

## COMMENT ON THE FRENCH LIBERAL SCHOOL\*

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There exists today in Anglo-American economics a veritable "conspiracy of silence" regarding the works and achievements of the French Liberal School of Economics. This is at once a sad commentary on the state of disinterested historical scholarship in the economics profession and a resounding confirmation of Thomas Kuhn's theory of scientific progress and its applicability to the social sciences<sup>1,2</sup>. Needless to say, one does not undermine the "conspiracy" merely by displaying familiarity with Say's Law of Markets in the course of extolling the achievements of John Maynard Keynes; nor even by giving a tolerable rendition of Bastiat's "Petition of the Candlemakers" to a class of undergraduates, accompanied, of course, by the caveat that it does not apply to the "infant industry" case. Let us, then, breach the "conspiracy" forthwith and wholeheartedly by setting the School in historical perspective and noting its most prominent members.

The birth of the French Liberal School coincides with the publication in 1803 of Jean-Baptiste Say's *Traité d'économie politique*<sup>3</sup>. The death of the irrepressible Gustave de Molinari in 1912, reinforced by the advent of World War I, which carried in its wake the dissipation of the classical liberal *Weltanschauung*, marks the School's demise, although its influence had begun to wane before the close of the 19th century. During the century of its life, the Liberal School thoroughly dominated French economics. From 1830 to World War I, the prestigious Chair in political economy at the Collège de France was held exclusively by its members, namely, Say, the Italian Pellegrino Rossi, Michel Chevalier, and the latter's son-in-

law Paul Leroy-Beaulieu, in that order. Other distinguished members included Count Destutt de Tracy, Charles Dunoyer, Frédéric Bastiat, the Swiss A. E. Cherbuliez, J. G. Courcelle-Seneuil, J. A. Blanqui, Joseph Garnier, Léon Say, Yves Guyot, Maurice Block, Pierre Emile Levasseur, and of course the Belgian-born Molinari.

In its later years, the School became known as the "Paris Group",<sup>4</sup> because it exercised complete control over various publications, organizations, and institutions in Paris such as the *Journal des Économistes*, the *Collège de France*, and the new dictionary. The Paris Group and the whole Liberal School were well described by Schumpeter as "anti-étatistes"<sup>5</sup>. According to Schumpeter, the Paris Group in particular,

... indulged in a belief to the effect that the main business of economists is to refute socialist doctrines and to combat the atrocious fallacies implied in all plans of social reform and of state interference of any kind. In particular, they stood staunchly by the drooping flag of unconditional free trade and laissez-faire<sup>6</sup>.

In fact, the Paris Group's domination of French economics was so thoroughgoing and its cleaving to extreme laissez-faire principles so unyielding and therefore politically unpalatable, that the French government itself sought to undermine its influence. So it was that in 1878, when the government established chairs in political economy in the law faculties of all French universities, it took pains to insure that not all these chairs were manned by individuals in sympathy with the Paris Group. This served to shake the Liberal School loose from its position of unquestioned authority, and the ensuing thirty-five years saw the progressive decline of its influence in French economics, "... though the

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little knot of laissez-faire stalwarts, not less remarkable for longevity than for strength of conviction, held out like Leonidas' Spartans at Thermopylae"<sup>171</sup>.

However, the maltreatment of the French Liberal School does not stop short with the not-so-benign neglect afforded it by present-day Anglo-American economists. The unfortunate fact is that the School has fared badly even at the hands of English-speaking economists who have been cognizant of its contributions. J. E. Cairnes, in an otherwise just critique of Bastiat's non-value-free methodology and "service" theory of value, characterized the French Liberal School as follows:

... the most characteristic doctrines of the English school of Political Economy ... have found some of their most powerful champions and most skillful expositors on the other side of the Channel; and ... such men as Say, Duchâtel, Garnier, Courcelle-Seneuil, and Cherbuliez, while contributing not a few original and important developments to economic doctrine, ... have been the interpreters to their countrymen of Adam Smith and Malthus, Ricardo and Mill<sup>181</sup>.

Now, Cairnes' statement leaves the impression that Say *et al.* were hard at work elaborating, refining, and extending the Ricardian-Classical paradigm, indeed that they stood on the shoulders of the giants of the English Classical School. A more unjust representation of the facts is hardly conceivable. The economists of the Liberal School labored within a unique paradigm which diverged radically from that of the Classical School. This paradigm was nourished by a long and glorious tradition which reached back through Condillac, Turgot, Quesnay and Cantillon to the Scholastics. This tradition was only partially absorbed by Adam Smith and later bastardized by the Ricardian-Classical School through hazy thinking and inept exposition. Thus, Say's seminal *Traité* was not merely a rigorous systematization of Smith's brilliant but diffuse insights, but rather an attempt, brilliant in its own right, to provide the Smithian perceptions with a firm basis within the Cantillon-Quesnay-Turgot tradition.

