to whom Clavière, who was for a time Minister of Finance in 1792, had introduced him. In 1794, Say became the managing editor of the periodical *La Décade philosophique, littéraire et politique*. The incapacity of the Directoire to stabilise the Revolution led him and his friends, the Idéologues, to support Napoléon Bonaparte's Coup d'État on 18 Brumaire of Year VIII (9 November 1799). He became secretary of the Legislative Committee of the Conseil des Cinq-Cents and then, after the new Constitution of Year VIII, a member of the Tribunat, a legislative body. The first edition of *Traité d'économie politique* (henceforth *Traité*) was published in 1803. The book was a success and caught Bonaparte's attention. He asked Say to release another edition of his text that would be more supportive of his economic policy. Say refused, and as a result, he was removed from the Tribunat following the partial renewal of its members in March 1804 (Jacoud 2020–21). He was and remained a Republican (Whatmore 2000, 12): for him "the representative government . . . is the necessary outcome of the economic progress of societies" (Say 1828–29, 954). But, disappointed by

3 "M. Destutt Tracy [is] a very agreeable old gentleman, whose works I had read with pleasure. I do not entirely agree with him in his Political Economy, – he is one of Say's school: – there are nevertheless some points of difference between them" (Ricardo to Malthus, 16 December 1822, in Ricardo 1951–73, IX, 248).

4 The Huguenots were Protestants who fled religious persecution in France in the sixteenth and seventeenth centuries.

his experience, he rejected the idea that political freedom was the condition of economic progress:

> wealth is independent of the nature of government, a State can thrive if it is well administrated. . . . The forms of public administration have only an indirect and accidental influence on the formation of wealth, which is almost entirely the work of individuals.
>
> (Say 1803, 2)[5]

A heavily revised second edition of *Traité* was prepared quickly, but, in response to government censorship, it would not be released until 1814 and the fall of Napoleon. Stripped of all official appointments, Say instead turned to entrepreneurship, owning and directing a cotton-spinning manufacture in Auchy in northern France from 1805 to 1812. Bothered by technical problems and by the restrictions on the import of cotton caused by the Continental blockade, he eventually sold his shares and returned to Paris near the end of 1812. He focused on writing and teaching and became famous and widely read. After the fall of the Empire in 1814, Say travelled again to England, where he met James Mill, David Ricardo and Jeremy Bentham. He lectured at the *Athénée*, a private institution in Paris, which was a sort of political club for the liberal opposition to the policy of the Restoration. In 1819, a chair was created for him at the Conservatoire des Arts et Métiers: his lectures were published as *Cours complet d'économie politique pratique* (henceforth *Cours*) in 1828–29. It is only after the 1830 Revolution and the July Monarchy that the government considered political economy an academic discipline, something that Napoléon and the Bourbons monarchy had previously opposed. A chair of political economy was created at the Collège de France; Say was the first to hold this chair until his death in Paris on 14 November 1832.

Say authored three major texts. *Traité*, his magnum opus, was published in six editions (1803–41). He also authored *Cours* (1828–29, 1840), his second major publication even more voluminous than *Traité*, and *Catéchisme d'économie politique* (1815–26), published in the form of questions and answers. Among other titles, he also authored *Lettres à M. Malthus* (1820), a collection of five open letters to one of his detractors, Thomas Robert Malthus.

Destutt de Tracy (1754–1836) came from a Scottish family who settled in France in the early fifteenth century. Appointed député representing the nobility at the États Généraux in 1789, he supported abolishing feudal privileges, embraced the declaration of human rights and the civil constitution of the clergy. He was a member of the Société de 1789 whose main leaders were M-J-A-N. Caritat de Condorcet and Emmanuel-Joseph Sieyès, and a member of the Club des Feuillants which coalesced proponents of a constitutional monarchy. Elected député of the Assemblée Constituante in 1791, Destutt de Tracy sat alongside Duke François Alexandre de la Rochefoucault and Gilbert du Motier, marquis de La Fayette,

5 Translations of Say and Destutt de Tracy's writings are ours, unless noted otherwise.

who was a close friend. However, after the failure of the constitutional monarchy, he refused to follow them in exile. While retired at Auteuil, he spent time with Condorcet, Pierre Cabanis and Catherine Helvétius, among others. It was during that time that he studied Locke and Condillac and became familiar with the sensationist philosophy from which he designed his theory of "idéologie", defined as the science of the formation of ideas. Arrested on 2 November 1793, during the Reign of Terror and scheduled to be tried on 29 July 1794, the downfall of Robespierre on July 27 spared his life.

With the aid of Cabanis, Destutt joined the newly created Institut National des Sciences et des Arts (National Institute for Sciences and the Arts). On 21 April 1796, he read an essay on the ability to think in which he introduced the concept of ideology. He explained to his audience that he preferred this term in lieu of "psychology", which "seemed to imply a knowledge of this being [the soul] that one surely does not flatter oneself to possess" (Destutt de Tracy 1796, 324).

