

**ECONOMIC THOUGHT
And
POLITICAL THEORY**

KLUWER ACADEMIC PUBLISHERS
Edited: 1994

SIR JAMES STEUART ON THE MANAGED MARKET

Anastassios Karayiannis

... my point of view is, to investigate how a statesman may turn the circumstances which have produced this new plan of oeconomy to the best advantage for mankind, leaving the reformation of such a plan to time and to events.

—Sir James Steuart, 1767 (1966), pp. 75-6

Steuart was a creature of his time (the beginning of the Industrial Revolution), experienced in European political and economic situations. He worked on his *An Inquiry into the Principles of Political Economy* at the peak of the transitional period—in the world of ideas—from mercantilism (old order) to liberalism (new order). His attempts to synthesize these two streams of thought is evident from his attitude toward the function of the market and the role of the statesman.

Steuart justified and built a managed-market system as follows. At first, he used an evolutionary and historical approach to describe the possibilities and capabilities of a country to achieve and sustain an adequate level of economic development.

Page 37

Then followed his positive analysis of how some fundamental economic phenomena resulted in crucial market failures which, according to his view, could not be corrected by any internal mechanism. Last, he based most of his arguments on the assumption of the existence of a "perfect" statesman, whose role would be fundamental in the correction of those failures. All these reasons led him to the development of the concept of a managed economy that contained some elements very relevant to our time.

The purpose of this chapter is to analyze Steuart's ideas and arguments on behalf of the managed market. In order to do so, the significant views and arguments of Steuart on this issue, scattered throughout his "inquiry," are gathered and systematized. The subsequent analysis is also conducted, as far as possible, "from the shadow of [Adam] Smith's reputation," as Skinner has rightly suggested (1985, p. 19).

The chapter is composed of four sections. In the first section Steuart's views of the content and object of political economy and the characteristics of the statesman are examined. In the second section the cases where the operation of the free market fails to guarantee full employment with an adequate living standard are analyzed, and the ways and means with which the statesman must intervene in order to correct such failures are examined. The third section presents the means employed by the statesman to stimulate an underdeveloped economy to reach and maintain a high level of development and a favorable balance of trade. In the final section the main differences between Steuart's and Adam Smith's attitudes on the function of the free market and their beliefs regarding to the existence and operation of a perfect statesman are

examined.

Political Oeconomy and the Statesman's Objects and Characteristics

Steuart, from the very beginning of his inquiry, makes clear that the role of the statesman is fundamental to political economy. The statesman's role is not only stimulative and preventive but also regulatory and corrective through indirect and direct intervention. Steuart begins his inquiry with the definition of economy as the art of household management exercised by the hand of the family (1.15).¹ He uses a broader but similar definition for *Political Oeconomy*, stressing its "paternalistic" substance: "Oeconomy and government, even hi a private family, present... two different ideas, and have also two different objects. What economy is in a family, political economy is in a state" (1.16)—an idea advanced in pseudo-Aristotle's *Oeconomica* (343a, 1-5, 15-17) and developed later by Rousseau (1758, pp. 117-118).

Page 38

Steuart, as he himself declares, wanted to take up his pen upon the subject of political economy toward "preparing the spirit of a people to receive a good plan of economy, than a proper representation of it" (1.18). Therefore,

... although it seem addressed to a statesman, the real object of the inquiry *is to influence the spirit of those whom he governs*; and the variety of matter contained in it, may even suggest useful hints to himself. But his own genius and experience will enable him to carry such notions far beyond the reach of my abilities (1.12; emphasis added).

He employed both induction and deduction in his work and tried to verify his conclusions by an appeal to observation and experience (1.17, 1.142). Moreover, he stressed the relativity of conclusions regarding the principles of economic phenomena, which is ultimately related to the differences between tunes, countries, and institutions (1.4-5, 1.16, 2.339; see also Karayiannis, 1992, p. 288).

The character of Steuart's "inquiry" is both positive and normative (1.16, 1.74). Only after the positive analysis of any economic situation or problem does Steuart reach normative conclusions with respect to specific situations or problems. He states that his intention is to show what ought to be and not what is the statesman's economic intervention and policy (2.708).

Steuart used his various methodological tools together with his views on the scope and character of political economy to describe the evolutionary and interrelated processes of economics and politics. The influence of economics on politics and vice versa is a noticeable element of Steuart's historical and evolutionary approach (see, for example, 1.71-72, 74, 76, 181, 209-216; see also Skinner, 1962, pp. 20-21; Hirschman, 1977, pp. 82-83).

The basic principles of political economy depend on the assumptions made with respect to the behavior of individuals. Steuart makes clear that the motive of self-interest (1.20), though not the only "universal spring of human actions" (1.143; see also Khalil, 1987, p. 126), is used

... as a general key to this inquiry; and it may, in one sense, be considered as the ruling principle of my subject, and may therefore be traced throughout the whole. *This is the main spring, and only motive which a statesman should make use of, to engage*

His second behavioral assumption is related to the statesman's self-interest. This motive according to Steuart, is simply the promotion of public good, and thus the statesman must judge everything in accordance with the public interest which is nothing more than the product of a collection of private interests (1.88, 142-144). Steuart, contrary to the early mercantilists who thought the statesman's ultimate goal was the increase of the power of the state, believed that the statesman's fundamental purpose ought to be the increase of the welfare of "his subjects":

As we have taken for granted the fundamental maxim, that every operation of government should be calculated for the good of the people (1.21).

The statesman, in doing his best in promoting the public interest, must sacrifice the interest of some people for the general good (1.248), particularly when this interest is contradicted by the public good (2.363). Thus, the statesman, "in order to cement his society, should know how to engage every one, as far as possible, to turn his attracting pole towards the particular center of common good" (2.394).

Steuart does not stress that the interest of the public is higher than of individuals, that is, he does not favor an authoritarian system, neither a "despotic" nor a "popular" one (1.279, 304; see also King, 1988, p. 23). As he makes clear from the beginning,

... my natural partiality in favour of individuals had led me to condemn, as Machiavellian principles, every sentiment, approving the sacrifice of private concerns in favour of a general plan (1.10-11; see also 1.18, 293-294).

Although not a champion of individualism, neither does he follow the Aristotelean dictum, according to which: "the State is by nature clearly prior to the family and to the individual, since the whole is of necessity prior to the part" (*Politica*, 1253a, 15-20). On the contrary, he mentioned that individuals must avoid actions that may be turned against their welfare; thus, they will be forced to ask the statesman to intervene, *viz.*:

I must observe, that nothing would have been so easy as to soften many passages, where the politician appears to have snatched the pen out of the hand of the private citizen: but as I write for such only who can follow a close reasoning, and attend to the general scope of the whole inquiry, I have, purposely, made no correction; but continued painting, in the strongest colours, every inconvenience which must affect certain individuals living under our free modern governments, whenever a wise statesman sets about correcting old abuses.... The more any cure is painful and dangerous, the more ought men carefully to avoid the disease (1.11).

