

War among the Sovereign States and the Generation of Economics

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Abstract:

The focus of this paper is the wars in Europe from the middle of the seventeenth century to the early nineteenth century and their relationship with contemporary economics¹ (limited to England and Scotland). As for the relationship between war and economy, there has been the accepted view that war may arise due to particular economic interests. While it is true that early mercantilists saw foreign trade and war as inseparable, major economists in this period did not find a cause for war in economy. Economists wrestled with the practicalities of financing war, such as the tax reform, but as public loans were enlarged for the expenditure of war, warned against mercantilist wars and the bankruptcy of the state. Smith and Tucker had different opinions about the independence of the American colonies, and Malthus and Ricardo disputed the causes of the recession that followed the Napoleonic Wars. The economists of this era, although considering war as a political matter, continued to look for ways to evade war. The issue of war as a struggle for supremacy between states was expected to be replaced by efforts to strengthen commercial and industrial competitiveness in the free trade market.

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I Introduction

This paper was written under the Conference Common Theme, titled ‘War and Economics.’² Regarding the theme, there is a consensus that it cannot be said that the present age is entirely unrelated to war, because though the full-scale war seems to be fading away, local wars and terrorism have become common, and the coexistence of military and civil affairs continues. This paper aims to

1 In this paper, I use ‘economics’ as a general term for political economy and economics.

2 The conference was held as “JSHET Annual Conference 2016,” from 21–22 May at Tohoku University. The organisers were T. Dome and A. Komine.

clarify how economists who faced historical crises and wars conceived of economics, and what kind of role they played in proceeding war or building peace (that is, how they intended to re-establish stability, safety and order).

The focus of this paper is the wars in Europe from the middle of the seventeenth century to the early nineteenth century and their relations with contemporary economics (limited to England and Scotland). In this time of the formative period of sovereign states and capitalistic economies, so-called mercantilist wars were frequent, and the first national war³ was also waged. The political economy or economics that were generated and developed in this age made direct or indirect mentions of war and discussed its relationship with economies.

As for the relationship between war and economy, it has been the accepted view that war may arise due to certain economic interests and concerns. One should remember that Lenin (1870–1924) attributed the Great War to the interests of monopoly capitalism, which has drawn a controversial view that still deserves examination.⁴ In the period discussed in this paper, it is remarkable that some economists were convinced of the economic necessity of war, even though the majority emphasised the economic damage it caused. However, no economists in this period downplayed the likelihood of war, as many of them probably grasped that war itself was a matter of politics.

As for the layout of the paper, section II, bearing in mind the so-called mercantilist wars that developed in the seventeenth to eighteenth centuries over foreign trade, begins the examination with a discussion on wars over commercial rights and national hegemony. Then, the economics of tax systems and public funds for the financing of wars are taken up. The examination then deals with a definite statement of doubt as to mercantilist wars. Section III remarks that these wars were also conflicts over colonies, and the controversy over colonial problems is examined. Section IV, focusing national wars from the end of the eighteenth century to the early nineteenth century, investigates the interaction between war and economics. Finally, section V presents a provisional conclusion.

3 Clausewitz ([1832] 1993) understood the Napoleonic Wars as a new form of war based on the strength of nations.

4 The following comments are suggestive: 'It is assumed in Lenin's book that the state in the period of *spätkapitalismus* is necessarily to be regarded as the instrument of monopolist strategy' (Robbins 1939, 35). 'You cannot conceive a choice of peace or war which was expressed through the market' (Robbins 1957, 29–30). 'Many historians have tried to account in economic terms for the violence [war] . . . but in so doing they have merely projected a schema applicable enough to the imperialist era back onto an earlier time' (Lefebvre [1974] 1991, 276).

II Mercantilist Wars and Economics during the Formation of Capitalism

1. Foreign Trade and War

Wars from before early modern times might be described as struggles among local powers to enlarge ruling areas, but since the ruled domains were gradually integrated and finally established as sovereign nation-states, cross-national wars came to have a strong economic meaning in terms of gains in foreign trade. Looking at England, we recall at first the England vs. Spain wars from the late fifteenth to early seventeenth century and the England vs. Netherlands wars from the middle to the latter half of the seventeenth century. Economic documents about trade issues started to appear in the backdrop of these wars, which have been described as ‘crowned by mercantilism.’