He was appointed senator for life by Napoleon in November 1799. Their relationship quickly deteriorated and, in 1814, he voted in favour of overthrowing the Emperor. Louis XVIII expressed his gratitude by naming him to the Chambre des pairs where he condemned the excesses of the Restoration and voted against all the laws opposing the spirit and progress inspired by the Revolution.

From 1801 to 1815, he published his *Éléments d'idéologie*. The first volume (1801) deals with ideology *per se*, the second (1803) is concerned with grammar, the third (1805) addresses logic, while the fourth and fifth (1815) are titled *Traité de la volonté et de ses effets*. The fourth volume was reprinted as *Traité d'économie politique* in 1823.[6] In 1811, Destutt's *Commentaires sur l'esprit des lois de Montesquieu* were published in the United States by Jefferson without mentioning the name of the author of the book. The French version of the book appeared in 1819. Although the content of *Commentaires* was primarily political in nature, the book contains famous passages about the economy, particularly those that were wrongly interpreted as indicative of Destutt's espousing the labour theory of value in the sense of Ricardo.

2. Industrialism and "practical political economy"

Say strongly believed disseminating economic knowledge in the social body was the key to modernity. In this perspective, political economy was designed to be a useful and practical science. "Industry" or industrialism, a cornerstone of his system of thought, played a significant role in the new era of progress that he envisioned, in his study of the relationship between the individual and society. In using the term "industry", Say went beyond highlighting the superiority of manufacturing in jumpstarting individual and social wealth: industry designated "the action of physical and moral forces of man applied to production" (1814, 1121), which

6 This new title was already that of the American edition: *A Treatise on Political Economy* (Georgetown: Joseph Milligan, 1817), the translation being revised by Jefferson.

included both material and immaterial goods (services). The agents of industry (the “industrieux”) comprise scientists, farmers, entrepreneurs, producers or traders, and workers. The purpose was to show how an industrial society allows each citizen to improve his position. “Industry, consisting . . . of skill, talent, and knowledge as well as labour, was an independent source of net wealth” and productiveness (James 1977, 469–70). Therefore, the “industrieux” constitute the only productive group.

For Say, political economy is an experimental science. The experimental method consists in observing and confronting the objects of study with reality (Say 1819, 7): political economy should be based on general facts. One should observe objects and concepts as they are, in all their facets and with all their properties; and one should observe the chain of events that lead from one circumstance to another. A close observation of the “nature of things” is the only way to determine what is true. However, a set of established truths could be modified in light of how facts articulated with reality. Given the multitude of facts and circumstances which characterise the state of the world, truth is never found unchanged, it could be modified depending on particular circumstances (Say 1826, 261). In other words, each principle may come with exceptions.

Practical political economy provides an illustration of the experimental nature of the science that Say wanted to promote. He refused to oppose theory to practice, regarded as two sides of the same coin (Say 1814, 12). Practical political economy refers to opposition to routine, to an “old-fashioned” way of life. Say aimed to show the merits of industry – the new way of life – and how it applies to individuals in the private and public sphere (Steiner 1990; Potier 2010: xxx–xxxi). The more individuals are trained and informed about political economy, the more they would be able to conduct themselves in a way that is conformed to their interests and to the interest of the nation. Consequently, practical political economy is both a way of life and a principle of management of public and private affairs. In that regard, the role of the economist – both as a scientist and a practitioner – is to seek and disseminate the truth in the various parts of society so that the middle-class (“classe mitoyenne”) could better understand its enlightened interests and emancipate. Individuals who master political economy are therefore able to make better decisions for themselves and for others.

3. Say and the legacy of Adam Smith and Jeremy Bentham

While Say praised the contributions of the Physiocrats and Adam Smith in certain areas, he did not hesitate to criticise them when he believed they made mistakes. He recognised that they deserved credit for disseminating political economy. Smith was the most often cited author in *Traité*, but citation did not necessarily imply agreement. His espousing of Bentham’s utilitarianism, on the other hand, is somewhat easier to analyse.

Say praised the Physiocrats – the “secte des Économistes”, as they were named in the eighteenth century – for their promotion of *laissez faire*: “their writings have all favoured the strictest form of morality and freedom which each man must have for his person, his talent and his possessions, a freedom without which individual happiness and public prosperity are meaningless" (Say 1803, 30). However, Say's industrialism is a clear rejection of the Physiocrats' focus on land and agriculture, interpreted as the only sources of wealth.[7]

> Despite the fact that [the supporters of Quesnay and physiocracy] were ahead of their time in the area of political economy, and the fact that they rendered great services to this science, in what state would we be if one had managed all the public affairs according to the doctrines of Dupont de Nemours, and if trade and manufacturing had been considered sterile activities?
>
> (Say 1828–29, 41 n1)