Steuart's central figure in his inquiry is an imaginary statesman² or "an abstraction" (Skinner, 1985, p. 10), rather than a real one. He has endowed this figure with the following qualities and characteristics that are very rarely concentrated in a man or group of men who constitute the government in any state. An efficient statesman who will be able to undertake all those actions and responsibilities necessary for the promotion of the general welfare must: sacrifice his personal interest for the common good (1.11); have "virtue and justice" (1.20); be a cool administrator not having a

man's "passions, vices and weaknesses" (1.217); be "constantly awake" (1.64); have a particular talent "to dispose the minds of a people to approve even of the scheme which is the most conducive to their interest and prosperity" (1.25); "gain the confidence of his people, so far as to impress them with a firm belief that he will consult their good, and nothing else, in what he undertakes" (2.656); be "sagacious" (1.291); have adequate knowledge on economic matters (1.333); and be impartial in regard to the interest of some of his citizens (2.389).

Steuart was well aware that the statesman's impartiality is crucial (1.26). Thus, he stressed that the statesman must not favor the interest of some of his people, that is, "by constituting a particular advantage in favour of some individuals of the same class above others" (1.273), nor obey any organized interests with a "strong ... influence in parliament" (2.625). On the contrary: "When any one interest becomes too predominant, the prosperity of the state stands upon a precarious footing. Every interest should be encouraged, protected, and kept within due bounds" (2.637), and therefore, "I infer, that it is dangerous to the common interest, to permit too dose an union between the members of any subaltern society" (2.394-395).

Steuart, in analyzing the ways and means by which the failures of the free market system could be corrected and/or avoided, introduced the following assumptions in regard to the statesman's decision making: (1) "a statesman at the head of government, who makes every circumstance occur in promoting the execution of the plan he has laid down" (1.238); (2) "every statesman to have good reasons for doing what he does, unless I can discover that his motives are bad" (2.625); (3) "a statesman at the lead of government, systematically conducting every part of it, as to pre-vent the vicissitudes of manners, and innovations, by their natural and immediate effects or consequences, from hurting any interest within the commonwealth" (1.122); and (4) "Let not... a statesman regulate his conduct upon suppositions, nor conclude any thing from theory, nor from arguments *a priori*... but let him have recourse to information and experience concerning the real state of the matter" (2.693).

Page 41

Steuart was well aware that the above assumptions in regard to the qualities and efficiency of the statesman are chimerical, he said: "I might safely say, there is no form of government upon earth so excellent in itself, is, necessarily, to make the people happy under it" (1.23). However, he used the statesman's intervention as the necessary role for the establishment of a well-functioning economy. He does so because he does not recognize any other role in its place (as, for example, the "invisible" hand of Smith) and he wanted the government to work and act only for the welfare of the citizens. In order to enforce his desire in regard to the efficient and proper statesman's intervention, he proposed the punishment of every civil servant for the abuse of public money (1.257; see also Eltis, 1986, p. 62) and he repeatedly noted the vices and the wrong decisions that must be avoided by the statesman.³

Market Failures and the Statesman's Intervention

Steuart believed that a free market economy it is possible to fail in the long run to achieve a state of full employment. The disequilibrium that would emerge would not automatically be restored. For the restoration of equilibrium the statesman's intervention through direct and indirect means is imperative.

Steuart is much more concerned with the idea that the statesman must be active mainly by influencing and preventing rather than prohibiting the actions of

individuals (1.278). He was against every sudden introduction of new economic institutions or measures on the part of the statesman (1.292) because it could prove hurtful for the economy (1.89; see also Ohmori, 1983, p. 186). For Steuart, the statesman must intervene in economic matters gradually and must "model the minds of his subjects so as to induce them, from the allurements of private interest, to concur in the execution of his plan" (1.17). Thus, Steuart's economics could be characterized first as *economics of direction and stimulation* and then, when the conditions of the economy still remain unfavorable, as *economics of prevention and control*.

Steuart is mainly engaged with the long-run rather than the short-run effects of the free market.⁴ His main interest was to show in which cases the free market fails to achieve full employment and what must be done in preventing and/or correcting such a situation (Sen, 1957, p. 130; Meek, 1958, p. 297; Skinner, 1981, p. 29). He makes clear from the beginning that the main principle to be followed by the statesman is the long-run equilibrium between the supply of and demand for goods and services (1.67,86). He emphasized the long-run equilibrium as he considered that the short-run disequilibrium or the "gentle alternate vibrations" (1.200) between the demand for and supply of goods and services "may favour both sides of the contract" (1.201) and the level of output can be increased (1.194-195).

Page 42

Steuart is primarily concerned with unemployment and conceived the objects of "Political Oeconomy" to be the achievement of full employment with an adequate living standard for all the people (1.17, 28). Thus, he treated unemployment as the main problem that a "modern" economy has to solve. He regarded it as a "load" on individuals and the state (1.73) and a situation that cannot be supported for long "because no power whatsoever in a statesman can go so far as to preserve numbers at the expense of the whole riches of his people" (1.294). If there were unemployment, Steuart was against any direct regulation and prohibition to human propagation being imposed by the statesman (1.80). Instead, he proposed the direct intervention of the statesman for the immediate relief of the unemployed when other measures and policies prove inefficient, by recommending "... hospitals for foundlings over all the country; and still more strongly the frugal maintenance of children in such hospitals, and their being bred up early to fill and recruit the lowest classes of the people" (1.80), and the collection of "the children of the wretched into workhouses" (1.249).

Steuart analyzed the following causes of involuntary unemployment:

First is that produced by the sudden introduction of machines as labor-saving innovations (1.122). In this case the statesman must find employment for the unemployed workers as he does for his soldiers after the end of a war (1.122-3). He can employ the unemployed laborers in public works, or in the army, or send them to the colonies (1.202-203).

A second cause of unemployment is produced by the diminution of "effectual demand." The diminution of effectual demand could be produced by (1) a permanent disequilibrium between the market prices of goods and their "intrinsic" values; (2) a permanent disequilibrium between the supply of and demand for goods and services; and (3) an increase in the rate of hoarding. Let us analyze more broadly those causes of unemployment and the remedies suggested by Steuart.

Steuart, by distinguishing between the market price and the "intrinsic" value of goods,⁵ showed where the permanent disequilibrium between those two rates caused the emergence of unemployment. More specifically, where the supply of goods is higher than demand for a significant time, prices will decrease and "the workman fall

into distress, and... industry suffer a discouragement" (1.192). In that case the supply price (i.e., cost of production) becomes higher than the market price and "the reasonable profits" are diminished (1.192).

Steuart suggested that the remedy for such a situation was the adoption of two policies: (1) of managed supply and (2) of managed demand.