I will first examine a prominent figure among the early mercantilist economists, T. Mun (1571–1641), the author of *England's Treasure by Forraign Trade* (1664, published posthumously and estimated to have been written in the 1620s). Mun, a director of the East India Company, argued against claims that the then economic depression was caused by the export of silver by the East India Company. According to Mun, the silver exported from England was assigned to the import of such goods as pepper, fragrance, and so on; these goods were re-exported to the Continent and came back to England as gold and silver. The East Indian trade in fact made a great contribution towards increasing money in England as a whole (the so-called ‘theory of general balance of trade’).

It is remarkable that Mun insisted on improving the balance of trade but denied any effects of the increased money supply on prices. The ‘ways and means’ of improving the balance of trade that he proposes were increasing the supply of natural wealth, diminishing imports by refraining from the excessive consumption of foreign goods, and manufacturing exportable commodities. Mun regarded the balance of trade as an index of national wealth, but emphasised substantially increasing overall wealth through industry and savings.

In this line of thought, we come across his view on war. He argued, that even if money had been brought into England via foreign trade, it ‘helps us nothing except the evil occasions of excess or war afore-named be removed which do exhaust our treasure’ (Mun [1664(1620s)] 1910, 29). He considered war itself as damaging national wealth, and gave examples to prove it: ‘Besides the disability of the Spaniards by their native commodities to provide foreign wares for their necessities, (whereby they are forced to supply the want with money) they have likewise that canker of war, which both infinitely exhaust their treasure. . . .’ (ibid., 33).

Mun's view on war changed, however, when he talked about the Netherlands.⁵ He did not hide his hostility toward the Netherlands and insisted that its prosperity was created by taking wealth away from England. For example, their fishing for herring and cod was developed in 'the sea of my His Majesty'; with regard to their fishing rights, he insisted: 'I will only say, that such titles would be sooner decided by swords, than with words' (Mun [1664(1620s)] 1910 103). War was not rejected in Mun's thinking.

In the late seventeenth century, public opinion once again turned against the East India Company. Indian calico and Persian silk fabrics brought in via East Indian trade were criticised for competing with British wool products and the domestic silk fabrics market. *An Essay on the East = India = Trade* (1696) published by Davenant (1656–1714) during the Nine Years' War (1688–1697) defended East Indian trade.

At first, with regard to the import of calico and silk fabrics from the East Indies, as these provided useful clothing for people at home and in the colonies, Davenant did not propose ending this trade but rather continuing it so as to supply cheaper products to people. In England, however, he thought that the production of wool products of good quality for export and not domestic consumption should be encouraged to improve the balance of trade for England.

Davenant's argument also had a political motivation concerning war. At that time, England had lost the competition with the Netherlands over the Spice Islands (Moluccas archipelago); the main goods imported from the East Indies became calico and silk fabrics, while the export goods from England became only woollen products. Davenant pointed out that 'Should we quit the hold we have in India, and abandon the traffic, our neighbours the Dutch will undoubtedly engross the whole' (Davenant [1695] 1967, 94). 'Is there anything in the world that should be more thought a matter of state than trade, especially in an island?' (ibid., 86). For Davenant, war was necessary not only to maintain trade but also to defend the state.⁶

2. The Financing of War and Public Finance

Moving away from foreign trade, we meet another link by which war is connected with economics; the financing of war. In seventeenth century England, domestic (the Puritan Revolution and internal disturbance in Ireland) and for-

5 A Dutch scholar asserted as follows: 'The date of publication was perhaps significant, for the whole logic of Mun's argument was, as will appear, anti-Dutch' (Wilson [1957] 1978, 19).

6 For Davenant, power (or security) and profit are discussed as an unite (Cf. Schumpeter 1954, 347–48).

eign wars continued to require vast funds; as a result, they created an important field of economics called public finance.

W. Petty (1623–87) wrote *A Treatise of Taxes & Contributions* (1662) and *Verbum Sapienti* (1669, published posthumously and estimated to have been written in 1665) inquiring into the financing of war. Although Petty was dispatched to Ireland by the government of the Commonwealth and acted as a conqueror, he was not at all positive about war itself: ‘An Offensive Forreign War is caused by many, and those very various, secret, personal distastes colored—with public pretenses; of which we can say nothing’ (Petty [1662] 1986, 21). Sceptical of foreign wars, Petty reported on the serious human material damages created by the civil war in Ireland. However, no one can deny that he encouraged preparation for internal conflicts and foreign wars. He said that ‘Ireland is a place which must have so great an Army kept up in it’ (ibid., 5) and ‘If the war with Holland continues two years longer. . .’ (Introduction).