Instead, Say favoured Smith. He bluntly professed that political economy did not exist before him (Say 1803, 33). Smith's merit is to have applied to political economy "the new method of dealing with sciences . . . starting from observed facts and deducing the general laws, of which they are the consequences" (Say 1814, 34). Another merit of Smith, according to Say, is separating political economy from politics. However, the filiation from Smith's ideas to Say's is complex. Say amplified his criticisms of Smith's views throughout the various editions of his main texts. His annotations to his own copy of the fifth edition of the *Wealth of Nations* show that he disagreed with him on a number of issues (Hashimoto 1980, 1982; Forget 1993). For instance, Say (1814, 39) complained about Smith's "lack of clarity in several places, and of method almost everywhere". In another instance, in *Lettres à M. Malthus*, he (1820, 42) stated that, though he had been influenced by Smith, he "no longer belonged to any school". Similarly, in *Cours*, he warned against following Smith's ideas too closely (1828–29, 750). In terms of substantive disagreements, he thought Smith overemphasised the importance of the division of labour and did not give a full account of the phenomenon of production. Say contended that enhanced production, not savings, generates wealth, and as a result, both consumption and savings would augment (Say 1803, 201–2). More importantly, Say rejected Smith's theory of value and prices[8] (Faccarello and Steiner 2002).

Say initially championed the utilitarian views of his fellow idéologues. In *Traité*, utility, defined as the power of an object to satisfy our needs and desires, plays a central role in Say's thinking; yet the idea that "pleasure and pain are . . . the unique principle that guides human behaviour" (Helvétius 1773, 236) is surprisingly never discussed. The difference with Destutt de Tracy, who relied on this principle to analyse exchange, is striking. The break dates back to 1814. Say published in *Mercure de France* an article on the *Théorie des peines et des récompenses* that Étienne

7 Indeed, François Quesnay (1767–68, 567) professed that "land is the only source of wealth and . . . it is agriculture that multiplies it".

8 Say interpreted Smith's theory of value as a labour theory of value. On the first page of his annotated copy of the *Wealth of Nations*, Say wrote: "labor is the only basis for the value of things (I think it is erroneous)" (Hashimoto 1980, 67).

Dumont had authored, based on Jeremy Bentham's manuscripts. During his 1814 trip to Britain, Francis Place introduced Say to Bentham. They then maintained a steady correspondence. In 1817, Say reviewed two books authored by Bentham for the journal *Censeur Européen*. In his review, he expressed his interest in Bentham's criticism of the English political system.[9]

Say came to believe that political economy has to address utilitarianism. He thus discussed it in his lectures at the Athénée. While writing his *Cours complet d'économie politique pratique*, he initially planned to include a chapter on utilitarianism. Unsatisfied with the text he wrote, he asked Dumont if he could write the chapter; but Dumont died before he could produce a manuscript. Shortly after Say's passing, in 1833, Charles Comte published the manuscript Say intended to include in *Cours*. In this text, Say criticised the Romantics and their praise of sentiments, particularly religious sentiments. However, to reply to the criticism that Germaine de Staël (1807, I, 165) made in *Corinne ou l'Italie* in reference to "this dull principle of utility", Say was forced to change his formulation and admit that it is possible to make mistakes and prefer something harmful over something useful. What characterises the principle of utility, Say explained, is the fact that it compels individuals to exercise judgement and have knowledge about things: "it perpetually changes, as what was thought to be good is bad, or what was thought to be bad is good" (Say 1833, 139). Thus, individuals learn that showing respect for what is useful to others is the only way to obtain something useful from others. Say's views carried on a long tradition[10] which culminated with a notion that Alexis de Tocqueville (1840, III, 243) later called "self-interest well understood".

Yet the main issue was the relationship between natural rights and the principle of utility. Bentham's criticism of the declaration of human rights developed in 1816 prompted a strong reaction from Benjamin Constant (1817, II, 120) who asserted that "no obligation would bind us to laws that . . . restrain our legitimate liberties". Say did not directly take part in the controversy, but he expressed some reserve on the notion of natural rights. Thus, he wrote to Dupont de Nemours (18 June 1814): "I am no longer certain that [men] have rights". However, this conclusion should be qualified in light of his analysis of property – that the French constitutions of that time considered a natural right. Though he (2003, 340) claimed that "the landowner holds a conventional right only grounded on the customs of society which encouraged farming by allowing the landowner to have full control over his crops", he admitted that the control of a man over his person – defined as the capacity to have complete use of his person and faculties – is sacred, even if it is not always defended by positive law. In other words, Say believed some rights were natural. Say's role in the dissemination of utilitarianism in France was peculiar. Carrying on an old tradition that dates back to Holbach and Helvétius, he adopted some elements of Bentham's thinking.

9 On the dissemination of Bentham's ideas in France, see Champs (2015).

10 The expression "interest well understood" was used by Condillac (1755, 407), but the term was already in use; for instance, Tocqueville believed he found it in Montaigne's writings.

4. Production

Say defined political economy as the study of the formation, distribution and consumption of wealth. Production is at the beginning of the sequence and thus constitutes the source and the engine of economic development. His approach to production is peculiar for his utility-based definition thereof, his analysis of the role of the entrepreneur and for what has been called Say's Law – arguably one of the most controversial principles in economic theory.

What is production?