Page 43

The first policy has to do with the diminution of the level of supply, that is, "the statesman should diminish the number of hands, by throwing a part of them into a new channel" (1.191), which is a "forced" restoration of general equilibrium (1.229). The second policy can be realized through the increase of demand, by manipulating the level of taxes,⁶ of public expenses, and of the money supply (see also the excellent analysis by Akhtar, 1979, pp. 293-297).

By extending taxes and public expenditures, the regulation of demand and production is made possible (1.332). More specifically, by taxes the production of public services and the employment of public servants are made possible (1.321). Thus, a portion of the taxes will, through the public expenditures, be returned to the individuals since it will be spent for domestic purposes (1.320). Generally speaking, through the imposition of taxes and the use of the public revenues, "effectual" demand and production will be increased while unemployment will be diminished (2.709,725). Moreover, if the revenues from taxes are used on public investments, the level and efficiency of production will also be increased and thus unemployment will decrease:

... if, for example, in consequence of the roads made, any inhabitant shall incline to remove from place to place in a chariot, instead of riding on horseback, or walking, he must engage somebody to make the machine: this is a farther extension to occupation, on the side of those who labour (2.378); [therefore,] ... Expensive public works, are ... a means of giving bread to the poor, and of advancing industry, without hurting the simplicity of manners (2.387).

If anyone argues that, by the imposition of taxes, resources are withdrawn from the citizens and their level of demand and production decreased,

[t]he answer is, that it might be so, or not: whereas when the state gets it, it will be spent undoubtedly. Besides, had it been spent by individuals, it would have been laid out for the supply of private wants, which are not near so extensive as those of the public: and farther, when money is so taken from rich individuals, it obliges them to find out a way of procuring more, out of their solid property (2.726).

Thus, for Steuart there is no internal mechanism in the system that will guarantee that the citizens will spend all their income.

On the other hand, the statesman is able to diminish unemployment by using the supply of money as an instrument of economic policy. In order to increase domestic consumption the statesman increases the supply of money (1.323-324). And in the case where there is a shortage of metallic money, the statesman must put into circulation paper money in order to increase demand and production (1.327-328; see also Sen, 1957, p. 94).

Page 44

Steuart does not pay attention to the possibility of inflation produced by an increase in the money supply, arguing that an increase in the quantity of money and its velocity of circulation in the main increases demand (1.303, 2.356-357); and if

supply responds (2.354, 2.376), then production and employment also increase (2.344). Steuart, in criticizing the Humean quantity theory of money—though in an incomplete and incorrect manner (see Karayiannis, 1988b, pp. 542-544)—emphasized that the increase in money supply increases the demand and the supply of goods. Then, Steuart called on the statesman to help in the promotion of the circulation of wealth by introducing paper money in order to increase the circulation of goods, the multiplicity of wants among the industrious, and therefore the increase of supply through the increase of work effort and demand of individuals (1.316; 1.328; 1.330). In other words, Steuart supported a monetary policy of "cheap money" in order to increase, or at least to postpone the diminution of, the level of effective demand, production, and employment (Karayiannis, 1988a, pp. 44-46; 1991b, p. 332).

Steuart recognized also that there are some cases where the market is prevented from functioning competitively and thus permanent disequilibrium is produced between the market prices and the "intrinsic value" of goods. He was against any monopolistic and/or monopsonistic situation that would eliminate competition and prove hurtful for the general welfare because of the artificial increase in the rate of prices. In particular, he called on the statesman to punish those who are activated at first as monopsonist of a good but later become its monopolists and thus gain super-normal profits (1.175). He was also against the privileges given to some trading companies "farther than the public good necessarily requires it should be" (2.389). He further considered that when a privilege has been given to a company, the statesman must inspect all the affairs of the company "in order to be able to take measures which may effectually prevent bad consequences to the general interest of the nation" (2.394). Moreover, when there exist in the state "brotherhoods of labourers," that is, "confraternities, which prevent competition, and raise profits" in the production of necessary goods, it "is a point deserving the attention of a statesman" (1.273; see also 1.288, 2.390). Steuart was against all those collusions of producers because, among other things, people's manners and industry have changed in the "modern" economy and the individual "demands still more liberty" (1.288-289).

Effectual demand can also be diminished in the case where demand is higher than supply and the market price is increased. If this disequilibrium persists for quite a long period of time, then the real value of commodities will be increased because the extraordinary profits will be consolidated in

it (1.192-193; see also Karayiannis, 1991a, p. 181). The consolidation of profits into the real value of goods causes a downward inflexibility of prices, and Steuart emphasized the likelihood and importance of such inflexibility. At the same tune, a price increase in one sector of the economy will cause prices to rise hi others, and hence an increase hi the general price level will take place (2.II.221). For Steuart, the general diffusion of high prices is hurtful to the economy, because the absolute advantage of the country hi international trade is lost and thus exports and total demand are decreased, a situation that causes unemployment (1.248). By omitting the role of the entrepreneur, Steuart disregarded the possibility that the increase of labor and capital productivity would counterbalance the increase of the real wage rate (increasing living standard) and so the level of prices would be diminished instead of being increased by the consolidation of profits. Since Steuart did not recognize any self-adjusting market mechanism in this case, he called for the statesman's intervention to prevent or to correct such a situation (1.193-194, 204,251) and to maintain or restore an equilibrium consistent with the natural intrinsic values

(Karayiannis, 1991a, p. 182). In order to prevent the consolidation of profits, the statesman can use the following specific policies:

First, he can increase the supply of labor and competition from the side of production to those branches of industry in which the profits have been consolidated (1.250).

Second, he can discourage the consumption of luxury goods among his people (1.250). The statesman is able to regulate directly the consumption of his people through taxation.

In Stewart's time the scientific environment was in favor of the imposition of taxes only upon luxury goods (see, for example, Montesquieu, 1748, vol. I, p. 209; Hume, "Of Taxes," ed. 1970, p. 85; Rousseau, 1758, pp. 147-148, 152). Stewart followed this line and justified the imposition of those taxes in the form of *ad valorem* on every stage of production (2.681) on the following grounds⁷:

1. Only the surplus income over and above the consumption of necessary goods is a suitable object for taxation: all taxes "ought to impair the fruits and not the fund; the expenses of the person taxed, not the savings; the services, not the persons of those who do them" (2.674) and "the load of all impositions may be equally distributed upon every class of a people who enjoys superfluity, and upon no other" (2.641; see also 2.675-676 ft. 3, 686, 690, 719, 733).

2. By the taxation of luxury goods the statesman is able to manipulate the consumption patterns of individuals (2.711, 719)—an idea also introduced by Rousseau (1758, p. 153).

Page 46

3. By the taxation of luxury goods hoarding is decreased if the idle-rich consumer wants to enjoy the same living standard as before the imposition of the taxes (2.703-704, 724-725).

4. By the taxation upon luxury goods a redistribution of wealth is produced, "throwing a part of the wealth of the rich into the hands of the industrious poor" (1.334).

Effectual demand can also be decreased in the case where large profits have induced an increase in the rate of hoarding and "consumption and the demand for work would diminish in proportion to the part of the income withheld" (2.649).