To finance wars, Petty proposed reforming the tax system so that the whole nation bore the expenditure. The land tax ‘monthly assessment’ was criticised because it assessed only the top level, —that is, ‘leased land agriculture with a landowner.’ Another error was ‘Laying the whole Burden on the past Effects, and neglecting the present Efficiencies’ (ibid., 114). According to Petty, the wealth of the nation consisted not only of land and capital assets but also of current ability [labour]; his conclusion was that taxation should be borne by both sides. The nominated taxes on holders of properties were a land tax, a tax on domestic animals, a movable property tax, and a house tax; and as taxation on the nations, poll tax and excises.

The tax reform proposed by Petty for a time meant fairness and efficiency in the method of financing war, and also represented an epoch-making transformation corresponding to the switch to a modern national tax-system from the pre-modern system based on a land tax.

Petty made his arguments in the period of the Restoration, and after the Glorious Revolution, in *An Essay upon Ways and Means of Supplying the War* (1695), Davenant followed the argument of Petty; the expenditures of war should be borne by the whole nation. As the Glorious Revolution advocated Catholic exclusion, which crossed swords with the alliances of Netherlands and Austria, the English government, starting with the conquest of the Catholic country Ireland, pursued an anti-France war, and then advocated financial stringency. The government wanted to finance the war by introducing a land tax (1692) and a government bond system (1693), and by establishing the Bank of England (1694), which underwrote government bonds; these moves were criticised by Davenant.

In Davenant’s opinion, the war with France (the Nine Years’ War) was sig-

nificant to maintaining freedom from the powerful monarch Louis XIV: 'We took this war in hand to assert the liberties of Europe and, to encourage us too to carry it on' (Davenant [1695] 1967, 10). In view of this significance, Davenant argued against a land tax levied unequally, tonnage tax affecting trade, poll tax disaffecting the people, etc. Instead, he proposed a new way to finance the war: 'Excises seem the most proper Ways and Means to support the government in a long war, because they would lie equally upon the whole, and produce great sums, proportional to the great wants of the public' (ibid., 62).

This proposal contained his idea for national mobilisation to preserve freedom⁷ and for ethic control to regulate the extravagances of the nation during war. Davenant especially called for the new moneyed-rank that grew up depending on the public loan system to bear an appropriate burden.

The theories of war financing of Petty and Davenant were formed during the advent of mercantilist wars, but in turn they contributed to the continuance of wars and also established the modern sovereign state, in which people became a nation and supported its public finance.

3. Boast of an Industrial Power and Doubt as to the Mercantilist War

The Nine Years' War ended in 1697, but the War of the Spain Succession (1702–13) broke out after the turn on the century, and other conflicts followed; thus, the eighteenth century also became an age of war. However, we can see some sceptical opinions from economists regarding such warfare at the beginning of the eighteenth century.

In his book *A Plan of the English Commerce* (1728), Defoe (1660?-1731) indicated his doubts about mercantilist wars: 'As we lose more by a War, so we gain more by a Peace, I mean in Trade' (Defoe [1728] 1967, Appendix 35).

According to Defoe, England was at that point the richest and most populous and powerful country in the world. For him, this boast derived fully from trade (commerce and industry), but the nobility and landed class were frequently hostile toward the peaceful trading world, because they despised commerce and industry. This wrong-minded prejudice disregarded the fact that commerce and industry had been introduced into the country earlier and brought prosperity to England.

Defoe pointed out two superior points in the economy of England at that time. One was the creation of high-quality products supported by a high wage.

7 For Davenant, nations had to fight for the liberty. 'The liberty which was envisaged here was a double one. It meant the independence of a country . . . it primarily meant the security of property and protection from legalised plunder carried out in the name of taxation' (Hont 2005, 203).

The skilled labour of English workmen produced goods that fetched better prices on the foreign market. In contrast, French workers working for low wages produced low-priced products, but they could not beat English products.

Another English strength was the self-sufficient economy which raised all of the funds for her trade and produced all of the commerce within her sphere (including her colonies). Taking wool products as a representative English product, she cut the wool as a raw material, produced it into textiles and carried these goods abroad in her ships. This was different from the Netherlands' simple practice of buying and selling.

Proud of the English economy, Defoe said, 'It is the longest purse that conquers now, not the longest sword' ([1728] 1967, 52). According to Defoe, poor states could not avoid people having to serve in the armed forces and war became unavoidable, but if employment came to be borne by the development of commerce and industry, war would not be necessary.

It is well-known that David Hume (1711–76) criticised the mercantilist theory of the balance of trade with his quantity theory of money. Since money flowing into a country raises prices and then weakens exports and enlarges imports, the balance is destined to dissolve.