Say introduced a new definition of production:[11] it is not a creation of matter, but of utility, and Destutt de Tracy (1815, 310) embraced Say's view, which played a crucial role in his analyses. Utility is the ability to satisfy human needs. It is not measured in physical units, but in utility degrees (Say 1803, 78). Production is "an extended exchange in which producers . . . offer productive services . . . and where they, in return, receive *products*, that is, any quantity of produced utility" (Say 1828–29, 120). The Physiocrats maintained that craftsmen are unproductive because they do not produce any surplus, the value of their products being equal to that of their consumption. Say disagreed: craftsmen produce at least the interest of the capital used. For Smith (1776, 330), the labour not embodied in some material objects does not produce any value and is unproductive. For Say, instead, this labour renders useful services and produces an "immaterial product", and Destutt de Tracy (1815, 162) argued that any labour that produces utility is productive labour.

Say admitted, however, that the labour producing immaterial products could not be accumulated and could not increase the national capital. Charles Dunoyer (1827, 68) accused him of being inconsequent: the fact that a product is immaterial does not imply that it could not be accumulated, as the example of knowledge clearly shows, and in this perspective asserted that the state is the main producer in the economy (Faccarello 2010).

This is not to state that, for Say, knowledge is not important. He did not think that the division of labour could alone explain the progress of wealth: well-being improved because men learned how to better exploit natural resources and, in this perspective, sciences are the basis of industry and wealth. But there was more. It is necessary to know how to make the most of its discoveries in order to satisfy human needs: this task is performed by industry. Invention and innovation lie at the heart of the development process, of which scientists and entrepreneurs are the deciding agents.

11 Say is probably the first economist who argued that production was not a creation of matter, but of utility. However, before him similar – but not identical – propositions were formulated. For example, Condillac (1776, 50) explained that trade enhances the quantity of wealth by moving goods from places where they are oversupplied to places where they are scarce and more useful. It should be noted, however, that Condillac mentioned an increase in the quantity of wealth, while Say referred to a production of utility.

Say divides the production process into three operations or functions: theory, application and execution. The entrepreneur, defined as the agent who "takes steps to create on his own account any product for his own profit and at his own risk", is in charge of the second operation (Say 1803, 116).

> The entrepreneur . . . is the principal agent of production. The other operations are indispensable for creating products; but it is the entrepreneur who carry them out, who gives them a useful impulse, who produces values. He is the one who assesses the needs and especially the means to fulfil them, and who compares the goal with these means.
>
> (Say 1828–29, 101)

The entrepreneur thus appears as the organiser of production, the intermediary between all the owners of productive services on the one hand and between all of them and the final consumers on the other (Say 1803–41, 735). In a nutshell, by performing a distinct economic function, the entrepreneur plays a pivotal role in the economy (Koolman 1971).

Say's analysis of entrepreneurship followed a long tradition. The term "entrepreneur" was used in the *Dictionnaire universel du commerce* by Jacques Savary (1726, II, 630) to describe a person who creates an establishment where some individuals are hired to work under his direction. Cantillon took up the idea: entrepreneurs organise production and the circulation of goods. As final prices are uncertain, so are their incomes. Cantillon (1755, 31) concluded:

> We can affirm that, except the Prince and the landowners, all the inhabitants of a State are dependent; they can be divided into two classes, namely entrepreneurs and hired workers . . . entrepreneurs are subject to uncertain incomes, while all other classes receive certain incomes.

Though Turgot also mentioned the idea that the income of the entrepreneur was uncertain, he focused on another issue: the role played by the advances required for all types of productions in farming, industry, or commerce. His central figure is the capitalist entrepreneur who advances capital, hires workers, and organises production and sales. Turgot stressed that if entrepreneurs do not have enough funds, "they can easily decide to give up a part of their profits . . . to those who own capital" (Turgot 1766, II, 576). As he admitted that the interest of the loan does not depend on the profit on capital that the borrower expected to make, he thus clearly distinguished the interest on capital from the profit of the entrepreneur. "Apart from the interest on capital, the entrepreneur shall gain . . . a profit that rewards his skills, his work, his talents, the risk, and allows him to cover the yearly depreciation of his advances" (Turgot 1766, II, 591).

Turgot's reasoning involved an entrepreneur capitalist. Say, on the other hand, separated the two functions. The entrepreneur generally owns a portion of capital, but, most of all, he is the manager: he designs the product, identifies potential clients and buys productive services. All of this requires lots of knowledge. The entrepreneur is not a scientist properly speaking, but his role is to use science that can help satisfy human needs. "The job of an entrepreneur requires the ability to invent, that is . . . the ability to put forward the best ideas and the best way to utilise them" (Say 1828–29, 723). Put simply, Say envisioned the entrepreneur as an innovator.

Say's Law

The importance of production in Say's system is captured through his law of outlets ("loi des débouchés"), known as Say's Law, which has generated numerous controversies and misinterpretations. It describes the relationship between production and the demand for commodities. The core message is that production is the source of demand. However, that relationship need not imply that supply is necessarily equal to demand, nor that demand deficiency could not cause economic crises. The starting point is Say's definition of outlets ("débouchés") as "the means of trading products that [producers] have created for those that they need" (Say 1828–29, 349). Say's argument is that an increase in the value of production leads to higher income and expenditures, which then generates greater outlets.