He insisted on the deleterious effect hoarding has on effective demand as he clearly emphasized the use of money not only as a unit of account and a medium of exchange but also as a store of value (see Karayiannis, 1988a, p. 28, ft. 3). For Stewart, only increased "circulation of money" could eliminate hoarding, redistribute wealth, and increase the work effort of individuals (1.325-326). The "miser," by hoarding, diminishes the circulation of money, and thus the statesman "ought at all times to maintain a just proportion between the produce of industry, and the quantity of circulating equivalent, in the hands of his subjects, for the purchase of it" (1.323). In realizing this goal the statesman "must examine the situation of his country, relatively to three objects, *viz.* the propensity of the rich to consume; the disposition of the poor to be industrious; and the proportion of circulating money, with respect to the one and the other" (1.324).

Stewart considered interest to be an instrument for the diminution of hoarding, as "no money is to be suffered to remain useless to the proprietor of it" (2.444), and thus for the increase of consumption and employment (Karayiannis, 1988a, p. 40). Stewart was opposed to any direct regulation by "statute" of the market rate of interest (2.457, 459).⁸ He maintained that since the market rate of interest is determined by the

demand for and supply of loanable funds (mainly for consumption purposes) (2.455), the statesman can influence its rate by regulating the supply of money (2.462).

Steuart did not recognize the classical thesis that hoarding is eliminated because all savings become investments through the movement in the level of interest. He also did not relate the expectation of capitalists and entrepreneurs to the rate of profit and its influence on their investment plans. Instead he recognized the class of idle consumers who hoard their surplus if it is not consumed in luxury goods. Thus he called for the statesman's intervention with specific policies and measures for the elimination of hoarding and increase in "effectual demand."

In addition to the instrument of the money supply and the rate of

Page 47

interest in regulating effectual demand in the economy, Steuart also suggested the use of public debt for the accomplishment of the same goals (see also Stettner, 1945, pp. 456-457). This public debt can play a positive role by increasing public expenses and hence effective demand and employment, *viz*:

Credit is in proportion to the capacity of paying the interest of money borrowed. Having abundantly insisted on the advantages of industry in providing for the poor, I next come to consider the permanent effects of it, after the first end has been accomplished. If a thousand pounds are bestowed upon making a firework, a number of people are thereby employed, and gain a temporary livelihood. If the same sum is bestowed for making a canal for watering the fields of a province a like number of people may reap the same benefit, and hitherto accounts stand even: but the fire-work played off, what remains, but the smoke and stink of the powder? Whereas the consequence of the canal is a perpetual fertility to a formerly barren soil (2.II.260-261).

Steuart considered that the rate of hoarding in an economy is decreased by the public debt and effectual demand is increased (2.642-644).⁹ For Steuart the public debt does not decrease the consumption and investment of individuals by absorbing capital. Instead, the public debt supplements the effective demand of individuals, by giving an opportunity for the employment of capital which otherwise is hoarded:

... loans are filled by money stagnating, which the owner desires to realize: if he cannot do better, he lends it to government; if he can do better, he will not lend it (2.643).

Steuart did not give credence to the possibility that the increase of public credit could cause inflation in the economy. The extent of the public debt, according to Steuart, is regulated by the consequences of increased taxation for the repayment of capital borrowed. That is, the extent of public debt could be increased to the point where the increase of effective demand produced by the increase of public expenditures is outweighed by the decrease in effective demand caused by the decrease of private spending because of the increased taxation (2.640-641).

Induced Development

Although Steuart recognized the positive effects produced by the principle of "self-interest" and the accomplishment of "wants" as "a spur to industry," these motives are not his only base. In addition, he called on the statesman to intervene in order for these motives to function more completely for the

Page 48

achievement of a higher stage of economic development and the maintenance of a favorable balance of trade. The intervention of the statesman is helpful in the following cases of historical development: (1) when an underdeveloped country is driven to the stage of development and from infant trade to foreign trade; (2) when a country is competing in foreign trade with more advanced countries; (3) when a country has lost its absolute advantage in foreign trade; and (4) when a country is in the island trade (i.e., isolated country). Let us examine in more detail the ways and means by which the statesman intervenes in these cases.

In the first case, the transition of an underdeveloped economy to the stage of modern economy can be facilitated through the statesman's stimulation and intervention. More specifically, the statesman must create reciprocal wants among the producers "in order to bind the society" (1.40, 1.39).¹⁰ This can be achieved by promoting the circulation of money and by helping to increase luxury consumption among individuals (1.43-44). Luxury consumption in the case of infant trade, that is, when foreign trade does not exist, could be introduced only through the statesman's intervention. According to Steuart, an individual's consumption pattern is determined by the effect of "imitation" or "fashion" and "conspicuous" consumption" (1.60-61, 243-244) and thus the statesman is able to influence the consumption pattern mainly of the idle-rich consumers who have a "taste for dissipation" (1.243). The statesman is able to influence this kind of consumption (1.281) by two means: indirectly through his own example and consumption pattern (1.244, 298, 309) and directly by the taxation of luxury goods (2.712).

The statesman, by extending luxury consumption, is able to increase in the absence of foreign trade the domestic demand, supply, and employment (1.151, 244, 261). This is made possible through the working of the "aspiration effect," namely through the increase of work effort produced by the multiplicity of wants and the imitation of luxury consumption (on this effect see Eagly, 1961; Akhtar, 1978, pp. 68,70). However, the decisive factors that will make possible the transition of the economy to a higher stage of development are the establishment and increase of trade and money in circulation (1.156).¹¹

For the accomplishment of the above goals the statesman must encourage the "vibration" (i.e., the redistribution) of wealth among the citizens, and particularly "between the rich and the industrious" (1.264). By the vibration of wealth economic inequality among citizens is diminished (1.282) and the operation of the aspiration effect is strengthened. Also, "as money is introduced into a country it becomes ... an universal object of want to all inhabitants" (1.156). The circulation of goods and the vibration of wealth

Page 49

are made possible (1.304, 314) and the work effort of laborers is increased 1.157; see also Akhtar, 1978, p. 59).¹² Thus, the wants of the industrious will multiply as their wage is increased, and the total supply and demand will also be increased:

The desires of the rich, and the means of gratifying them, make them call for the services of the poor: the necessities of the poor, and their desire of becoming rich, make them cheerfully answer the summons; they submit to the hardest labour and comply with the inclinations of the wealthy, for the sake of an equivalent in money (1.310).

The statesman is able to increase the work effort of individuals through The following additional practices: (1) by setting wages according to piece rates rather than time rates (1.169); (2) by the imposition of an expenditure or "proportional" tax

on necessary goods in cases where the positive relationship between wage rate and work effort does not hold because of consumption saturation (2.691); and (3) by exercising an economic policy not "falling unequally upon individuals of the same condition" (1.212-213; see also Karayiannis, 1988a, pp. 34-35).