Hume did not deny the significance of foreign trade; instead, he made much of it. In his view of civilisation, the prosperity of a country is realised by an industry of civilised people and prompted by the extravagance brought in through foreign trade. Unfortunately, the policies of foreign trade up to then had been subject to strong jealousies over the balance of trade, not only in economic terms but also in political ones; the commercial nations often tended to 'look on the progress of their neighbours with a suspicious eye' (Hume [1752] 1882, 345) and thought that their own country could not prosper without assuming other countries' sacrifices. Therefore, the previous government intended to turn trade and industry, in part, to public advantage. However, it would only be able to do so if we could 'infuse into each breast so martial a genius, and such a passion for public good' (ibid., 294), but this method was 'too disinterested and too difficult to support' (ibid., 295). The most natural course of things was in that trade and industry, driven by the resulting extravagances of international commerce, would increase not only the power of the state but also the happiness of private men.

Then, Hume turned his criticism to warfare and the related financial policy. By contrast with ancient times, in which preparations for war involved the accumulation of munitions and funds during peacetime, it was common in that age to mortgage the national future to finance war. The custom of passing on debts to the next generation was destructive, because at first, the trades-men and bondholders that gained through public loans lived in the capital city but the pay-

ment of interest was taken on by people in the districts, thus producing regional disparities. Then, as the public loan was a form of money, it caused prices hikes, while taxes for the interest payments also raised wages. Hume affirmed, however, that these injuries to the economy were less considerable than ‘the breach of national faith’ (Hume [1752] 1882, 371).

Such a breach of national faith might have occurred in two ways. First, the government might have pocketed public funds which had been created in preparation for repaying public bonds. ‘This, I think, may be called the *natural death* of public credit’ (Hume [1752] 1882, 372, italics added by Hume). Secondly, the nation’s children, disliking the burden of financing the war, might sit and watch their country be oppressed and conquered. Hume called this ‘the *violent death* of our public credit’ (ibid., 374). Hume was anxious not only about economical bankruptcy, but also the collapse of the state.⁸

The fear of national bankruptcy seemed to be strong for the views on war of J. Steuart (1713–80), who wrote *An Inquiry into Principles of Political Oeconomy* (1767). In this book, he disclosed the principles of modern politics to administrators. In modern times, when desires were met and people acted only in their own interest, the public spirit, which was vital for a society to be maintained, had to be prepared by administrators. ‘Were everyone to act for the public, and neglect himself, the statesman would be bewildered’ (Steuart [1767] 1995, vol. 1, 221).

Thus, Steuart considered the desire for luxury as a powerful incentive for people to become industrious, with a nuance to Hume, who pointed to extravagances brought in through foreign trade, and took account of the existence of money. According to him, money is ‘an imaginary wealth’ with no substance, but once it is introduced into their lives, people become fond of it as a means to obtain goods, and luxury appears; money is ‘the spring of the whole machine’ (Steuart [1767] 1995, vol. 1, 154). Steuart therefore evaluated such foreign trade that was demanded by foreign countries and brought money into Great Britain. The great foreign demand for British-made goods had to be maintained, and therefore employment in the manufacturing sector needed to grow. The preparation for this was the duty of the administrators, because the attainment of a ‘balance of work and demand’ was the pivotal point for the stability of the national economy.

Steuart acknowledged the positive effects of the public credit system, because it could augment the national income by activating stagnant money. On the other hand, he did not hesitate to express his fear about the present crisis:

8 For the ‘natural death’ and ‘violent death’ in Hume, see Pocock (1975, 496) and Hont (2005, 329).

'While the debtors are the masters, there is no difficulty of getting clear of debts; but if the consequence of this new system should be to make the creditors the masters, I suppose the case may be different' (Steuart [1767] 1995, vol. 4, 117). He was anxious that 'monied interests' might influence the spirit and manners of the people; for example, 'landlords were enchanted by the ease and affluence of those who have their capitals in their pocket-books' (ibid., 123).

In this context, Steuart expressed his view on war thus: 'But how often do we see ambition putting on the face of public spirits, and animating the resentment of a nation, under colour of providing for her security? Hence wars, from wars expence: recourse is had to credit, money is borrowed, debts are contracted, taxes are augmented' (Steuart [1767] 1995, vol. 4, 120). Steuart had the political insight that wars were often undertaken through the ambition of a sovereign to gain supremacy over neighbouring countries, but he also recognised that the current wars were economically based on the national credit system. Steuart, like Hume, warned of bankruptcy: 'I say, that by continuing to carry on long and expensive wars, the sum of interest paid to strangers should exceed all that the nation can gain by her trade . . . that I cannot discover any expedient to avoid a bankruptcy' (ibid., 144).