In the chapter on outlets of the first edition, 1803–41, of *Traité* (Book I, Chapter XXII), Say seeks to refute the so-called "mercantilist" monetary fallacies. He criticises the views of economists such as François Véron de Forbonnais (1754) and James Steuart (1767) who claimed that international trade spurs economic development by opening up new markets, and by increasing the quantity of specie in circulation within a country. Say contends that the abundance of money does not affect trade. He then concludes that it is pointless to favour a trade surplus in order to enhance the stock of gold and silver: "it is not the abundance of money but the abundance of other products in general that facilitates sales" (1803–41, 244). He aims to show that, *in general* the production of goods rather than the supply of money stimulates the demand for goods (Baumol 1977, 154). But, in the first edition of *Traité*, Say's discussion of the law is not limited to the chapter on outlets. In Book IV, Chapter V (1803, 688), he states that

> contrary to what many people thought*, the scope of the total demand for means of production*, does not depend upon *the scope of consumption*. Consumption is not a cause: it is an effect. One must buy in order to consume; yet one can buy only what has been produced. Is the quantity of products demanded therefore determined by the quantity of products created? Undoubtedly so. . . . The total demand for products is therefore always equal to the sum of products,

and therefore general overproduction could not occur. Say would later be less categorical.

In the second edition of *Traité*, 1814, Say argues that "a product is no sooner created than it opens, from that instant, an outlet for other products to the full extent of its own value" (1814, 250). The passage does not mean that supply created its own demand, but simply means that the sale of goods increases one's holdings of money, which potentially, but not necessarily, allows the purchase of other goods with the proceeds of the sale. In *Lettres à M. Malthus*, Say (1820, 4–5) adds: "as each of us can only purchase the products of others with his own products; as the value we can buy is equal to the value we can produce, the more men can produce, the more they will purchase". Say was aware that, at times, producers would not be able to sell all their merchandise. Thus, if some products do not sell, it is because "many people bought less because they earned less" (Say 1814, 253). Demand was constrained by successful sales (Béraud and Numa 2018a, 2018b). Thus the failure to produce (or the failure of factor owners to sell their services) must have repercussions on the demand for output, because the demand for product is financed out of earned income. In other words, a general demand shortfall is possible and can cause economic crises.

In Say's terminology, a product is not only something that met human needs; it is something whose utility was worth what it costs. An unsold good or a good whose market price is less than its production cost does not constitute a product. One could be led to believe that in his letters to Malthus Say sought to reformulate his definition of a product to respond to his critics. This argument is incorrect for two reasons. His definition of production (Say 1814, 1139) as creation of utility – utility being conceived of as a measure of exchangeable value – implies that an unsold good is *not* a product and that if its current price is less than its production cost, the good should be valued at its current price. The second reason is logical: Say's analysis of outlets relies on the individual's budget constraint. Using a sequential model, which is certainly consistent with Say's reasoning, the resources that can be used by an individual to make purchases do *not* include the unsold goods that he owns. As Say (1814, 253) forcefully asserted, people bought less because they earned less. This is particularly significant in analysing situations where, as a result of sudden trade downturns, the structure of the supply of goods fails to adjust to demand.

It is no wonder, then, that Say (1819, 260) acknowledges that in a stagnating or declining economy, "all the demands are on the decline; the value of the products is not equal to the costs of production". In other words, "while the demands are on the decline, there are always more goods [that are] supplied than goods [that are] sold" (Say 1814, 260n). Say argues that

> a buyer manifests himself in an effective manner only when there is money to buy; and he can obtain money only through the products that he created or those that were created for him; it then follows that it is production that stimulates outlets.
>
> (Say 1826, 1105)

In *Lettres à M. Malthus*, Say refutes Ricardo's claim that "there is always as much industry as capital employed, and that all saved capital is always employed" (1820, 101 n1). In light of the 1813 recession in France, Say contends that many savings were not invested, not all capital was employed, and many workers were jobless. In other words, for Say the economy is not always operating up to its full capacity, thereby admitting that a general glut is possible.

The production of a commodity does not necessarily create a demand because the good could remain unsold or could be sold at a price that is less than its production cost (Say 1828–29, 356–7). Once a product is sold, a potential demand is created so that the individual who sold it could use the proceeds of the sale to demand other products or financial assets. The individual could also keep all or part of the money proceeds to be spent at a later stage. If some products were oversupplied, they would be sold for less than their production cost. The purchasing power of the producer would be reduced, and this loss would eventually affect his expenditure. Therefore, demand deficiency could cause crises and money is not only a medium of exchange (Béraud and Numa 2018b).