When a country is at the stage of foreign trade, Steuart's interest is mostly concentrated on the following issues: the way by which a country can gain an absolute advantage in some exportable industrial goods; the techniques and measures by which a country can maintain a favorable balance of trade; and the effects of free and nonfree trade on the economic development of the trading countries. Let us see how Steuart elaborates these issues.

In cases where the statesman must help the economy to obtain a favorable balance of trade, Steuart bestows him with many energetic and complicated interventions (1.262; see also Kobayashi, 1992, pp. 61-63):¹³ "He must, as before, be attentive (1) to provide food, other necessaries and employment for all his people" (1.231); (2) to engage "the strangers to furnish articles of the first necessity, when the precious metals cannot be procured" (*ibid.*); (3) "to accept, in return, the most consumable superfluities which industry can invent" (*ibid.*); and (4) to "inspire his own people with a spirit of emulation in the exercise of frugality, temperance, oeconomy, and an application to labour and ingenuity" (1.231-232).

In justifying the intervention of the statesman in helping an underdeveloped country to gain an absolute advantage in foreign trade, Steuart has developed the infant industry argument (Hutchison, 1988, p. 349). He rationalized this argument because of the small profits at the beginning of some branches of production that discourage its development (1.204). Thus he stated that the statesman must permit a short-run, higher-than-normal

Page 50

rate of profit in the infant and protected branches of industry (1.236, 240) in order to gain dexterity and knowledge in this kind of production (1.106, 199,262).¹⁴ In order for those profits to be gained by the protected branches of industry, the statesman must prohibit or put duties on importation of such commodities produced at lower prices abroad (1.262). However, Steuart recognized that this kind of protection must not last for long:

He [i.e., the statesman] must keep constantly an eye upon the profits made in every branch of industry; and so soon as he finds that the real value of the manufacture comes so low as to render it exportable, he must... put an end to these profits he had permitted as the means only of bringing the manufactures to its perfection (1.263).

The statesman also is able to support some branches of the economy by subsidizing and giving premiums. If a surplus of products exists in the country, the statesman "himself become[s] the purchaser, if others will not; or, by premiums or bounties on the exportation of the surplus which lies upon hand, promote the sale of it at any rate, until the supernumerary hands can be otherwise provided for" (1.241, see also 1.299). The statesman, by buying this surplus, is able to sell it in another country at a lower price "at the loss to himself" (1.257) (i.e., the loss will be paid from the revenues from taxes) and hi this way prevent the emergence of unemployment. Steuart was well aware that there is a possibility for the subsidized sector of the economy to remain in the same state because of the unwillingness of producers to improve their production capacity:

... premiums are often abused. It belongs to the department of the coercive power of government to put a stop to such abuse (1.257).

When a country has an absolute advantage in certain manufactured goods, the statesman must do what he can in order to sustain such an advantage. In addition, he can help the country to hold a positive balance of trade by encouraging the exportation of manufactured goods (labor-intensive goods) and the importation of raw produce (1.291).¹⁵

In the case where a country has lost its absolute advantage because of an unavoidable decline, Steuart called on the statesman to intervene. Steuart, under his growth-decline thesis in foreign trade (1.195-196),¹⁶ attributed many duties to the statesman. He stressed some natural causes that direct the economy toward decline, and thus he asked the statesman to intervene in order to prevent decline from happening (2.637). He also noted that the remedies must be scheduled according to the relative circumstances that prevail in any economy (2.700).

Four things cause the stage of decline in foreign trade to begin, that is,

Page 51

where an absolute advantage is lost: (1) an increase of prices of the exportable commodities caused by the consolidation of profits; (2) an increase in the price of exportable goods caused by an increase of the "intrinsic" value of commodities because the price of necessary goods has been increased; (3) "the natural advantage of other countries" who can export goods at a lower price because of their natural endowments; and (4) the higher productivity of other countries and their more advanced and well-administered economy (1.246-247).

In regard to the first cause of decline in foreign trade, Steuart suggested the following strategy of recovery: the statesman must intervene by diminishing the luxury consumption of producers and thus causing the intrinsic *value* of commodities to be decreased, *viz.*:

If manufacturers become luxurious in their way of living, it must proceed from their extraordinary profits.... To re-establish then the foreign trade, these consolidated profits must be put an end to, by attacking luxury when circumstances render an augmentation of people inconvenient, and prices will fall of course (1.250; see also 1.192-193, 239).

However, Steuart finds it preferable for the statesman to prevent the consolidation of profits by encouraging supply in sectors where demand higher than supply (particularly of exportable goods) (1.240, 251).

Another natural cause of the increase in the intrinsic value of commodities is produced by the unbalanced growth of agriculture and population. In the case where population increases faster than agriculture (1.252)—is agriculture functions under diminishing returns (1.197-198)—then the price of subsistence goods will be increased. In such a case the statesman must encourage the importation of subsistence goods (1.198) or assist "agriculture with his purse" (1.200).¹⁷ Indeed, "These appear to be the most rational temporary expedients to diminish the price of grain in years of scarcity" (1.255). The statesman may also exercise some regulatory activities in order to "keep the prices of grain in as just a proportion as possible to the plenty of the year" (1.254). Steuart also noted that placing premiums upon exportation is a good measure for the decrease of the agricultural surplus "when prices fall too low" (1.233).

For Steuart, the statesman's intervention and his remedies for the re-establishment of foreign trade are "difficult, and sometimes dangerous" (1.259); therefore, he suggested that the statesman must do what he can to "preserve" a beneficial balance of trade (1.260).¹⁸

In regard to the other two causes of the loss of absolute advantage in foreign trade,

Steuart suggested that the statesman must encourage exportation—when the country is competing in foreign trade with more advanced countries—even by giving premiums (1.258).

Page 52

When a country has already lost its absolute advantage in foreign trade by trading with a superior country, the statesman can intervene by introducing the following three measures:

First, To renounce this branch of commerce entirely, and to take the commodities wanted from foreigners, as they can furnish them cheaper. Secondly, To prohibit the importation of such commodities altogether. Thirdly, To impose a duty upon importation, in order to raise the price of them so high as to make them dearer than the same kind of commodity produced at home (1.284).

Steuart disputed the second measure because he considered it to be "too violent a remedy ever to be applied with success" (1.290). Instead of that, the statesman must impose duties on the importation of goods which will be gradually augmented (1.292). What, then, will be the optimum rate of duties imposed on importations? Steuart argues that this rate must be such as "to allow such commodities to be imported, with a duty which may raise their price to so just a height as neither to suffer them to be sold so cheap as to discourage the domestic fabrication, nor so dear, as to raise the profits of manufactures above a reasonable standard, in case of an augmentation of demand" (1.285).

Steuart turned against the sudden prohibition of imported goods because it will increase the price of those goods in domestic industry:

A sudden stop upon a large importation, raises the prices of domestic industry by jerks, as it were; they do not rise gradually; and these extraordinary profits engage too many people to endeavour to share in them. This occasions a desertion from other branches of industry equally profitable to the state (1.291).

