BOOK REVIEW:

“A PHILOSOPHER’S ECONOMIST: HUME AND THE RISE OF CAPITALISM”

BY MARGARET SCHABAS AND CARL WENNERLIND

REVIEWED BY

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Margaret Schabas and Carl Wennerlind, *A Philosopher's Economist: Hume and the Rise of Capitalism* (Chicago: The University of Chicago Press, 2020), pp. 668, \$45 (hardcover). ISBN: 9780226597447.

While David Hume is most famous today as a philosopher, his fame and notoriety in his own lifetime rested primarily on his historical works and his contentious views on religion. Hume was a quintessential Enlightenment man of letters, however, and besides epistemology, metaphysics, and historiography, he was one of the most prominent essayists of the eighteenth century. His first collection of essays, which appeared in 1741, covered moral, political and literary subjects. A decade later, in 1752, he published a new essay collection called *Political Discourses*, containing twelve new essays, eight of which dealt directly with political economy and commercial principles. The subjects covered included consumption, money, the interest rate, trade, taxes, public credit and demography. On Hume's own admission, this was his first work that was successful on its first appearance. While historians of political thought such as J. G. A. Pocock, Istvan Hont, John Robertson and Christopher Berry have investigated the significance of Hume's economic thinking for several decades, Margaret Schabas and Carl Wennerlind's *A Philosopher's Economics* is the first book-length study in English exclusively devoted to Hume's economic thought.

Schabas and Wennerlind argue that 'Hume's economics was a unifying theme that runs throughout his written work and life as a cosmopolitan man of letters.' (xv). This is presented as a response to James Harris's ingenious contention that the diverse ends of Hume's oeuvre cannot be subsumed under a single program. The authors emphasize that Hume's enthusiasm for commercial society and development was much stronger and less qualified than that of his younger friend Adam Smith and later admirers such as John Maynard Keynes (xiv). Moreover, his greatest contribution to political economy 'stems from the philosophical acumen he used to enrich his economic analysis writ large' (5). But while Hume is generally regarded as a greater philosopher than Smith, John Stuart Mill and Karl Marx, he has been underestimated as an economist. His approach to political economy was 'forged with the aspiration of discovering general laws but also with an eye to practical applications', and in this respect, he paved the way for Smith's understanding of the science of political economy as a 'branch of the science of a statesman or legislator' (56). For this reason alone, his contribution to economic thought merits attention.

Hume's interest in economics did not start with the *Political Discourses*. In 1734, in his early twenties, Hume worked as a clerk for a sugar merchant in Bristol, generally considered to be the second city of the British Empire at the time (32). In Book 3 of *Treatise of Human Nature* (1739-40), Hume wrote about property conventions as the surest way to societal improvement. In his first batch of *Essays*, economic considerations played a key role in essays such as 'Of Civil Liberty' (1741) and 'Of the Rise and Progress of the Arts and Sciences' (1742). The authors also argue that Hume's recasting of Book 3 of the *Treatise*, *An Enquiry concerning the Principles of Morals* (1751), can be read as an important contribution to economic theory, in contrast to the eminent Hume scholar Duncan Forbes (11). In short, *A Philosopher's Economics* is far from being exclusively concentrated on the *Political Discourses*, important as it is.

Since Hume believed that economic conditions shape the political, social and cultural features of an age, he can be regarded as a 'historical materialist', the book's authors contend. In this way, Hume foreshadowed the later contributions of Marx and Max Weber. (6). Perhaps most importantly, Hume believed that modern representative government was a direct result of the rise of commerce which had enriched the commons in England since the Tudor era – a leitmotif in *The History of England* (6 vols, 1754-61). Moreover, the spread of sciences and arts, as well as more refined manners, were unintended consequences stemming from the expansion of modern commerce (7). Conspicuously, Hume emphasized that religious toleration and commercial advancement moved in tandem, as evidenced by the great trading towns of Europe: London, Amsterdam, and Hamburg (12). Hume was no simple reductionist, however, but rather believed that political and cultural practices acted symbiotically with economic ones to create a *Zeitgeist*.

