

## A Philosopher's Economist: Hume and the Rise of Capitalism

by Margaret Schabas and Carl Wennerlind, Chicago, University of Chicago Press, 2020, 328 pp., \$93Au. ISBN 9780226597477

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## BOOK REVIEW

**A Philosopher's Economist: Hume and the Rise of Capitalism**, by Margaret Schabas and Carl Wennerlind, Chicago, University of Chicago Press, 2020, 328 pp., \$93Au. ISBN 9780226597477

History of Economic Thought Society of Australia members had a foretaste of this book in Margaret Schabas's Keynote Lecture at our 2015 annual conference in Sydney. As the authors explain in their preface, this book is the culmination of a long-term project, going back to the primary sources and archives, and which has already produced several essays and an edited book on Hume's economics. In my view the book we now have has been well worth the wait. It is a major contribution to Hume studies, the history and philosophy of science, and of course to the history of economics.

Hume's fame as philosopher – perhaps the greatest philosopher to have written in the English language – has for contemporary readers overshadowed his economics. His friend Adam Smith's rise to fame as the founder of the discipline of economics has also tended to pull contemporary readers' attention away from Hume's economic writings, or else reduce their significance to their influence on Smith's *Wealth of Nations*. The exception to the neglect of Hume's economics has been Hume's monetary theory, but there again it has been interpreted mostly in relation to later developments such as Friedman's quantity theory, or the monetary approach to the balance of payments, rather than on its own terms.

Schabas and Wennerlind offer the first comprehensive treatment of Hume's economics in its eighteenth-century context. The only previous work remotely approaching their contribution is Eugene Rotwein's introduction to his 1955 collection of Hume's essays, based on his 1950 University of Chicago PhD dissertation, 'The Economic Thought of David Hume', supervised by Jacob Viner and Frank Knight. Or perhaps John Berdell's work though the emphasis is on rational reconstruction and he only deals with a small subset of Hume's economics.

Many commentators on Hume have argued for a particular unifying theme in his philosophy, from naturalism for Norman Kemp Smith, empiricism for A. J. Ayer, Pyrrhonian scepticism for Richard Popkin, to anti-religion for Paul Russell. Schabas and Wennerlind argue that 'Hume's life and writings form an integrated whole centred on his economics, broadly construed, as a unifying thread' (6), or at least that economics can be argued to be more unifying than anything in his epistemology or metaphysics (13). The breadth of material from Hume's works that they connect to his economic concerns and the relationship between his economic concerns and the other themes of his philosophy make Schabas and Wennerlind's bold claim plausible in my view.

Their introduction also deals with terminology. Hume's 'science of politics' includes what we would call economics. Sometimes he writes of 'commerce' viewed scientifically. 'Political economy' was not yet in common usage and when Hume used the term 'oeconomy' it was in the ancient sense of household budgeting, or for an orderly system such as the 'oeconomy of nature'. On this basis Schabas and Wennerlind use the term 'economics' in their book. Economics in this sense is throughout Hume's writings, not just the essays originally published as *Political Discourses* in 1752, and later revised and expanded. They document the economic concerns of Book III of Hume's *Treatise*, his *History of England*, and even Hume's writings on religion

Chapter 1 is an important part of Schabas and Wennerlind's argument where they trace the aspects of Hume's biography that are relevant to economics, including working for a Bristol merchant, his period as secretary to General James St Clair, his European travels and ambassadorial duties. They describe how carefully Hume collected economic data to support his economic arguments.

Chapter 2 is perhaps the most powerful and novel in the book, drawing on Margaret Schabas's expertise in the history and philosophy of science. It notes that unlike his friend Smith, Hume was not a system builder, instead writing essays on particular economic phenomena. These phenomena, not a distinct method, delineated the science of economics. This science was strongly empirical, utilized thought experiments rather than formal models (experimental in Hume's time meant any appeal to observation), sought to reduce economic phenomena to a few universal principles, relied on uniformity in human agency, and usually focused on collectives rather than reducing explanation to the level of individuals. And there is much more in the book on Hume's view of laws, causation, and probability. I found their discussion of Hume's view that moral science is more certain than physical science, and the argument that Hume's debt to Newton was 'overblown' in the literature, particularly enlightening.