Say thus paid close attention to the secular record and economic events of his time, which involved general gluts and the hoarding of cash. In other words, he thought of his law as a long-term principle. This transpires in the final paragraph of *Cours* in which Say defended the validity of his law described as a powerful engine of long-term industrial growth:

> the theory of outlets, by showing that the interests of men and nations are not in opposition to one another, will undoubtedly propagate seeds of concord and peace, which will germinate with time and which will not be one of the smallest benefits of the more correct opinion that people will form about the economy of societies.
>
> (Say 1828–29, 1273)

The law of outlets is an illustration of Say's "practical political economy" (Say 1814, 12 n2; Numa 2019). He first lay out a general rule or a "law", then he mentions some qualifications after analysing how the rule applies to the reality of economic life, considering its effects both in the private and public spheres. Like Malthus, he reproached Ricardo of applying principles in a rigid and unqualified fashion. Applying principles abruptly without confronting them with experience leads to vague and inconclusive results (Say 1828–29, 762).

5. Value

Say and Destutt de Tracy developed their value theories in the context of a long tradition of French economists – starting from Turgot – who put emphasis on the role of utility in the formation of prices. Their reasoning was different, however. Like Turgot in *Valeur et Monnaie*, Destutt de Tracy started from the analysis of bilateral exchange: it allowed each individual to acquire a good whose utility was greater than that of the good that was traded. Turgot (1769, III, 91) observed that "trade between two men increases their respective wealth, in that they can receive a greater quantity of pleasure with the same faculties". For him, this benefit came from the division of labour which allowed output to grow for both goods.[12] For Destutt de Tracy, the improvement could be explained by the fact that the satisfaction of both individuals – the total utility – increased. Essentially, like Condillac, Destutt de Tracy argued that trade was a productive activity. Say (1828–29, 312) rejected such a conclusion, contending that "the value that constitutes wealth . . . is not an arbitrary value that any individual retrieves from a good that he owns".

Turgot distinguished between two types of exchange rates: the fundamental price ("prix fondamental") and the "current price" ("prix courant"). "The fundamental price is what the good costs to that who sells it, that is, the costs of raw materials, interest on advances, wages and operating costs" (Turgot 1767, 655 n). The current price is determined by supply and demand and tends to be equal to the fundamental price. In the first edition of *Traité*, Say made a similar distinction, namely natural value and exchange value. The distinction between the two types of value gradually became secondary, leading Say to simply maintain that the price of a good was determined by supply and demand. Destutt de Tracy opposed necessary value ("valeur naturelle et nécessaire") and market value ("valeur conventionnelle et vénale"); however, his necessary value was different from Turgot's fundamental price. In Destutt de Tracy's mind, the necessary value is only determined by the costs of the goods required to maintain the existence of the workers. The necessary value is therefore a minimum, unlike the fundamental price, which is the cost of production, including interest, around which the market value gravitates.

What is the source of value?

In the first edition of the *Traité*, Say mainly developed his view of value from the *Wealth of Nations*: his development relies on the gravitation of the market price around the natural price. In the second edition, his analysis changed. Utility was now "the first base of the value of things" (Say 1814, 592), and the cost of production was the second. The link between the two is supply and demand. Say first studied the role of individual choices and the distribution of income in the relation between the price of a good and the demand for it. Individuals have different needs they rank according to their degree of importance for them; they satisfy first the most urgent ones, then those that are less so, and so on. However, to derive the total demand from individuals, the distribution of income must be taken into account. Say described it as a pyramid: only a few consumers are rich, many are poor. When

12 On this point, Turgot is clear and explicit. After analysing the case of two « savages » trading corn for wood, he thus writes (1769, III, 91):

> I assume . . . that the shore which produces corn and the shore which produces wood are remote from each other. A single savage would be compelled to make two journeys to obtain his provisions of corn and wood; he would consequently lose much time and effort in navigating. If, on the contrary, there are two of them, they will use the time and effort that would have been put into the second journey, one to cut wood, the other to obtain corn. The total sum of corn and wood gathered will be much bigger and, as a result, so will be the share of each man.

the price is high, only a few persons can afford the good; when it was low, almost all are able to. On the other hand, Say (1826, 619) stressed that, when the demand for a good increases, the demand for productive services which are necessary to produce it and their prices increase as well. He concluded that, while some economists like Ricardo wrote that

> the cost of production regulates the price of products, they were right in this sense that products are never sold for a long time at a price lower than their cost of production; but when they said that demand does not influence their value, they were wrong . . . demand influences the value of the productive services, increases the cost of production and rises the value of products without exceeding product costs.
>
> (1826, 619)

The exchange process involves a vast circulation of values, but exchange does not form the source of value:

> A mutual exchange indicates the value that men attach to what they own, in the time, in the place, in the type of society in which they live. . . . This is the reason why many people regarded exchange as the source of value and wealth, which it is not. It only allows you to determine value and wealth, by comparing it to other values, and particularly by reducing the various types of wealth to a common expression, to a certain quantity of a given product, just like any quantity of [money].
>
> (Say 1819, 1107)

Say conceded that there could be a difference in the perception of value between traders. However, "the personal opinion of the sellers and the buyers, each taken separately, makes no more changes to the value of goods than it changes their weight or size" (Say 1828–29, 312). Therefore, the only objective measure of value is the market price that Say called current price ("prix courant").