Here Steuart regards the profit motive as the main influence on the allocation of capital and labor to the most profitable enterprises. However, he did not use this mechanism for the explanation of the market phenomena and their solution.

Steuart suggested the statesman at first do what he can by examining the causes and the remedies for regaining a profitable foreign trade and not to stop it altogether (1.293). However, he was well aware that international trade stagnates if the same policies on foreign trade are followed by all countries (1.296).

The establishment of free trade, according to Steuart, can prove beneficial to the trading countries only if they have the same level of development and individuals share the same consumption preferences, *viz:*

Were industry and frugality found to prevail equally in every part of these great political bodies, or were luxury and superfluous consumption every where carried to the same height, *trade might, without any hurt, be thrown entirely open. It would then cease to be an object of a statesman's care and concern* (1.296; emphasis added).

Page 53

Steuart recognized that through international trade, world production would be increased by the increase in the work effort of individuals:

... trade has an evident tendency toward the improvement of the world in general, by rendering the inhabitants of one country industrious, in order to supply the wants of another, without any prejudice to themselves (1.119; see also 120).

Through exports, "effectual" demand is increased, and if supply responds, "the

whole industrious society will grow in vigour, and in wholesome stature" (1.182). But if supply does not respond to the augmented demand, extraordinary profits will emerge and exports will decrease (*ibid.*).

In the case of island trade, the statesman's main duty is the promotion of domestic consumption when the country has not reached its full-capacity level of production (1.300). Also in this state the statesman must prevent fraud by merchants and promote the distribution of grain to all parts of the country (1.255).

One can clearly deduce from the above analysis that for Steuart, the main failures of the market that statesman must cure in the above four cases of a country's developmental process are the increase in unemployment and the avoidance of a negative balance of trade. There is no internal mechanism or internal factor to treat such market failures. Therefore, according to Steuart, it is only through the statesman's indirect and direct intervention that the crisis produced in the free market can be overcome.

Steuart and Smith

It is natural to make a comparison between two famous economists of the eighteenth century, Steuart and Adam Smith. If we proceed to the core of their different solutions to economic problems, we find that the former stressed the negative possible outcomes of the free market, while the latter, the positive ones. On the other hand, when we compare Steuart's and Smith's assumptions on the existence of a perfect statesman and his crucial and necessary role in the economy, we come to another critical difference. Contrary to Steuart, who assumed the theoretical existence of a perfect statesman, Smith rejected such a possibility. Smith was extremely hostile to politicians and spoke very caustically about them. In *The Wealth of Nations* he called the statesman or politician an "insidious and crafty animal... whose councils are directed by the momentary fluctuations of affairs" (ed. 1976, p. 468). In *Lectures*, he also says, "They whom we call politicians are not the most remarkable men in the world for probity and

punctuality" (ed. 1978, p. 539). Smith did not suppose the existence of a perfect statesman like the one introduced by Steuart. On the contrary, he comments that "[t]he violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy" (*The Wealth of Nations*, ed. 1976, p. 493).¹⁹ He believed that the statesman did not have an adequate and appropriate knowledge to direct the economic actions of individuals so as to maximize their welfare (*The Wealth of Nations*, ed. 1976, pp. 456, 687). Moreover, for Smith, the statesman was also "by nature extravagant, and prone to maldistribution" (Eltis, 1986, p. 67), while bureaucrats were inefficient (Reisman, 1982, p. 217).

We are not claiming that Steuart's and Smith's different approaches to the subject of the statesman's intervention gave rise to their different analyses of the market. Rather it seems that because they stressed different market forces as the predominant one (the former, the adequacy of demand; the latter, efficiency of production) as well as different roles (the former, the small producer; the latter, the capitalist-entrepreneur), they reached different conclusions on the function of the free market. Steuart stressed the possibility of crises and the long-run disequilibrium of the market, while Smith emphasized the smooth operation of the system and the tendency to long-

run equilibrium. Or, to put it differently, Steuart's analysis was addressed toward showing how the emergence of economic crises could be avoided or prevented, while Smith's was directed toward demonstrating what the general framework of the system would be that would guarantee the minimum emergence of crises. Moreover, the difference of opinion between the two authors in regard to the purposes and qualities of the statesman does seem to influence their different attitudes toward the function of the free market. Their differences on the subject of the statesman's intervention also brings to mind a similar differentiation of opinions that took place in ancient Greece between Plato and Aristotle.

Plato entrusted to the statesman many activities in intervening in the economic actions of individuals (see, for example, *Laws*, 632 B; see also Karayiannis, 1990, pp. 34-36). Moreover, he stressed that the statesman must be educated in the "art of government" in order to increase the necessary qualities and characteristics for the execution of his duties (*Laws*, 250 B, 292 B; *Statesman*, 261 D, 293 A, D).

Aristotle, on the other hand, did not rely much on the statesman's qualities for the smooth operation of the economy, but rather considered the statesman to be inefficient in the direction and control of human actions. Moreover, he noted that the majority of politicians seek to satisfy their private interest and not that of the general good. As he comments:

Page 55

... the majority of those engaged in politics are not correctly designated politician for they are not truly political, since the political man is one who purposely chooses noble actions for their own sake, whereas the majority embrace that mode of life for the sake of money and gain (*Eudemian Ethics*, 1216, a20-30).

Therefore, if we want to draw a parallel between these two pairs of scientists, we can say that Steuart displayed a similar attitude to Plato²⁰ on the efficiency of the statesman's intervention, while Smith followed Aristotle's approach more closely.

Conclusions

From the foregoing analysis it could be deduced that Steuart's attitude toward the managed market and his policy suggestions came from his analysis of cases of market failure. We cannot say with certainty that his belief in the powers of the wise statesman forced him to schedule a market analysis with visible cases of failure of whether the contrary was the case.

However, it is very difficult to deny the similarity of Steuart's views about the necessity of the statesman's intervention with the economic policies introduced by Keynes and the Keynesians and followed by various countries in the twentieth century. The various economic policies for the avoidance of unemployment, for increases in effective demand, and for the protection of domestic production, and so on, are similar to those developed by Steuart. Despite his neglect of some mechanisms and behaviors that would produce, under definite assumptions, a general equilibrium, Steuart showed a lack of realism in regard to the efficiency of the statesman's intervention (Hutchison, 1988, p. 350). This lack of realism is not very profound in regard to the instruments of economic policy as it is in regard to the abilities of the statesman.

It is not necessary to go through mercantilism, socialism, and economics of control in order to find economic policies that are similar to those suggested by Steuart. By abstracting from the characterizations and parallels²¹ of Steuart's

"inquiry" with older or later developed economic ideas, policies, and arguments, it is difficult to deny evidence that may prove that Steuart was born either too late or too soon. In the twentieth century, most of the countries of the Western world have at one time or another allowed policies similar to those suggested by Steuart. The great weakness of Steuart is his assumption of a perfect statesman to handle all the problems that need a solution. As experience has shown, the existence of such an entity is extremely rare.