As an economic theorist, Hume is perhaps most celebrated for discovering the so-called specie-flow mechanism, without using the term. We learn from the book that while Thomas Mun had already identified the key insight in the seventeenth century, Hume is rightly associated with the achievement since he 'significantly broadened and extended the analysis' (144). This theory indicates that an excess in specie generates rising prices, leading to a preference for imported goods and the outflow of the extra money. For this reason, the quantity of money would always correspond to the real level of economic production and trade. Worrying about the shortage of money was tantamount to being concerned about the exhaustion of springs and rivers, according to Hume. Instead, countries should focus on fostering industry and commerce, which were the real sources of wealth. Hume's insight

immediately influenced Smith, as is evident from the student notes of his lectures on jurisprudence (150-1). In 1975, Milton Friedman emphasized that monetary theory had only made marginal advances since Hume (208). However, Hume's economic thinking was neither flawlessly prophetic nor exclusively optimistic. Notably, his conviction that Britain's expanding national debt would bankrupt the country proved unfounded. The reason, the authors suggest, is that Hume lived before industrialization and could not have predicted the rates of future economic growth that would finance Britain's rising debt through the Napoleonic wars (22).

The book makes much of Hume as a spokesperson for the rising 'bourgeoisie' and industrious middle class (e.g. 113-18, 238). There is certainly plenty of textual evidence to back up this claim. Importantly, the book stresses that 'Hume celebrated a low rate of interest because it facilitated borrowing by enterprising merchants, manufacturers, and entrepreneurs.' (172). However, this approach is potentially more problematic as a general framework than the book's presentation suggests, since it is far from certain that a distinct economic group corresponding to this category was discernible in Hume's lifetime. The 'middle station' and the 'middle ranks' were imprecise and flexible terms that could carry a range of political and social meanings in the eighteenth century. When using such terms, Hume may have referred to his own order of gentlemen (lairds in Scotland and gentry in England) as much as merchants and craftsmen. When Hume was writing that 'the Middle Station, as it is most happy in many Respects, so particularly in this, that a Man plac'd in it, can, with the greatest Leisure, consider his own Happiness, and reap a new Enjoyment, from comparing his Station with that of Persons above or below him' (115), the word 'leisure' indicates that Hume may have referred to the condition of an independent man of letters rather than a man of commerce and business.

What is more, there is evidence indicating that Hume was not always supportive of the political power of either the middling sort or 'capitalists'. During the 'Wilkes and Liberty' riots in London, Hume wanted to see 'the Restoration of the Government to the King, Nobility, and Gentry of this Realm.' (Hume to William Strahan, 25 October 1769). In his essay 'Of Public Credit', Hume expressed fears that the unstable and mobile nature of 'stockjobbing' would undermine the political influence of hereditary, landed wealth:

Adieu to all ideas of nobility, gentry, and family. The stocks can be transferred in an instant, and being in such a fluctuating state, will seldom be transmitted during three generations from father to son. Or were they to remain ever so long in one

family, they convey no hereditary authority or credit to the possessor; and by this means, the several ranks of men, which form a kind of independent magistracy in the state, instituted by the hand of nature, are entirely lost; and every man in authority derives his influence from the commission alone of the sovereign...the middle power between king and people being totally removed, a grievous despotism must infallibly prevail. The landholders, despised for their poverty, and hated for their oppressions, will be utterly unable to make any opposition to it.

In this context, proprietors of landed wealth were the relevant ‘middle power between king and people’ (199). But at other times, Hume does undoubtedly come across as a proponent of the rising group of commons, which included tradesmen and merchants along with the lower gentry. Schabas and Wennerlind rightly highlight that ‘Hume defies ready classification’ (210). Moreover, as they argue in the final chapter of the book, Hume’s eclecticism and versatility meant that he later could become an inspiration for left-leaning liberals such as Keynes and Paul Krugman as well as right-leaning libertarians such as Friedrich Hayek and Friedman.

In general, this book, suitably co-written by a philosopher and a historian, is a landmark achievement. It offers a wide-ranging survey of Hume’s political economy and views on commercial and financial matters in the *Political Discourses*, other essays, his philosophical and historical writings as well as his private correspondence. Hume’s writings and observations are contextualized with an eye to both intellectual and economic history. In a word, *A Philosopher’s Economist* is essential reading for Hume scholars and historians of economic thought alike.

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