Smith (1776, 12) viewed the products of land and labour as real wealth. His approach rested on the idea that wealth consisted of physical goods. Relying on Say's analysis, Destutt de Tracy contended that production – in the economic sense of the term – is a production of utility and that only human labour creates wealth. Goods used by individuals do not come from the means used to create them, but they were the result of the uses of human faculties:

> We own a good field or a good tool only because we recognise the properties of the raw material and made it easy to make it useful. . . . It is always from the use of our faculties that these goods are created.
>
> (Destutt de Tracy 1815, 98)

This idea caused some controversies and led some commentators such as Say (1825, 713) and Head (1985, 130; 1987) to consider Destutt de Tracy a proto-Ricardian author who proposed a labour theory of value – passages in this sense can be found in Ricardo himself. Several developments in the *Commentaires* and in the *Éléments d'idéologie* can also support this view:

> Because it is certain that our physical and moral faculties constitute our only true wealth, that using these faculties, that is any labour, is our only primitive treasure, and that it is always from this use that all the things we call goods originate . . . it is equally certain that all these goods only represent the labour that allowed them to be created, and that . . . they can only retrieve their values from the labour used to create them.
>
> (Destutt de Tracy 1815, 99–100)

But should one conclude that Destutt de Tracy predated Ricardo in thinking that "the value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production" (Ricardo 1817–21, 11)? Ricardo himself seemed somewhat hesitant:

> M. de Tracy has given a useful and an able treatise on the general principles of Political Economy, and I am sorry to be obliged to add, that he supports, by his authority, the definitions which M. Say has given of the words "value," "riches," and "utility".
>
> (Ricardo 1817–21, 284–5 n)

Therefore, the question of whether Destutt de Tracy defended a labour theory of value calls for a cautious answer, as Magnan de Bornier (2013, 212) rightly suggested (see also Béraud and Faccarello 2014, 26, 69). Destutt de Tracy did not claim that the quantity of necessary labour required for producing a good determines its value: he maintained that labour is the source of the utility of goods, considering that only our faculties enable us to use the means at our disposal to satisfy our needs.

The measure of value

One should distinguish two separate questions, albeit related: the measure of value on the one hand, and the determination of value on the other. In chapter XX of the *Principles*, Ricardo criticised Say when he explained that the exchangeable value of a commodity "is the quantity of any other product that one can receive in exchange" (Say 1803–41, 596). To make his point, Ricardo used the following example: suppose someone intended to measure the value of cloth based on the quantity of another commodity received in exchange. Suppose the production of the commodity became easier; Say believed the value of that commodity would increase, while Ricardo (1817–21, 281) contended that it would remain unchanged, because the commodity must be produced with the same quantity of labour. In his *Logique*, Destutt de Tracy (1801, 150 and 336) explained that "To measure any thing is to compare it to a given quantity of the same thing, which we take as the term of comparison, as a unit". This statement does not allow to solve the disagreement between Say and Ricardo, since they both seem to agree with Destutt de Tracy. In fact, they held two different conceptions of value theory. For Say, value was relative, while Ricardo regarded value as an absolute concept. However, when Say (1814, 1162) argued that the market price is a measure of utility, he seemed to violate Tracy's principle: Only the utility of one good can measure the utility of another good. Destutt de Tracy suggests that to measure a thing's utility to us, we must look at the sacrifices we are willing to make to acquire it (Destutt de Tracy 1815, 172).

The differences between Say and Destutt de Tracy are clearer on trade and prices. Condillac (1776, 53), after Turgot, had indicated that "it is wrong to believe that in trade, equal value for equal value is given. On the contrary, each trader always gives up a lower value in exchange for a greater one". Say (1828–29, 312) replied that, in terms of production and trade, value was not something that individuals assigned to goods they owned; value was a magnitude determined on the market. In other words, value was equivalent to the current price. Say's comment leaves the problem unresolved because, obviously, Condillac understands value to mean the utility of the thing and not its price. Destutt de Tracy (1815, 144) adopted Condillac's stance without making any explicit reference, however: "Trade is an admirable transaction in which the two parties are always better off". He concluded that society, "which essentially . . . consists of a continuous series of trades", is "an uninterrupted sequence of re-emerging advantages for all its members". Trade enabled to improve the well-being of the members of the community.

In the first edition of *Traité* – the only one that Destutt de Tracy had read when he wrote his *Traité de la volonté* – Say distinguished between natural value and exchangeable value in the same way Smith differentiated between natural price and market price. For him, the natural value of wheat comprises the profit from the land where wheat is cultivated (rent), the interest of capital of the landowner or of the farmer who uses the land, and the wage of all the individuals who contribute to the production process. Destutt de Tracy saw things differently. For him, land rent was not a specific income: "a field is a tool like any other and land rent is exactly the same thing as the cost of renting a machine or the interest on a loan" (Destutt de Tracy 1819, 285). Rather than distinguishing between natural value and exchangeable value, he opted for the opposition between necessary value ("valeur nécessaire") and market value ("valeur vénale"): "[The] necessary value is the sum of essential needs whose satisfaction is necessary for the existence of that who performs [a] task during a specific time frame" (Destutt de Tracy 1815, 175). Put differently, the price of a good must be high enough to cover the subsistence wage of the workers who directly and indirectly participated in the production process. Thus, a good can never be produced in a durable fashion if the market value is less than the necessary value; but Tracy's market value differs from Smith's in that the market value does not gravitate around the necessary value. The market value is simply "the real measure of utility of production because it determines its price" (1815, 176). This could create some difficulties, Destutt de Tracy admitted. Suppose an improvement of production techniques allows workers to double output in the same time period. Initially, the market value might remain unchanged. In the long run, however, the market value would decline to a point where the value of the total product would reach its initial level, while the quantity produced doubled. Wages would not be higher, despite the fact that workers performed twice as many tasks: "Therefore, their labour would not be more profitable for them, but it would be more profitable for society as a whole" (1815, 178). Destutt de Tracy thus highlighted problems that can arise when one intends to use the market value as a measure of utility.