Hume was no friend of religious institutions – and perhaps the elements of the eighteenth-century Scottish kirk could be compared to the contemporary Taliban – but Hume's digs at religion are on the whole better informed and more elegant than Schabas and Wennerlind's. For instance the *Dialogues on Natural Religion* are in my view better interpreted as an attack on seventeenth- and eighteenth-century theodicies and attempts to rationally demonstrate certain religious doctrines, than a comprehensive dismissal of religion.

Chapter 3 moves on from methodology to particular phenomena. Hume's view that commercial nations united wealth, happiness and virtue permeated all his writings. The chapter discusses Hume's view of spontaneous order, reason and moral sentiments, justice, property, and the role of government. The idea of money as 'intrinsically semiotic' is introduced, which they will draw on in their later and fuller discussion of Hume's monetary theory.

Chapter 4 discusses Hume's emphasis on the role of the middle class in commercial society, and his positive view of luxury flowing from its role as a spur to emulation.

Chapter 5 is a masterful exposition of Hume's monetary theory, including the specie flow mechanism, his version of what became known as the quantity theory of money, and his opposition to government-issued paper money and to public credit. Schabas and Wennerlind argue that for Hume the interest rate is not a monetary phenomenon, and instead connected to the rate of profit through the opportunity cost of capital.

Chapter 6 deals with international trade, where Hume in a time of constant warfare saw a linkage between trade and peace, and emphasized the mutual benefits of trade. In this chapter the contribution of Istvan Hont to our understanding of the economics and politics of early modern trade is particularly evident – from Hont's 1974 Hungarian dissertation on Hume to his *Jealousy of Trade* and various essays which are still being posthumously published.

As an aside, one danger with the welcome move of the history of economics into wider intellectual history circles, we must be careful not to lose the capacity to deal precisely with points of economic theory. Schabas and Wennerlind's treatment of monetary economics and international trade is mostly exemplary in this regard, but a rare slip is in their discussion of the so-called rich country poor country debate between Hume, Josiah Tucker and others, that Hume had a theory of comparative advantage not just absolute advantage in

trade. I agree completely that Hume grasped comparative advantage, but a concept of absolute advantage is only coherent, and the distinction between competitive and absolute advantage introduced by J. S. Mill only tenable, if one has a labour theory of value (or some other objective measure of value). Mill's essay was discussing Ricardo who clearly had such a theory of value, but it is hard to argue such a distinction is tenable in Hume's case (see 181). Hont (2005, 68–70) also fudges this one.

Another minor annoyance comes from the vastness of the secondary literature on Hume and Smith. Jacob Viner is criticized by Schabas and Wennerlind (219) on the basis that an article by Frank Petrella interpreted Viner's reading of Smith's reading of Hume on what came to be known as the price-specie-flow mechanism was erroneously. In reading authors like Hume and Smith we need as much as possible to stick to their writings, which Schabas and Wennerlind mostly do very well. Incidentally Viner was a great admirer of Hume, from his student essay on Hume's 'Idea of a Perfect Commonwealth' to the letter at the end of his life to Bertil Ohlin where he wrote that 'I am afraid that in my old age I will be (philosophically) more of a disciple of Hume than I was ever before' (Letter of 21 July 1967 in the Jacob Viner papers at Princeton). Appreciation of Hume's philosophy and economics recurs in Viner's correspondence, though in Viner's published work it is Smith who receives much more attention.


Schabas and Wennerlind's final Chapter 7 deals with Hume's legacy. Part of this is obviously Hume's influence on his younger compatriot Adam Smith, beginning with Smith being busted in his Balliol room in possession of a copy of Hume's *Treatise*, progressing through their meeting in 1750, to Hume's reading of drafts of the *Wealth of Nations*. They did not always agree but there was a common set of questions, which Schabas and Wennerlind discuss admirably. They also discuss Hume's reception in Europe, in nineteenth-century England, and in America. I found the contrast between the (American) libertarian and liberal receptions of Hume less than convincing, and would have liked to hear much more about the wider reception of Hume's work. With their detailed and long-term research nobody would be better qualified to provide this. There are not many books where one wishes for more while reading the final chapter.

Overall this is an excellent book and a major contribution to the literature on a topic that was in need of attention. It is one of those books that can change our view of the history of economics. Schabas and Wennerlind's economic reading of Hume will no doubt also be much debated in philosophy common rooms. Their book is a model of scholarship in the history of economics, combining careful contextual work with an eye for contemporary issues.

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