It was Joseph Schumpeter who first pointed out that Say's work "grew purely from French sources" and lay squarely within the great Cantillon-Turgot tradition.<sup>191</sup> Furthermore, it was Schumpeter who defended Say's work

against the oft-repeated charge of "superficiality" mouthed by the Ricardian-Classical economists and their neoclassical descendants. And yet, it was also Schumpeter who haughtily dismissed the French Liberal School as unscientific and analytically incompetent. Of the whole School, Schumpeter wrote:

... owing partly to the practical turn of their minds and their too exclusive concentration upon economic policy, they lacked interest in purely scientific questions and were in consequence almost wholly sterile as regards analytic achievement<sup>1101</sup>.

Of Charles Dunoyer:

But in spite of all the genuine brilliance — coupled with strong sense — that we find in Charles Dunoyer's *De la Liberté du Travail* (1845), we cannot rank it as a scientific performance. ... The book adds nothing either to our knowledge or to our control over the facts<sup>1111</sup>.

Of Bastiat:

Nor should it be averred that there are no good ideas at all in the book [*Harmonies économiques*]. Nevertheless, its deficiency in reasoning power or at all events, in power to handle the analytic apparatus of economics, puts it out of court here. I do not hold that Bastiat was a bad theorist. I hold that he was no theorist<sup>1121</sup>.

Of the Paris Group:

But what does count for us is the fact that their analysis was methodologically as "reactionary" as was their politics. They simply did not care for the purely scientific aspects of our subject. J.-B. Say and Bastiat, and later on a little diluted marginal utility theory, satisfied their scientific appetite<sup>1131</sup>.

Surpassing even Schumpeter in haughtiness is Henry William Spiegel who implicitly dismisses the entire Liberal School by proclaiming that "... there was little scientific work that would have continued the tradition of Say"<sup>1141</sup>. However, not all English-speaking commentators have deprecated the achievements of the School. In 1871, the great subjectivist revolutionary, William Stanley Jevons, wrote in the concluding paragraph of his pathbreaking work, *The Theory of Political Economy*<sup>1151</sup>.

There are valuable suggestions towards the improvement of the science contained in the works of such writers as Senior, Cairnes, Macleod, Cliffe-Leslie, Hearn, Shadwell, not to mention a long series of French economists from Baudeau and Le Trosne down to Bastiat and Courcelle-Seneuil: but they are neglected in England, because the excellence of their works was not comprehended by David Ricardo, the two Mills, Professor Fawcett and others who have made the orthodox Ricardian school what it is<sup>1161</sup>.

Jevons expatiated more passionately on the same theme in the Preface to the Second Edition of the same work penned in 1879:

... I am convinced that the doctrine of wages, which I adopted in 1871, is not really novel at all, except to those whose view is bounded by the maze of the Ricardian economics. The true doctrine may be more or less clearly traced through the writings of a succession of great French economists, from Condillac, Baudeau and Le Trosne, through J.-B. Say, Destutt de Tracy, Storch and others, down to Bastiat and Courcelle-Seneuil. The conclusion to which I am ever more clearly coming is that the only hope of attaining a true system of economics is to fling aside, once and for ever, the mazy and preposterous assumptions of the Ricardian school. Our English economists have been living in a fool's paradise. The truth is with the French school, and the sooner we recognize the fact, the better it will be for all the world, except perhaps the few writers who are too far committed to the old erroneous doctrines to allow of renunciation<sup>171</sup>.

It is clear that Jevons' favorable assessment of the Liberal School stems from his clear recognition of the unique tradition in which it was rooted. But this leaves us with the enigma of Schumpeter whose awareness of the importance of the Cantillon-Turgot-Say tradition did not preclude him from impugning the scientific merit of the French Liberal School. The answer to the puzzle lies with Schumpeter's belief that "... in the high heavens, Say's true successor was indeed the great Walras".<sup>181</sup> Schumpeter never tired of stressing that Say's work was "the most important of links in the chain" that led from the "Econometricians" of the French tradition, i.e. Boisguillebert, Cantillon, Quesnay and the Physiocrats, through Turgot to Walras' conception of a mutually-determined general equilibrium system<sup>19</sup>. Accordingly, Schumpeter rated as Say's greatest contribution to analytic economics "... his conception of economic equilibrium, hazy and imperfectly formulated though it was"<sup>20</sup>. From this point of view, the French Liberal School can be regarded as Say's successors only on the "less exalted level" of "applied economics", attitudes in economic policy, systematic arrangement and ... the lower ranges of economic theory"<sup>21</sup>.

Schumpeter thus championed the French tradition primarily because "... the Cantillon-Quesnay tableau was the first method ever devised in order to convey an explicit conception of the nature of economic equilibrium",<sup>22</sup> and, as such, bore within itself the seed of the later

Walrasian-Paretian concept of general economic equilibrium. But surely, as even Schumpeter realized, the Cantillon-Quesnay-Turgot tradition was distinguished by more than the mere recognition of the "circular flow of economic life". In delineating the distinctive features of this tradition, one cannot ignore the fact that it embodied the value and price theory of the latter Scholastics which stressed the mutual benefit of voluntary exchange and the central role of utility and scarcity in the determination of market prices.<sup>23</sup> Nor can its identification of and emphasis upon the crucial role of the entrepreneur in an uncertain world be left out of account<sup>24</sup>. The point is that Say and the French Liberal School, steeped in this tradition as they were, absorbed much more than the circular flow concept. They absorbed a method of approach that was, implicitly at least, subjectivist and individualist. And herein lies the reason for Schumpeter's disparagement of the Liberal School.