III War as a Scramble for Colonies and Economics

So far, we have examined the mercantilist wars mainly with a focus on the struggle for foreign trade and routes. However, mercantilist wars were also a scramble for colonies, and this reached its peak in the war between Great Britain and France in the middle of the eighteenth century.⁹

1. Adam Smith on the War over Colonies

As many studies show, the subject of Adam Smith's economics was a critique of mercantilism that took its first priority as foreign commerce (money). Smith strongly reproached such monopolistic policies intended to bring particular gains to foreign merchants. This subject directly followed his criticism of mercantilist wars: 'Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity' (Smith [1776] 1976, vol. 1, 493).

With regard to the above tensions, Smith gave an example: 'Higher duties are imposed upon the wines of France than upon those of Portugal, or indeed of any other country' (Smith [1776] 1976, vol. 1, 473). This situation resulted

9 Positive evaluations of the colonial system of England can be found in J. Child (1630–99), Davenant, Defoe, etc.

from 'the impost law 1692,' which imposed a 25% tax on all products from France, and also from the Treaty of Methuen in 1703, by which England admitted imports of wine from Portugal at two-thirds of the tax which she imposed on wine from France. According to Smith, such trade restrictions not only removed from the English nation the pleasure of enjoying cheap wine from France through free trade, but also antagonised England and France, causing the friendship and peace between the two countries to be broken.¹⁰

Smith's economic views were born against the backdrop of the Seven Years' War, but it was in the middle of the American War of Independence (1775–83) that he wrote the *Wealth of Nations* (1776). I will now discuss the problem of America.

As to its new colonies in North America, Smith's analysis was that England led its colonies to prosperity, in comparison with those constructed by Greece or Rome, or the colonisation of the West Indies by Spain or Portugal. However, in addition to trade between Great Britain and its colonies being regulated by the acts of navigation, a colonial product that jeopardised the monopoly of merchants and manufacturers in the British market was barred from being imported to Great Britain, or the industry was prevented from prospering in a colony in the first place. Smith decried such interference with the colonies: ' [It is] only impertinent badges of slavery imposed upon them [colonies], without any sufficient reason, by the groundless jealousy of the merchants and manufacturers of the mother country' (Smith [1776] 1976, vol. 2, 582).

In contrast, Smith pointed out that Europe derived two advantages from the colonisation of America. The first was a general advantage for Europe as a whole, through the increase of its enjoyments of colonial products and the augmentation of its industry through the export of its products to the colonies. The second was the particular advantage which each mother country derived from its colonies. As one of them, we might suppose that a colony furnished the cost of its defense or its civil government. However, according to Smith, the European colonies of America never furnished any funds for military forces and hardly ever covered civilian costs. As for another advantage, the mother country could be sure to monopolise the peculiar advantage that belonged to its colonies. Smith pointed out, however, that such a monopolistic advantage was only 'the relative advantage' that was provided by suppressing the industry of other countries, in comparison with 'the absolute advantage' that would be gained from free trade.

Smith stated that 'Under the present system of management, therefore,

10 'Smith showed that mixing the logic of war and trade led to economic policies that were mistaken and inefficient' (Hont 2015, 114).

Great Britain derives nothing but loss from the dominion which she assumes over her colonies' (Smith [1776] 1976, vol. 2, 616).

So, how should Britain have undertaken her colonial relations thereafter? If Britain abandoned a colony voluntarily and concluded free trade agreements between colonies and the mother country, it would have been much more advantageous to the nation than the exclusive trade of the time. Smith supposed, however, as to relinquishing a colony by oneself, 'such a measure as never was, and never will be adopted, by any nation in the world' (Smith [1776] 1976, vol. 2, 616). Why was this? The reason was that even if it was in line with the economic advantage of the nation it would hurt its pride and also go against the interests of some rulers.

Under the existing conditions, the assembly of Britain persisted in taxing the colonies to maintain its empire, while the colonies refused to be taxed by an assembly in which their representatives could not take part. Smith suggested that Britain accept freedom of trade for each colony, and instead of imposing taxes similar to the mother country, the assembly of Britain receives representatives from the colony; that is, he proposed the union of Britain with her colonies.