Acknowledgments

I would like to thank Ray Petrifies (Murdoch University) for helpful comments on an earlier draft. The usual caveats apply.

Notes

1. All references cited to 1805 edition of Steuart's *Works* are as follows: volume, book, page (e.g., 1.1.257). For Skinner's edition of *Principles*, we cite volume and page only (e.g., 1.152).

2. In his work Steuart used the term *statesman* as "a general term to signify the legislature and supreme power, according to the form of government" (1.16).

3. For example, Steuart noted the case in which some statutes of the king of France in 1720 destroyed the public credit (2.441-442).

4. For an excellent analysis of microeconomics before Smith, see Rashid (1986, pp. 844-851).

5. Steuart regarded the "intrinsic" value of a commodity as being measured by the cost of production and particularly by the level of real wages. However, he stressed also that the level of wages is mainly determined by the demand for labor, that is, by the consumption patterns of rich individuals and not by the price of necessary goods. That is why in our article (1991a, pp. 168-174) we spoke of Steuart's "quasi labour theory" of value.

6. Taxes, as Steuart made clear, must not be imposed on individuals arbitrarily and unequally (1.213). Also the individual must recognize that taxes "are paid for the advantage of the public, not for that of private people" (2.708-709).

7. Steuart was against direct taxation on wages, profits and capital; he stressed that such taxation would prove hurtful for the economy, because:

(a) Direct taxation on wages decreases the living standard of workers (2.675-676, ft. 3.). (b) Taxes levied on necessary goods will increase the rate of wages and the general level of prices in the economy (2.694-695) and thus exports and "effectual" demand will be decreased. However, Steuart recognized one case where the taxation on necessary goods would be beneficial to the economy. This is the case where the laborers enjoyed a luxurious living and their work effort had been decreased (2.691-692, 695). Thus Steuart not only stressed the demand side effects of taxation but also the supply effect (Eltis, 1986, p. 61).

(c) By the direct taxation on income and profits, the incentives of individuals for increasing their productive effort could be decreased (2.687-688). Steuart suggested direct taxes be imposed only on the interest received from the public dept (2.722).

(d) Taxes on capital will decrease the surplus of the economy that is directed to investment (2.687-688, 705, 712, 723).

8. Steuart observed that if the statesman must regulate the rate of interest directly by law it must be done by establishing a legal level of interest above the rate that could be established in the market (2.457, 460-461).

9. Steuart was opposed to the foreign debt not only because of fear of the country becoming dependent on foreigners but also because of the loss of capital to foreign countries

Page 57

through the payment of interest (2.636, 644-645). For the ways that, according to Steuart, a public debt could be repaid, see Sen (1957, p. 112).

10. Steuart goes so far as to regard the spatial distribution of the units of consumption and production as partially influenced by the activities of the statesman (1.60-61, 64).

11. Steuart considers trade to be a time-saving operation and a branch of product distribution according to the dictates of demand and supply (1.156). He also makes clear that the Merchants have the power to introduce in underdeveloped countries a taste for superfluities (1.163).

12. The introduction and extensive use of money in the economy, according to Steuart, produces some beneficial effects: it (a) expands economic growth; (b) increases the effective-ness of the tax system; and (c) produces a more equal distribution of wealth (Karayiannis, 1988a, p. 28, ft. 3).

13. For a more developed economy the statesman should have great delicacy of touch. Steuart used the metaphor of the watch to show that the statesman must very carefully intervene in the "modern" economy, and mostly with long-run targets (1.217; 278-279).

14. Steuart, in developing his thesis for the protection and encouragement of infant industry, mentioned that the statesman "must likewise spare no expense in procuring the ablest masters in every branch of industry; nor any cost in making the first establishments, in providing machines, and every other thing necessary or useful to make the undertaking succeed" (1.263), and he "ought to multiply the numbers of scholars" (1.263). Is Steuart suggesting here that the statesman must offer public education in bettering the "master" of enterprises, or encourage the competition from the side of supply in order that only the most able producers survive in the market? He does not make clear which one of those policies is being suggested.

15. Steuart was an advocate of a favorable balance of trade. However, in contrast to the old mercantilists who considered the surplus of foreign trade as consisting of precious metals, Steuart emphasized its real terms and in particular measured it by the net amount of labor value added. He recognized that only when a country imports lower labor cost, or lower labor value-added commodities than are exported, does it have a favorable balance of trade (1.291, 294).

16. Steuart strengthened his growth-decay thesis by considering history (1.195; for this thesis see also Low, 1952, pp. 323-324; Skinner, 1981, pp. 32-33). This thesis had been put forward first by Plato who, philosophically speaking, wrote: "since for everything that has come into being destruction is appointed" (*Republic*, 546 A). In the eighteenth century Hume was the writer who before Steuart stated this thesis in his letter to Lord Kames (4th March, 1758, ed. 1932, pp. 271-272).

17. Steuart proposed also the establishment of a granary scheme by which the real wage rate and the level of production of grain will be secured (Campbell, 1953, pp. 50-51; Skinner, 1985, p. 12; Eltis, 1986, p. 56).

18. For the policies suggested by Steuart for dealing with disequilibrium in the

balance of payments and capital mobility, see Perlman (1990).

19. Smith was against the statesman's intervention because he considered there to be no such being as an "impartial" statesman. He argued that statesmen usually make laws for their material and other benefits (*Lectures*, ed. 1978, p. 181). He also stressed that the capitalists by their money and power are able to influence and "corrupt the members of parliament" (Pack, 1991, p. 149). Moreover, he was opposed to the statesman's intervention in the economy because he considered that the British government in the past had done more harm than good (Reisman, 1982, p. 219).

20. The resemblance between Plato and Steuart is also obvious in regard to the capability

Page 58

of the statesman to influence the "spirit of people." The philosopher stressed that "by further laws and institutions you expel illiberality and commercialism from the souls of those who are to pursue them thoroughly to their profit" (*Laws*, 747 B). Steuart, on his side, considered that "[t]he spirit of a people is formed upon a set of received opinions, relative to three objects; morals, government, and manners" (1.22). This spirit changes naturally between generations (1.24-25), but change is also affected by the government (2.638; see also Khalil, 1987, p. 121). It seems that Steuart used the model of Spartan economy primarily to show how Lycurgus prepared the "spirit of the people" (1.219,227) in order to establish such a system of economy which, as he said, "I readily grant, is not likely to take place" (1.227).

21. Steuart has been variously characterized by early (see King, 1988, pp. 32-33) and modern commentators as mercantilist (see, for example, Kobayashi, 1967, p. 3; Anderson and Tollison, 1984, p. 459) and as a predecessor of Keynes (Sen, 1957, p. 151).