Say and especially Destutt de Tracy fashioned the loose approach they inherited into an explicitly praxeological methodology. To Destutt, a thoroughgoing praxeologist, political economy is no more and no less than the logical tracing out of the effects of the will, i.e. "the general and universal faculty of finding one thing preferable to another"<sup>25</sup>. Accordingly, he considered his own brilliant performance, *A Treatise on Political Economy*:

... not a mere treatise on political economy ... It is a treatise on the will, forming a sequel to a treatise on the understanding. My intention is much less to exhaust all the details of the moral sciences, than to see how they are derived from our nature, and from the conditions of our existence, in order to detect with certainty the errors which may have slidden into them by not ascending to this source of all we are and all we know<sup>26</sup>.

Moreover, in this work, Destutt delivered a trenchant praxeological critique of the use of probability theory in the social sciences which embodied the Misesian insight that probabilities can only be calculated for homogeneous classes of events and that this homogeneity is necessarily absent from social phenomena. In Destutt's words:

Assuredly the degrees of the capacity, of the probity of men, those of the energy and the power of their passions, prejudices and habits, cannot possibly be estimated in numbers. It is the same as to the degrees of

influence of certain institutions, or of certain functions, of the degrees of importance of certain establishments, of the degrees of difficulty of certain discoveries, of the degrees of utility of certain inventions, or of certain processes. I know that of these quantities, truly inappreciable and innumerable in all the rigour of the word, we seek and even attain to a certain point, in determining the limits, by means of number, of the frequency and extent of their effects; but I also know that in these effects which we are obliged to sum and number together as things perfectly similar, in order to deduce results, it is almost always and I may say always impossible to unravel the alterations and variations of concurrent causes, of influencing circumstances, and of a thousand essential considerations, so that we are necessitated to arrange together as similar a multitude of things very different, to arrive only at those preparatory results which are afterwards to lead to others which cannot fail to become entirely fantastical<sup>(27)</sup>.

Thus, it was not a deficiency of analytical prowess that forever barred the Liberal School from entering the "high heavens" of mutually-determined equilibrium systems but keen insight into the methodological underpinnings of the social sciences. For the modern subjectivist, then, Schumpeter's epithet "unscientific" as applied to the French Liberal School translates into the shibboleth "unscientific".

#### NOTES

1. Thomas S. Kuhn, *The Structure of Scientific Revolutions*, 2nd ed. (Chicago: University of Chicago Press, 1970).
2. On the applicability of Kuhn's theory to the sciences of human action, particularly economics, see Murray N. Rothbard, "Ludwig von Mises and the Paradigm for Our Age," in *idem.*, *Egalitarianism as a Revolt against Nature* (Washington, D.C.: Libertarian Review Press, 1974).
3. See the English edition, Jean-Baptiste Say, *A Treatise on Political Economy*, trans. by C. R. Prinsep (1880; rep. ed. New York: Augustus M. Kelley, 1963).
4. For a discussion of the Paris Group, see Joseph A. Schumpeter, *History of Economic Analysis*, ed. by Elizabeth Boody Schumpeter (New York: Oxford University Press, 1954), pp. 840-843.
5. *Ibid.*, pp. 497, 841.
6. *Ibid.*, p. 841.
7. *Ibid.*, p. 843.
8. John E. Cairnes, "Bastiat", in *idem.*, *Essays in Political Economy* (1873; rep. ed. New York: Augustus M. Kelley, 1965), p. 313.
9. Schumpeter, *History*, pp. 491-492.
10. *Ibid.*, p. 497.
11. *Ibid.*, p. 498.
12. *Ibid.*, p. 500.
13. *Ibid.*, p. 841.
14. Henry William Spiegel, *The Growth of Economic Thought* (Englewood Cliffs, N.J.: Prentice-Hall, 1971), p. 340.
15. W. Stanley Jevons, *The Theory of Political Economy*, ed. with an introduction by R. D. Collison Black (Baltimore, Md.: Penguin Books, 1970).
16. *Ibid.*, p. 261.
17. *Ibid.*, pp. 67-68.
18. Schumpeter, *History*, p. 497.
19. *Ibid.*, pp. 492, 828.
20. *Ibid.*, p. 492.
21. *Ibid.*, p. 497.
22. *Ibid.*, p. 242.
23. On the doctrines and analysis of Cantillon, the Physiocrats, and Turgot, see *ibid.*, pp. 209-249.
24. *Ibid.*, pp. 222, 492.
25. Count Destutt de Tracy, *A Treatise on Political Economy*, trans. by Thomas Jefferson (1817; rep. ed. New York: Augustus M. Kelley, 1970), p. 38.
26. *Ibid.*, p. 107.
27. *Ibid.*, p. 25.