According to Smith, human beings do not act solely because of economic advantage nor through love for others; however, despite noticing the emptiness of ambition and pride and ugliness of jealousy, they are not able to live without such feelings. Smith thought that although it was desirable from an economic point of view to allow American independence, it would be difficult in terms of politics and human nature, but there might have been a way toward a union.¹¹

2. Tucker on the Abandonment of the American Colonies

J. Tucker (1713–1799), author of *Four Tracts, together with Two Sermons, on Political and Commercial Subjects* (1774), is known as a disputant and early advocate of the total abandonment of the American colonies due to his view on economic theory and the mother country's political interests.

Tucker also criticised mercantilism that aimed to gain money (gold and silver). From Tucker's point of view, how money was acquired was more important. When it depended on laziness, for example, such as the discovery of gold ore or the capture of foreign ships, the money would be wasted by rich

11 For the ground for Smith's suggestion of a union, see: 'For Smith, the only practical solution was one based on recent Scottish experience . . . [which] stimulate economic growth and tax taking in Scotland than the free trade with England and the colonies as established by the parliamentary Union of 1707' (Phillipson 2010, 235). See also, Ross 1995, 268–69.

persons or, as Hume said, would only raise prices and be rapidly lost. However, when it was acquired through the industry of people in a wealthy country, it would be invested in facilities and mastery of skills or knowledge of production, realise a high wage, and enable the emigration of persons of superior talent from foreign countries; as a result, certain elaborated products would be inexpensive to sell overseas and could compete with those of low-wage countries.

He also roundly criticised the mercantilist wars: ‘The wars of *Europe* for these two hundred Years last past, by the Confession of all Parties, have really ended in the Advantage of none, but to the manifest Detriment of all’ (Tucker [1774] 1931, 291).

Naturally, Tucker opposed the Britain vs. America war. According to him, the antagonism between these countries was not a matter that first began with the clumsiness of the Stamp Act. The colonies, acting out of self-interest from the beginning, neither followed the laws and ordinances of the kingdom, nor observed the navigation acts, nor accepted the burden of financing wars for colonial defense or public expenditure for the British Empire. To deal with the refractory behaviour of the colonies, there were two possible options.

The first was to let representatives of the colony participate in the British assembly and create a union. This suggestion was based on the incorrect assumption that no member of the British assembly represented the interests of the American colonies. According to Tucker, as the assembly was based on a delegate system, the delegates stood for the interests of the whole nation, not for the interests of their electoral district. From Tucker’s perspective, as long as the United States was a part of the British Empire, it should share the interests of the empire. However, given the conflicting feelings that existed, Tucker dismissed this possibility.

Another possibility was to quit the colonies completely and acknowledge the independence of North America. Tucker examined some imaginary fears about the separation. On the worry that trade and marine transportation would both be lost, he foresaw that as most of the items that the United States exported to Britain were sold at highest prices and most of the imported goods from Britain were bought at the lowest prices, trade, driven by egoism, would continue after the separation. As for the fear that the United States might fall under the rule of France after the separation, Tucker rejected this flatly because the United States, which was aiming for republicanism could not come under absolute French rule. On the contrary, Tucker put forward the advantages of separation, which were that there would be rulings to restrain the outflow of emigrants from Britain, lowering the cost of governing the colony, providing a premium for colonial products and ensuring payment of the debt to Britain. Furthermore, Tucker pushed the political point that opposition within the current colonies benefit-

ted anti-government groups in Britain: '[the separation] would deprive them of one of their most plentiful Sources for Clamour and Detraction' (Tucker [1774] 1931, 367).

Tucker's theory of colony abandonment was a product of his criticism that the maintenance expense of colonies was a burden under the present conditions and also by his rational economic judgement that British industry, in terms of the productivity of facilities and skills, would be able to maintain international superiority, even within free trade system. It was also a strategic political move to protect the British form of government after the Glorious Revolution from republicanism.¹²

IV Anti-French Revolution & the Napoleonic Wars and Economics

After the American War of Independence at the end of the nineteenth century, Great Britain entered into another major war. The Anti-French Revolution War (1793–1815), which began in response to the French Revolution (1789), including an intermission, developed into a war with Napoleon, who took over the French government in a coup d'état. In contrast with conventional mercantilist wars, this conflict had ideological and political meanings, because it hinged on whether the French Revolution was right or wrong and aroused the national consciousness in these countries in the build-up to war with Napoleon. However, it also had some economic meanings that corresponded to the properties of mercantilist wars, including the continental blockade by Napoleon and the colonial struggle after the war.