The measurement of the utility of public works can be used as an illustration. Claude Navier, a polytechnician and engineer from École Nationale des Ponts et Chaussées, called for the construction of new canals with free access in order to maximise the benefit for the public. To determine whether a canal should be built, Navier explained that its utility should be estimated. According to Navier, the utility is equal to the product of the total quantity of goods transported multiplied by the difference between the transportation costs on the road (old traffic) and the transportation costs on the canal (new traffic). Although Navier (1830) did not mention Say, Dupuit (1844, 347) believed that in fact Navier's formula was inspired from Say. Dupuit showed that the formula overestimates the utility of public works, given that the new traffic of goods on the canal does not travel by road before the construction of the canal. Measuring utility remained unsolved until the publication of Jules Dupuit's essays in 1844 and 1849: "To measure the utility of an object, political economy must use each consumer's maximum willingness to pay" (Dupuit 1844, 343).

6. Income distribution

Say summarised his thinking on income distribution as follows:

> once created, each product pays, through its acquired value, the totality of services used for its production. Several of these services were paid for before the product was created, which required the advance of someone; other services were paid for after the product was created and sold. In both cases, services were paid for by the value of the product [its market price].
>
> (Say 1814, 687)

He identified four kinds of income: wage, interest, rent and the remuneration of the services of the entrepreneur. This classification was partly due to his analysis of the role of the entrepreneur. For Smith, the entrepreneur is usually the capitalist, the agent who invests the capital: he focused on profit as a whole and stressed that profit was not the remuneration for supervision and direction – such tasks could be performed "by some principal clerk" (Smith 1776, 66). For Say, whether the entrepreneur owns a fraction of the capital of the firm was of no importance: what matters is the fact that he manages it. English writers, he observed, failed to distinguish between the interest of capital and the revenues that pays for the service of *employing* capital and other productive services, which require the specific abilities and talent of the entrepreneur. The difference between the two types of revenues is that the latter are uncertain (Steiner 1998). Smith disregarded the issue and "ran into difficulties" (Say 1803–41, 730 n1).

The prices of the productive services are, like those of the products, determined by supply and demand. The demand for services is indirect: "when a product is in demand, all the services, which concur to its production, are also in demand" (Say 1828–29, 705) and their demand rises with that of the goods. Thus, when wealth increases, the amount of capital increases, interest declines and wages rise.

Land rent is determined in the same way as wages and profits. Land differs in location and fertility: each kind of land is subject to a specific demand, which determines its remuneration. Say thus criticises the Ricardian theory of rent and particularly the principle that rent is not a constituent part of the price of commodities.

> David Ricardo admits . . . that it is the increase in population, that is, the sum of needs, that raises the price of corn and allows a farmer to pay rent. He concludes that "corn is not high because a rent is paid, but a rent is paid because corn is high". It is also the case for all products, whatever they are. . . . Thus . . . the needs of society determine the price of all products and allow the entrepreneur to pay the profits of labour and capital, and even sometimes a monopoly profit, when such a monopoly is necessary for production, which is the case for agricultural products.
>
> (Say 1828–29, 801–2)

However, this proposition does not allow to exclude rent from costs or to state that the existence of land of poorer quality is the cause of rents made on the more fertile land.

One difficulty remains, however. Land is not the only productive natural factor: how can we explain that it is the only one that generates income? This is because it could be appropriated by men. This ownership must thus be justified. Say (1819, 793) used a utilitarian argument: "Land is cultivated, and we obtain its products in some abundance, thanks to its appropriation".

Income distribution also plays a central role in Destutt de Tracy's work. He believed that "mankind as a whole is rich and powerful and sees its means of existence grow every day, but the same cannot be said for individuals" (1815, 297). Inevitably, resources and wealth are unevenly distributed. Inequality is a fact of nature, as individuals do not have the same level of force, intelligence and happiness. Inequality is a necessary evil, and, as a result, laws should aim to protect the weak, not the powerful, as it was too often the case.

> Humanity, justice, and politics also command that among all the interests, those of the poor should always be the most consulted and the most respected persistently; and by poor, I mean simple wage earners and especially low-wage earners. . . . The true interests of the poor . . . are always in line with reason and with the general interest.
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> (1815, 323–5)