References

- Akhtar, M. (1978). "Sir James Steuart on Economic Growth." *Scottish Journal of Political Economy* 25(1):57-74. Akhtar, M. (1979). "An Analytical Outline of Sir James Steuart's Macroeconomic Model." *Oxford Economic Papers* (July): 283-302. Anderson, C, and R. Tollison. (1984). "Sir James Steuart as the Apotheosis of Mercantilism and his relation to Adam Smith." *Southern Economic Journal* 51: 456-468. Aristotle. (1935) *Eudemian Ethics*, English trans. by H. Rackham. Cambridge, MA: Loeb Classical Library, Harvard University Press. Aristotle. (1926). *Politico*, English trans. by W.D. Ross. Oxford: Oxford at the Clarendon Press. pseudo-Aristotle. (1921). *Oeconomica*. English trans. by E.S. Foster. Oxford: Oxford at the Clarendon Press. Campbell, R. (1953). "Sir James Steuart—A Study in the Development of Economic Thought." Unpublished doctoral thesis, University of California. Eagly, R. (1961). "Sir James Steuart and the Aspiration Effect." *Economica* (February): 53-61. Eltis, Walter. (1986). "Sir James Steuart's Corporate State." In R.D. Collison Black (ed.) *Ideas in Economics*. London: Macmillan Press, pp. 43-73. Hirschman, Albert. (1977). *The Passions and the Interests, Political Arguments for Capitalism before its Triumph*. Princeton, NJ: Princeton University Press. Hume,

David. (1970). *Writings on Economics*, edited with an introduction by E. Rotwein. Madison: The University of Wisconsin Press. Hume, David. (1932). *The Letters of David Hume*, edited by J. Creig, Oxford: Oxford at the Clarendon Press. Hutchison, Terence. (1988). *Before Adam Smith: The Emergence of Political Economy, 1662-1776*. Oxford: Basil Blackwell. Karayiannis, Anastassios D. (1988a). "James Steuart on Distribution." *Quaderni di Storia dell' Economia Politico* 6(2):25-50.

Page 59

Karayiannis, Anastassios D. (1988b) "Early Critiques on the Humean Quantity Theory of Money." *Spoudai* 38(3-4):534-547 (in Greek).

Karayiannis, Anastassios D. (1990). "The Platonic Ethico-economic Structure of Society." *Quaderni di Storia dell' Economia Politico* 8(1):3-45.

Karayiannis, Anastassios D. (1991a). "Sir James Steuart on Value and Prices." *Spoudai* 41(2):167-190.

Karayiannis, Anastassios D. (1991b). "Coin and Paper Money in the Late pre-Smithian Economics: A Controversy." In *Festschrift in Honour of Lazaros Th. Houmanidis*. Piraeus: University of Piraeus, pp. 310-339.

Karayiannis, Anastassios D. (1992). "Pioneers of Economic Methodology." In *Festschrift in Honour of Professor Athanasios Kanellopoulos*. vol. I. Piraeus: University of Piraeus, pp. 274-302.

Khalil, Elias. (1987). "Sir James Steuart vs Professor James Buchanan: Critical

Notes on Modern Public Choice." *Review of Social Economy* 45(2):113-132. King, J.E. (1988). *Economic Exiles*. London: Macmillan Press. Kobayashi, Noboru. (1967). "James Steuart, Adam Smith and Friedrich List."

The Science Council of Japan, Division of Economics, Commerce & Business Administration, Economic Series No. 40, pp. 1-37.

Kobayashi, Noboru. (1992). "The First System of Political Economy—An Essay on Political Oeconomy of Sir James Steuart." *Keizai Ronshu*, Daitobunka University, 55:47-88.

Low, J.M. (1952). "An Eighteenth Century Controversy in the Theory of Economic Progress." *The Manchester School of Economics and Social Studies*: 311-330.

Meek, R. (1958). "The Economics of Control Prefigured by Sir James Steuart." *Science and Society*: 289-305. Montesquieu, C. (1893). *The Spirit of Laws* (1734-48), trans. by T. Nugent. London: J & W. Clarke.

Ohmori, Ikuo. (1983). "A Methodological Approach to Sir James Steuart's Political Oeconomy." *Waseda Business Review* (9):181-203.

Pack, J. Spencer. (1991). In Hants Aldershot (ed.), *Capitalism as a Moral System: Adam Smith's Critique of the Free Market Economy*. England: Edward Elger.

Perlman, Morris. (1990). "Sir James Steuart's Absorption and Wealth Approach to the Balance of Payments." *History of Political Economy* 22(1):125-136. Plato. (1963). *Laws*, trans. by A.E. Taylor. In E. Hamilton, and H. Cairns (eds.), *The Collected Dialogues, of Plato*. Princeton: Princeton University Press. Plato. (1963). *Republic*, trans. by P. Shorey. In E. Hamilton, and H. Cairns (eds.), *The Collected Dialogues, of Plato*. Princeton: Princeton University Press. Plato. (1963). *Statesman*, trans. by J.B. Skemp. In E. Hamilton, and H. Cairns (eds.), *The Collected Dialogues, of Plato*. Princeton: Princeton University Press. Rashid, S. (1986). "Smith, Steuart, and Mercantilism: Comment." *Southern Economic Journal* 52(3):843-852.

Reisman, David. (1982). *State and Welfare: Tawney, Galbraith and Adam Smith*.

London: Macmillan.

Rousseau, J.J. (1973). *A Discourse on Political Economy* (1758) in J.J. Rousseau (ed.), *The Social Contract and Discourses*. London: J.M. Dent & Sons, Ltd.

Page 60

Sen, S. (1957). *The Economic of Sir James Steuart*. London: G Bell & Co.

Skinner, A. (1962). "Sir James Steuart: Economics and Politics." *Scottish Journal of Political Economy*: 17-37.

Skinner, A. (1981). "Sir James Steuart: Author of a System." *Scottish Journal of Political Economy*: 28(1):20-41.

Skinner, A. (1985). "Sir James Steuart—A Perspective on Economic Policy and Development." *Quaderni di Storia dell' Economia Politico* 3(2):3-24.

Smith, Adam. (1978). *Lectures on Jurisprudence*, edited by R. Meek, D. Raphael, and P. Stein. Oxford: Clarendon Press.

Smith, Adam. (1976). *An Inquiry into the Nature and Causes of the Wealth of Nations* (1st ed. 1766), edited by R. Campbell and A. Skinner. Oxford: Oxford at the Clarendon Press.

Stettner, W. (1945). "Sir James Steuart on the Public Debt." *Quarterly Journal of Economics*: 451-476. Steuart, Sir James. (1966). *An Inquiry into the Principles of Political Economy* (1st ed. 1767), edited by A. Skinner. London: Oliver & Boyd.

Steuart, Sir James. (1967). *The Works, Political, Metaphysical & Chronological of Sir James Steuart*, in six volumes (1st ed. 1805). New York: A.M. Kelley.

Page 61