Representative economists of their time, Ricardo (1772–1823) and Malthus (1766–1834) began to study the influence of war on the British economy, which had different meanings with respect to its economic influence between the long period since the war started and for a two-year period in the later part of the war.

From the start, they had different interpretations of the causes of the prosperity in the first half of the war. Malthus attributed this prosperity to the expansion of capital investment in foreign trade and the increase of the rate of profit as a result, whereas Ricardo responded that the increase in the rate of profit was due to improvements in agriculture in both Great Britain and foreign countries during that period. As for his reasoning, Malthus adopted Adam Smith's opinion that the general rate of profit increased if the rate of profit increased in a particular sector, including foreign trade. According to Ricardo, however, even if

12 '[Tucker] insisted that the contest with the colonies was a contest for empire' (Pocock 1985, 162).

high profits were gained through foreign trade, they promptly sunk to the level of the general rate of profit. It was only the profits of an agriculture sector which produced food that could lead the general rate of profit. The economic theories of the two were not fully developed but the disagreement between Malthus, who recognised the influence of demand (such as war expenditure) on the general rate of profit, and Ricardo, who attributed changes in the general rate of profit to factors that controlled distribution patterns (such as food prices), had a decisive influence on their economic theories afterwards.

1. War and Malthus' Economics

About the prosperity of the wartime economy, Malthus afterwards pointed out that a raised grain price at that time had a positive effect on the economy (Ricardo 1951–73, vol. 3, 168); and finally in *Principles of Political Economy* (1820), he developed the reasoning that in countries such as Britain and the US, where the pressure of war created big production capacities and supply was tied to the demand triggered by the ensuing prosperity, "They suffered the least by the war, or rather were enriched by it, and they are now suffering the most by peace' (Malthus [1820] 1986, 336).

In his opinion, if the demand created by war was proportional to the available supply, prosperity might be created. Malthus evaluated the national debt system in the war as follow: 'When Hume and Adam Smith prophesied that a little increase of national debt beyond the then amount of it, would probably occasion bankruptcy, the main cause of their error was the very natural one, of not being able to see the vast increase of productive power to which the nation would subsequently attain' (Malthus [1820] 1986, 336–37).

As to the cause of recession for the two-year before the end of the war, Malthus pointed out the big gap between the high demand during the war and low demand after it. As he suggested, the alternative for escaping the recession was to increase the national income at first and create demand. For this purpose, it was necessary that the middle class be increased through the division of land properties, domestic and foreign trade be extended, and unproductive labourers, like servants, be employed.

Malthus did not affirm the war: 'If all governments have any regard for the happiness of their subjects, to avoid all wars and expensive expenditure as far as it is possible, but if war be unavoidable, so to regular the necessary expenditure as to occasion the least pressure upon the people during the contest, and the least convulsion in the state of the demand and the rumination of it' (Malthus [1820] 1986, 346–47). He declared in the last paragraph of his *Principles* that: 'Fluctuations must always bring more evil than good . . . as far as possible, to maintain peace, and an equable expenditure' (ibid., 348).

2. War and Ricardo's Economics

While Malthus understood the evils of war, which bring rapid economic fluctuations of a large magnitude, Ricardo grasped how war twists natural economic activities. When McCulloch argued that the imposition of taxes for war might heavily reduce the quantity of employment in a country, Ricardo contended that the poor would suffer not on account of the quantity of employment but 'on account of the disturbance which it gives to the usual demand for labour' (Ricardo 1951–73, vol. 8, 177). In addition, going against Malthus, who explained prosperity during the war through demand creation by government bonds and taxation, Ricardo affirmed that a country at war might employ a lot more people than usual, but he criticised the situation as follows: 'If I were not call upon for a tax of 500*l.* during war, and which is expended on men in the situations of soldiers and sailors, I might probably expend that portion of my income on furniture, clothes, books, &c. &c.' (ibid., vol. 1, 393–94). That is, even if the quantity of employment increases during a war, the quality of people's lives will be poor.

Ricardo understood the post-war recession as follows: 'The termination of the war has so deranged the division which before existed of employments in Europe, that every capitalist has not yet found his place in the new division which has now become necessary' (Ricardo 1951–73, vol. 1, 90). Generally, in a great manufacturing country like Britain, it is difficult for capital to find the right position after a big change such as a war. Ricardo particularly decried the expansion of the agricultural sector in relation to the inferior land cultivation in the last years of the war; the Corn Laws, which were enacted as a countermeasure against the recession, promoted this abnormal enlargement of agriculture. If it were entrusted to free trade, cheap food would be imported, the rate of profit would rise, and the increased capital accumulation would guarantee a higher standard of living than during wartime.

Primarily, Ricardo began to walk economist path as a Bullionist debater who spoke against the suspension of the conversion of bank notes. The suspension was seen as a product of the war regime and a cause of the instability of monetary value. The final solution to this problem by Ricardo was first to dismantle the artificial system which published bank notes by private citizens such as the Bank of England, and then to establish a national bank which would be managed by an independent committee under the supervision of the Parliament and which would hold authority over the gain of money-issue called the *seignorage*. The interest of the state would return to the public (people).

Furthermore, Ricardo boldly proposed repaying via capital levy the public loan that had accumulated during the Napoleonic Wars. Under this plan, we might find Ricardo's intention to abandon the government bond system itself.

According to Ricardo, there are three modes for financing a war; first to tax, second to borrow via public bond, and third to borrow the principal by bond, but to pay via taxes the part interest and cost of repayment. Ricardo then affirmed: 'Of these modes, we are decidedly of opinion that the preference should be given to the first' (Ricardo 1951–73, vol. 4, 186). Ricardo believed that, 'There cannot be a greater security for the continuance of peace than the imposing on ministers the necessity of applying to people for taxes to support a war' (ibid., 197).

The following remark shows that Ricardo considered the colonial system to be unnatural: 'I allow that the monopoly of the colony [by the mother country] will change, and often prejudicially, the direction of capital' (Ricardo 1951–73, vol. 1, 345). The prospects of Ricardo's economics were that every country would become independent and 'freely to exchange the produce of its industry when and where it pleases, the best distribution of the labour of the world will be effected, and the greatest abundance of the necessaries and enjoyments of human life will be secured' (ibid., 338). However, while Ricardo proposed letting both trading countries save labour through foreign trade, he expected that the developed country would realise a high profit by importing cheap food from the underdeveloped one. In addition, there was the recognition that if an improvement to the manufacturing industry was generated among two trading countries, money would flow in from the other country, reduce the value of money in the country concerned, and increase all incomes of the country. Ricardo's confidence that Great Britain, through the superior productive capacity of its manufacturing industry, would be able to maintain global superiority was passed on to John Stuart Mill, and both believed that peace (Pax Britannica) could be established via the free-trade system. In the following ages, the British Empire, which included new colonies, continued into the nineteenth century, and its prospects, may be described as free-trade imperialism.

V Concluding Remarks

Observing this era as a whole, economists presupposed war as a given, as the problems of an ambitious sovereign or as political matters; and they grasped war from an economic viewpoint as being a loss and a waste of a large amount of expense, and consequently tried to avoid it. By contrast, it is very impressive that all of the economists continued to emphasise the importance of commerce and industry for the survival of England and Great Britain in the world.

While it is true that in the early days of this period, when strategic economic activities for profit acquisition were mainly in terms of foreign trade, mercantilist economists grasped commerce and war as inseparable; but they did not find the cause of war in the economy. As the centre of gravity of economic

activities gradually shifted to domestic industry, economists criticised exaggerated views on the importance of foreign trade and appealed for the industrial competitive edge to be reinforced. These economists also encountered the nation state, a power that was independent of the economy. The state in those days furnished public bonds that could support wars; such the state was established through war, but afterwards it returned to waging the state expensive wars, and as a result, the economy and the state were pushed to the brink of death.

However, these economists, including Smith, criticised the monied interests and the excessive issuance of public bonds associated with war, but did not call the existence of the state into question. In the case of Steuart and Malthus, the state or administrators were seen as being indispensable to the economy. For all of the economists in these times, the existence of war as well as the state could not be denied as a reality.

Ricardo, who shared the above view, on the one hand criticised the interests of landlords as being tied to war, on the other hand understood the climax of industrialisation in Britain as driving out foreign trade from the formation of the general rate of profit in a country. He also insisted on the total abolition of the public loan system. His deep trust in economic principles ruled by a labour (industry) theory of value and his underestimating of the role of the state¹³ seemed to be connected to his pacifism. Ricardo was close at time when politics was understood by economics and came to be regulated by it. We will one day see an age when economics associates free competition with peace and forgets the existence of the state and war.

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13 Ricardo conceived of the representative assembly as a place not where national interests should be integrated, like Tucker thought, but where the interests of economic classes would compete and unanimous agreement would not be easily realised (Milgate and Stimson 1991, 106–07). Judging from the reverse, we might estimate that Ricardo's theory made no presupposition that the state would act as the original power estranged from economic interests.

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